

F.No.1(13)/PFMS/FCD/2021
Government of India
Ministry of Finance
Department of Expenditure

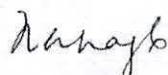
5th Floor, Block 11, CGO Complex,
New Delhi, the 7th July 2021

OFFICE MEMORANDUM

Subject : FAQs on the Procedure for Release of funds under the Centrally Sponsored Schemes (CSS) and monitoring utilization of the funds released.

The undersigned is directed to refer to this Department's Office Memorandum of even number dated 23rd March, 2021 notifying a new procedure for release of funds under the Centrally Sponsored Schemes (CSS). In this regard, please find attached Frequently Asked Questions on the new procedure to facilitate the quick implementation.

2. The new procedure has come into effect w.e.f. 1st July 2021. It is requested that strict compliance of new procedure be ensured.
3. This issues with the approval of the competent authority.


(Abhay Kumar)
Director
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To

1. All Secretaries to the Govt. of India,
2. All Financial Advisers to the Govt. of India
3. All Pr. CCAs/ CCAs of all Ministries/ Departments

**Department of Expenditure, Ministry of Finance
Government of India**

**New Procedure for Release of Funds Under Centrally Sponsored Schemes Issued by DoE
on 23rd March, 2021**

Frequently Asked Questions (Set-1)

Sl.No.	Question	Answer
1	What type of account is for SNAs and IAs i.e. Saving Bank Account or Current Account?	As per Para no. 10 of the OM dated 23.03.2021, an interest bearing account i.e. Savings Bank Account is to be opened for SNAs. In case of IAs, zero-balance subsidiary accounts linked to SNA's account are to be opened with clearly defined drawing limits.
2	Whether all the transactions of SNA Account and the zero balance subsidiary accounts will be mapped first in PFMS?	The State wise, scheme wise bank accounts of SNAs will be mapped in PFMS for fetching/ sharing the information on transactions and balances available therein. As per Para no. 17 of the OM, for payments through PFMS, bank accounts of IAs, vendors and other organizations receiving funds have to be mapped on PFMS.
3	Do banks need to develop a new system for seamless management of funds, limits, MIS etc. for SNAs?	<p>To enable smooth operation of zero balance subsidiary accounts of Implementing Agencies (IAs) and provide real time information on utilization of funds, banks need to develop suitable systems for managing just in time release of funds to down the line agencies, and report the information on balances/interests available to States/Centre (PFMS).</p> <p>SNA's have the following options for the implementation of the guidelines:</p> <ol style="list-style-type: none"> 1. Integrate their own system (existing or newly created) with PFMS for MIS only i.e. post completion of transactions on their systems. 2. Integrate their own system (existing or newly created) with PFMS for payment through PFMS. 3. Directly use REAT module of PFMS. 4. SNA and all child agencies work on the State Integrated Financial Management System (IFMIS) integrated with PFMS. However, in this model too, SNA can't be replaced by Treasury. The State must designate SNAs, open Single Nodal Account of SNAs and IAs in banks and map them in IFMIS. Transfer of funds to PD account by the State or keeping funds in the Consolidated Fund of the state shall not be permitted <p>For options 1 & 2 above, banks shall have to provide assistance, if required by the State governments, for the development/modification of the required systems.</p>

Sl.No.	Question	Answer
4	Whether the transactions will first take place in SNA's external systems or in PFMS?	<p>It depends on the system used by SNA as explained earlier in Ques No-3. SNA's have the following options for the implementation of the guidelines:</p> <ol style="list-style-type: none"> 1. Integrate their own system (existing or newly created) with PFMS for MIS only i.e. post completion of transactions on their systems. 2. Integrate their own system (existing or newly created) with PFMS for payment through PFMS. 3. Directly use REAT module of PFMS. 4. SNA and all child agencies work on the State Integrated Financial Management System (IFMIS) integrated with PFMS. However, in this model too, SNA can't be replaced by Treasury. The State must designate SNAs, open Single Nodal Account of SNAs and IAs in banks and map them in IFMIS. Transfer of funds to PD account by the State or keeping funds in the Consolidated Fund of the state shall not be permitted <p>For options 1, 2 and 4, transactions will originate from the external system. In option 3, all transactions will be on PFMS.</p>
5	What would be hierarchy of IAs? Whether it will be till Block Level or below?	To be decided by the State government/ SNA.
6	How the training to IAs will be imparted to use their zero-balance subsidiary account especially at lowest or Block level?	To be decided by Banks and SNAs. The State Directorates of PFMS shall play a supporting role in respective States.
7	How the existing account balance of IAs which are in different banks will be moved to the SNAs Bank?	This will be a one-time action for transfer of funds through electronic transfer or cheque or any other suitable instrument to be done as per the directions issued by State Government/ SNAs.
8	How the cash drawl will take place in case subsidiary account branch of the IAs is at a distant place?	Cash drawl can be done through cheque or a banking correspondent. As per Para 6 of OM only banks with extensive branch network is to be chosen to handle Single Nodal Account. As such, the chosen bank is expected to provide solution to this aspect.
9	Whether the accounts of IAs, can be opened in Banks other than that of the SNA?	No.

Sl.No.	Question	Answer
10	To implement the new scheme from July 1, 2021 onwards, is it required to pull up all the current funds at IA account level to SNA account to make it zero-balance accounts?	Yes.
11	Some IA's are wanting to withdraw cash, write local payments etc. on the basis of their existing operating model, how should that be addressed?	In case the SNA opts for an external system, like Bank System or SNA's own system, the provision for withdrawing cash can be made in such external system. This can be done through cheques or banking correspondents. No issues are envisaged in these modes as the transaction will happen on the Single Nodal Account. The external system used by the SNA and IAs should have to provision for real time balance availability subject to allocated limits for such payments. The bank selected by SNA shall ensure that payments through checks and banking correspondents etc are ensured so that even functionaries in the remotest corner of the country do not face any problem in account operation. However, if the SNA is working directly in PFMS, where the provision of cheque payment is not there, the option of Print Payment Advice (PPA) in PFMS can be used.
12	Can the lower IAs use the subsidiary account for other schemes and other purposes?	No.
13	Some IAs also have receipts, such as taxes and fees. Can the Single Nodal Account be used for depositing such receipts?	No, except for receipts permitted by the Scheme Guidelines.
14	How the IAs limits will be re-assigned in case of refund of money in their zero balance subsidiary account?	The refund of money should go to the SNA. SNA will allocate the limit to respective IA as per fund availability and requirement.
15	How the banks will be communicated and what will be the procedure if there is a change in IAs limits?	Limits of each IA will be decided by SNA or an IA authorized to do so by SNA. For payments through PFMS, limits can be managed on PFMS. For integrated systems, SNA and banks have to decide the modalities.
16	Whether the drawing limits of all zero balance accounts of IAs will be captured in PFMS for reconciliation?	Yes.

Sl.No.	Question	Answer
17	Would all zero balance subsidiary accounts will have allocated drawing limits to be decided by the SNA concerned from time to time?	Yes, depending on the action plan for implementation of the CSS concerned.
18	Will the drawing limit of IAs be reduced to the extent of utilization in PFMS also?	Yes.
19	What will be Expiry date of drawl of allocated limits for the IAs?	To be decided by SNA.
20	Setting drawing limit is the responsibility of SNA, whereas it is easy to set limits for districts, how would a single nodal agency set and keep updating limits for 79000 odd IAs which include schools etc.? Is there any provision for devolution of powers for setting limits?	It is understood that this will be ensured by banks on the basis of information/orders provided by SNA. Limit allocation will be done by SNA or an IA authorized by SNA. Such protocols are available in PFMS. Similar protocols should also be developed if an external system is used by SNA. In case of PFMS, Excel upload facility for limits will be available in PFMS. Pre-population of Agencies list will also be made available for excel upload.
21	What will be the structure of MIS to be provided by banks for different agencies including SNAs, PFMS, IAs etc.?	For SNA and IAs: To be decided by the SNA/ State Government. For PFMS: As per PFMS requirements.
22	Whether Cheque drawing facility will be provided to IAs against the zero balance accounts?	In case the SNA opts for an external system, like Bank System or SNA's own system, the provision for payments through cheques can be made in such external system. In cheque payments no issues are envisaged as the cheques will be drawn on the Single Nodal Account. The external system used by the SNA and IAs should have to provision for real time balance availability subject to allocated limits for the cheque payments. The bank selected by SNA shall ensure that payments through checks and banking correspondents etc are ensured so that even functionaries in the remotest corner of the country do not face any problem in account operation. However, if the SNA is working directly in PFMS, the provision of cheque payment is not there. But, the option of Print Payment Advice (PPA) in PFMS can be used.
23	Who will develop the dashboard?	Dashboard is to be developed by Bank (Para. no. 6 of OM.) as per the requirement of SNA. If SNA is using an external system, dashboard may be developed by the external system

Sl.No.	Question	Answer
24	How to handle the transactions, if banks are not located at the place of IAs?	The IA can operate the account through a banking correspondent or cheque or online banking in such cases. As per Para 6 of OM only banks with extensive branch network is to be chosen to handle Single Nodal Account.
25	Whether banks are required to maintain the record about the Central share and the state share separately?	Banks need not maintain separate details of State and Central share.
26	How the inter-bank integration and settlement of transactions will be made, if SNA account and Zero balance subsidiary accounts of IAs are in different banks?	The SNA & subsidiary accounts are required to be with the same bank.
27	Whether Bank's CBS /dedicated module will be required to integrate with PFMS also?	Banks are already integrated with PFMS. Necessary changes in exchange of information between banks and PFMS may be made to meet the requirements of the guidelines.
28	What will be the modalities in absence of IT infrastructure at the Block and lower levels, which may hinder the work for IAs?	Accounts can be operated through cheque or a banking correspondent. As per Para 6 of OM only banks with extensive branch network is to be chosen to handle Single Nodal Account. As such, the chosen bank is expected to provide solution to this aspect.
29	For implementation of revised CSS scheme, whether any changes in the payment process for agencies are being made in PFMS?	No. Existing payment modes to continue.
30	In case of vendor payments, the agencies deduct TDS (entry is made in PFMS) accordingly payment file is generated. In case of Debit from Higher Account model, how is the TDS entry going to get managed?	In case of PFMS, facility of deduction of TDS is available. However, facility for depositing the tax deducted is not available. Necessary reports are available in PFMS to know the amount of tax deducted for depositing the same with the authority concerned. If SNA prefers to use an external system, facility for tax deduction and deposit should be made available in such external system.
31	Whenever Implementing agencies originate a transaction at PFMS, whether real time limit availability is checked at PFMS end?	Yes, Only for payments routed through PFMS.

Sl.No.	Question	Answer
32	Whether details of all transactions of implementing agencies are captured at PFMS end?	Yes. Only for payments routed through from PFMS.
33	Whether all beneficiary/vendor data are maintained at PFMS end?	Yes. Only for payments routed through from PFMS
34	For MIS purpose, is following data maintained at PFMS end? a. Budget heads e.g. various components, b. Expenditure heads c. Sub scheme data, etc.	Yes
35	PFMS registration by IA's needs a Bank Account for registration (as of now), the OM of DoE mentions of zero balance account of IA's being opened wherever applicable. In case sub IA account is required, how will the PFMS make the registrations?	For every scheme a separate single nodal account needs to be opened by SNA and zero balance accounts are to be opened, if required, by the implementing agencies down the ladder.
36	Whether the zero balance accounts be CBS based accounts or virtual a/c's?	To be decided between SNA/ Banks.
37	When the SOP will be made available to banks defining the actual need of MIS for all stakeholders and maintenance of accounts?	This is to be done by the respective SNA/ State Government.
38	What will be the criteria for selection of a Bank for a particular scheme?	The decision for selection of the banks for the SNA lies with the State Government. The OM in Para. 6 provides guidelines that only banks having robust IT systems, extensive branch network and capability to provide accounting/ reconciliation services etc. at each level would be considered for the State Nodal Accounts.
39	Whether the entire mechanism as per OM dt. 23/03/2021 can be delivered to states through PFMS itself?	SNAs and the Banks have a major role in implementing the guidelines. PFMS shall be supporting the MIS requirements of Program Divisions of Central Government Ministries and departments to ensure just in time releases. State has the option to use PFMS or integrate their own system with PFMS.

Sl.No.	Question	Answer
40	Whether more time beyond 1/7/2021 will be given to banks for implementation of new CSS Scheme?	No, except in accordance with the relaxations given on para 11 and 13 where implementation date has been extended to 30.9.2021.
41	Whether separate scheme specific guidelines for required changes/updation will be issued by the respective Ministries/Departments for implementation of the new CSS Scheme?	The new procedure for release and utilization of funds of CSS issued by the Department of Expenditure on 23rd March, 2021 shall be strictly followed. Any change can be done only with the approval of the Department of Expenditure, Ministry of Finance.
42	For states where CSS are implemented through State treasury, how the new CSS guidelines model will be implemented?	Even where CSS are implemented through State Treasury, the provisions regarding notification of a Single Nodal Agency and flow of both central and State share to the Single Nodal Account in a scheduled commercial bank shall be strictly adhered to. Else, the State has to change the implementation model to make it strictly as per the new procedure for release of funds
43	How the Interest accrual in SNA account on Central Govt. share will be remitted through PFMS or whether the interest accrued will be adjusted in the next disbursement?	Guidelines on calculation and deposit of interest in the respective Consolidated Funds have been issued separately wide letter/OM dated 30th June, 2021.
44	Please advise on modus operandi for Interest accrual in SNA of central govt. share? Banks may have a challenge in bifurcating central and state share in absence of a specially designed module on the same.	Guidelines on calculation and deposit of interest in the respective Consolidated Funds have been issued separately wide letter/OM dated 30th June, 2021
45	Some banks are ready with the solutions for implementation of scheme. Will DoE/PFMS issue instructions to State/Ministries/Departments on engaging such banks on exploring SNA implementation?	To be decided by SNA/State Govt.

Sl.No.	Question	Answer
46	Can there be an addendum to the OM dt. 23/03/2021 saying that zero balance bank accounts can be opened in different branches of different banks?	No
47	As far as fund operation through offline mode - If the cheques are not presented on the same day, fund will be returned back to the parent account and after 2-3 days when the cheque is presented, it will be dishonoured, as there is no fund in the zero balance account. How to deal with such cases?	In cheque payments no issues are envisaged as the cheques will be drawn on the Single Nodal Account. The external system used by the SNA and IAs should have to provision for real time balance availability subject to allocated limits for the cheque payments
48	In PMAY (U), one state has urban local bodies adding their component after the Central and State share in their account. How such schemes will be implemented in those states?	Scheme specific clarifications can be obtained through respective Ministries.
49	In the Smart city scheme, there are separate legal entity with no sub accounts and get money from Centre and State in their account through which payments are made. In SNA model in present form, would they also need to be creating a single nodal account at state, where all funds of each smart city will remain?	Scheme specific clarifications may be obtained through respective Ministries.
50	Most of the departments are having their own DBT portal, beneficiary data is huge. How to push the large data to PFMS?	Beneficiaries receiving payments through PFMS are pre-registered and their accounts are validated prior to payment. However, automation of data exchange can be done and external systems (State portals) can be integrated with PFMS within the framework of OM.