CIRCULAR

Sub :- Centrally Sponsored Schemes - Revised procedure for release of funds and monitoring utilization of funds released - Guidelines – Regarding.

2. Circular No.65/2017/Fin. dated 21/08/2017 (Clarification on banking arrangements).
3. G.O (P) No.51/2021/Fin. dated 15/03/2021 (General permission for opening bank account).

The Department of Expenditure, Ministry of Finance, Government of India has implemented Public Financial Management System (PFMS) - a web-based online software application with an objective of tracking funds released under all plan schemes of Government of India and real time monitoring and reporting of expenditure at all levels of programme implementation. With a view to have more effective cash management and bring more efficiency in the public expenditure management, Government of India has introduced a revised procedure for releasing funds and monitoring utilization of the funds released under Centrally Sponsored Schemes (CSS) to be followed by the implementing agencies w.e.f 1st July, 2021 onwards as per the letter read above.
2. In the above circumstances, the following instructions / guidelines are issued for strict compliance of departments and agencies implementing centrally sponsored schemes.

(1) The Administrative Department concerned will designate a Single Nodal Agency (SNA) for implementing each CSS before June, 2021. The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank (except foreign banks) like State Bank of India, Other Nationalised Banks, Regional Rural Banks, Other Scheduled Commercial Banks (Private Banks) before 15th June, 2021.

(2) In case of umbrella schemes which have multiple sub-schemes, if needed, the Administrative Department may designate separate SNAs for sub-schemes of the umbrella scheme with separate Single Nodal Accounts.

(3) Implementing Agencies (IAs) down the ladder should use the SNA’s account with clearly defined drawing limits set for that account. However, depending on operational requirements, zero - balance subsidiary accounts for each scheme may also be opened for the IAs either in the same branch of the selected bank or in different branches. The timelines for opening of zero balance subsidiary account of IAs or assigning them drawing limits shall be adhered to as stipulated at para 12 below.

(4) All zero balance subsidiary accounts will have allocated drawing limits to be decided by the SNA concerned from time to time and will draw on a real time basis from the Single Nodal Account of the scheme as and when payments are to be made to beneficiaries, vendors etc. The available drawing limit will get reduced by the extent of utilization.

(5) For seamless management of funds, the main account and all zero balance subsidiary accounts should preferably be maintained with the same bank. However, the Implementing Department / Single Nodal Agency may choose different banks for opening Single Nodal Accounts of different CSS.

(6) Only banks having a robust IT Systems and extensive branch network should be chosen for opening the Single Nodal Account of each CSS. The bank chosen should have the facility to open the required number of subsidiary zero balance accounts and a robust MIS for handling accounting and reconciliation at each level. The bank should also provide
a user friendly dashboard to officers at various levels and Finance (Planning – A) Department to monitor utilization of funds by IAs.

(7) The bank's software system should be able to monitor the drawing limits of the IAs who should be able to draw funds on real time basis from the SNA's account as and when payments are to be made. The selected bank should ensure proper training and capacity building of branch managers and other staff for smooth operation of these accounts.

(8) Government of India releases fund to the State strictly on the basis of balance funds of the CSS (central and state share) available in the State treasury and bank account of the SNA as per PFMS or scheme - specific portals fully integrated with PFMS in consonance with rule 232 (V) of the General Financial Rules, 2017. Hence, SNA should ensure proper & timely utilization of funds so as to become eligible for further releases from Government of India.

(9) The SNAs shall ensure that the interest earned from the funds released should be mandatorily remitted to the respective Consolidated Funds on pro-rata basis in terms of Rule 230 (8) of GFR, 2017. Interest earned should be clearly and separately depicted in PFMS, scheme – specific portals integrated with PFMS and in MIS provided by the banks.

(10) Except in case of schemes / sub-schemes having no state share, Administrative Department concerned & Finance (Budget Wing) Department should ensure that separate budget heads with sufficient provisions are maintained for central and state share under each CSS in the State budget.

(11) In the beginning of a financial year, the Central Ministries / Departments will release not more than 25% of the amount earmarked for a State for a CSS for the financial year. Additional central share (not more than 25% at a time) will be released upon transfer of the stipulated state share to the Single Nodal Account and utilization of at least 75% of the funds released earlier (both central and state share) and compliance of the conditions of previous sanction. However, this provision will not be applicable in case of schemes where a different quantum of release has been approved by the Central Cabinet.

(12) After opening of Single Nodal Account of the scheme and before opening zero balance subsidiary account of IAs or assigning them drawing rights from SNA’s account, the IAs at all levels shall return all
unspent amounts lying in their existing accounts, after working cut central & state shares and closing the existing accounts, to the Single Nodal Account of the SNA on or before 20th June, 2021. The Administrative Department / Head of Department shall ensure that the entire unspent amount is returned by all the IAs to the Single Nodal Account of the SNA concerned within the stipulated timeline. SNAs shall keep a record of unspent balance lying in the account of IAs and the amount refunded by IAs. Opening of zero balance subsidiary account of IAs or assigning them drawing rights shall be completed by 30th June, 2021. This timeline should be strictly followed in order to ensure ongoing programmes are not affected in the transition time for new procedure.

(13) The Administrative Department concerned shall take necessary steps to transfer the central share received to the concerned SNA’s account within a period of 21 days of its receipt. Corresponding state share shall be released as early as possible and not later than 40 days of release of the central share. The officers who are responsible for release / transfer of funds will be personally liable for any lapse in this regard. The funds will be maintained by the SNA in the Single Nodal Account of each CSS. Departments / SNAs / IAs shall not transfer scheme related funds to any other bank account, except for actual payments under the scheme.

(14) The Administrative Department / Head of Department shall take necessary steps to register the SNAs and all IAs on PFMS in consultation with PFMS State Directorate, if necessary and use the unique PFMS ID assigned to the SNA and IAs for all payments to them. Bank accounts of the SNAs, IAs, vendors and other organizations receiving funds also need to be mapped in PFMS.

(15) Payments will be made from the zero balance subsidiary accounts up to the drawing limit assigned to such accounts from time to time. Transactions in each Subsidiary Account will be settled with the Single Nodal Account daily through the core banking solution (CBS) on the basis of payments made during the day.

(16) SNAs and IAs shall mandatorily use the EAT module of PFMS or integrate their systems with the PFMS to ensure that information on PFMS is updated by each IA at least once every day.

(17) SNAs shall keep all the funds received in the Single Nodal Account only and shall not divert the same to Fixed Deposits / Flexi-Account /
Multi-Option Deposit Account / Corporate Liquid Term Deposit (CLTD) Account etc.

(18) Finance (Planning - A) Department shall ensure daily uploading / sharing of data on scheme component wise expenditure along with PFMS Scheme Code and Unique Code of the agencies incurring the expenditure through IFMS / Treasury application (BAMS) on PFMS.

3. All the Heads of Departments are directed to convey the content of this circular to all implementing agencies of centrally sponsored schemes under their administrative control for strict compliance. Any lapse in this regard will be viewed seriously.

RAJESH KUMAR SINGH IAS
ADDITIONAL CHIEF SECRETARY (FINANCE)

To,

All the Additional Chief Secretaries / Principal Secretaries / Secretaries to Government
All the Heads of Departments / Implementing Agencies
The Principal Accountant General (A&E), Kerala,
Thiruvananthapuram
The Principal Accountant General (Audit) - I, Kerala,
Thiruvananthapuram
The Principal Accountant General (Audit) - II, Kerala,
Thiruvananthapuram
The Assistant Controller General of Accounts, PFMS State Directorate,
Thiruvananthapuram
The Director of Treasuries, Thiruvananthapuram
Nodal Officer, www.finance.kerala.gov.in

Forwarded / By Order

Section Officer