

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

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**No.28800(5)/F., Dt.24.06.2011
W&M(L.C.)-49/2010**

From

**Shri J.K. Mohapatra, IAS,
Principal Secretary to Government.**

To

**The Principal Secretary to Government,
Rural Development/Water Resources Department.
**Commissioner-cum-Secretary to Government,
Housing & Urban Development/Energy Department.
**E.I.C.-cum-Secretary to Government,
Works Department.******

Sub: **Withdrawal of the system of Letter of Credit for Public Works Divisions and Irrigation Projects from 1st July,2011.**

Sir,

I am directed to say that Government after careful consideration, have decided to withdraw the Letter of Credit system for Public Works Divisions and Irrigation Projects w.e.f. 1st July, 2011 and substitute it by distribution of allotment from the level of Controlling Officer for Works Expenditure through Integrated Orissa Treasury Management System(iOTMS). The drawal against various kind of deposit viz; DRDA Deposits, WODC Deposits, SARCA Deposits, other Deposits would also be allowed against the balance available in the Books of the Division/ Irrigation Projects for each kind of Deposit work. The drawal against funds provided by the Ministry of Road Transport & Highways for execution of National Highways Works, would also be allowed against the amount to be allocated to the Divisions by the Chief Engineer, National Highways.

2. Revised system of Allotment for works expenditure :

The guidelines for the revised system of distribution of allotment for Works Expenditure issued in Finance Department Letter No.28777(6)/F., dated 24.06.2011 are reiterated for the guidance of all concerned.

2.1 Administrative Department : The Financial Advisor/Assistant Financial Advisor of the Administrative Department is required to apportion the budgetary provision at the disposal of each Controlling Officer under the Demand for Grant in terms of Rule 5(1) of the Delegation of Financial Power Rules, 1978, separately for the drawals to be made through the treasury and works expenditure. The authorized Officials of the Administrative Department are required to indicate the Controlling Officer-wise budgetary allocation from the Budget data available in the Budget Interface and Works Expenditure Modules of iOTMS accordingly.

2.2. Controlling Officers :

2.2.1. Distribution of allotment through Works Expenditure Module of iOTMS will substitute Letter of Credit. Letter of Credit in Form – ‘A’ need not be issued and unused forms are to be surrendered to Finance Department by 15th July,2011.

2.2.2. From the budgetary allocation made available to the Controlling Officers in the Budget Interface and Works Expenditure Modules of iOTMS, the Controlling Officers will distribute the allotment among the Divisional Officers & FA & CAO of Irrigation Projects in accordance with the Quarterly Expenditure Allocation (QEA) and Monthly Expenditure Plan (MEP) of the Controlling Officers based on the QEA and MEP for the Demand for Grant as fixed by the Administrative Department [Para 6(ii)(b) of Finance Department Circular No.17230(15)/F., dated 7.4.2011]. **The iOTMS has also been enabled to facilitate re-distribution of allotment, giving effect to**

re-appropriation orders and generate a report relating to savings at the year end which is to be surrendered by the Controlling Officers.

2.2.3. Now that all the Letter of Credit Controlling Officers have been declared as budget Controlling Officers to facilitate online distribution of allotment, the **budgetary allotment against which Letter of Credit has been authorized in their favour by Finance Department for the first quarter of the current Financial Year is required to be distributed by them through iOTMS among the Divisional Officers and F.A.& C.A.Os commensurate with Letter of Credit authorized in their favour** so as to keep the expenditure made against budgetary allotment and Letter of Credit within the limits of QEA approved for the Administrative Department as well as the Controlling Officer. **This exercise should be completed by 15th July, 2011.**

2.2.4. In case of new works for which budget provision is made, administrative approval and tendering process is to be initiated on the basis of such budget provision and allotment of funds may only be made only when actual expenditure is required.

2.3. Divisional Officers/F.A.& C.A.Os : The Divisional Officers and F.A.& C.A.Os are required to log in to the iOTMS so as to check the availability of budgetary allotment under various detailed Heads and Object Heads. In accordance with the availability of budgetary allotment under the detailed Heads and Object Heads, they are to issue Public Works cheques against claims/bills admitted by them for expenditure. **There is no need to wait for ink-signed copy of the allotment and Letter of Credit for issue of cheques.** They would only be required to record the details of the cheque to be issued i.e. cheque number, date of issue, name of the payee and the amount payable in the works expenditure module of iOTMS. Thereafter, they are to link the amount payable to the budgetary allotment available

against the Detailed Heads and Object Heads under which the expenditure is provided for.

2.3.1. If any cheque relating to works expenditure is issued without recording the particulars of the cheque and the budgetary allotment available in iOTMS or if any cheque is issued without allotment or against insufficient allotment; while accounting for the amount paid through cheque in the Treasuries, the iOTMS will generate an alert to the Controlling Officer, Administrative Department and the Accountant General (A & E) Orissa about such unauthorized cheque drawal. Any such unauthorized drawal will make the cheque Drawing Officer liable for disciplinary action and withdrawal of cheque drawing power.

2.3.2. Since, budgetary allotment is required to be issued against Letter of Credit authorized for the first quarter of the current Financial Year, by the Controlling Officers, in accordance with Para 2.2.1. & 2.2.2, the Divisional Officers and F.A. & C.A.Os are also required to record the cheque number, and amount through which the Letter of Credit as well as budgetary allotment allocated to them has been utilized till 30th June, 2011. **This exercise should be completed by 15th July, 2011.**

3. Other Allotment and Advances

3.1 At present, the F.A.& C.A.Os of the Major Irrigation Projects are being authorized Letter of Credit for drawal of advances sanctioned in favour of Government servants working in the projects, provisional pensionary benefits as well as withdrawal from General Provident Fund.

3.2 They would now be allowed to draw the advances sanctioned in favour of the Government servants through cheques against allotment distributed through iOTMS as well as sanction orders issued in their favour.

3.3 They would also be allowed to make withdrawal from G.P.F. and provisional pension through cheques, based on the sanction order number and date which are to be fed into the iOTMS without the check against allotment.

3.4 Provisional payment of pensionary benefits like provisional gratuity, provisional commuted value of pension & provisional pension and terminal benefits like unutilized earned leave, refund of G.I.S. premium etc. shall also be allowed to drawn through cheques against sanction order.

4. Drawal against Deposit Works.

4.1 For all deposits, received up to 30.6.2011, the Divisional Officers are to enter the extracts from the schedule of Deposit Works prepared for the month of June, 2011 in Form-65 according to Para 16.2.2 and 16.2.3 of Central Public Works Account Code, showing the amount of deposits received in respect of each work and the expenditure incurred up to date, showing separately the share available for works expenditure and the percentage charges recoverable as per the extant rules.

4.2 Cheques may be issued against Letter of Credit received in Form-'B' from Finance Department in respect of DRDA deposits till 30.6.2011 even if the date of validity of Letter of Credit is beyond 30.6.2011. Cheques issued on or before 30.6.2011 against such deposits may not be entertained by the Banks on or after 1.7.2011. Fresh cheques may be issued against such deposits in accordance with the revised procedure on return of the un-encashed cheques issued on or before 30.6.2011 by the Payee.

4.3 The Divisional Officers are to issue cheques against the balance available under each deposit against works expenditure and

simultaneously book the percentage charges by transfer credit to the relevant Heads of Account against the balance available.

4.4 In case of Deposits made on or after 1.7.2011 they are to enter the particulars of deposit with reference to the chalan through which the Deposit has been remitted to the treasury and other particulars from the Deposit Register separately showing the share available for works expenditure and the percentage charges recoverable as per the extant rules.

4.5 The Divisional Officers are to issue cheques, in case of deposits made on or after 1.7.2011, against the balance available and with reference to the chalan through which the deposit has been remitted to the treasury towards works expenditure and simultaneously book the percentage charges by transfer credit to the relevant Heads of Account

4.6 The iOTMS will record the balances of each Deposit Work and allow drawal there-against. A Division-wise statement is to be furnished each month to the Deputy Accountant General (Works), Puri by iOTMS through e-mail/post. **In case of any discrepancy between the balances reported by the iOTMS and the balances reported in the Monthly Accounts, the DAG Works may hold the Divisional Officers/Divisional Accounts Officer accountable.**

5. National Highways works :

5.1 The Chief Engineer, National Highways incurs expenditure towards National Highways works against the State balances and amount received by the Accountant General (A & E) Orissa in shape of cheque/Demand Draft from the Pay & Accounts Officer of National Highways which is deposited in the District Treasury, Khurda under the Head of Account – “8658 - Suspense Accounts – PAO Suspense – Items adjustable by Pay & Accounts Office (N.H.), Ministry of Road Transport & Highways”. Any outstanding balance in the Suspense

Head is cleared on receipt of cheque/Demand Draft from the Pay and Accounts Office(N.H.). The agency charges @ 9% is transferred to the Receipt Head – “1054 – Roads & Bridges – 800 – Other Deposits – 0097 – Miscellaneous Receipts – 02006 – Agency charges for National Highways works”.

5.2 The Chief Engineer, National Highways will enter the particulars of the chalan in which cheque/Demand Draft from the Pay & Accounts Officer of National Highways is deposited in the District Treasury, Khurda under the Head of Account – “8658 - Suspense Accounts – PAO Suspense – Items adjustable by Pay & Accounts Office (N.H.), Ministry of Road Transport & Highways” and issue online allocation among the Divisions after deducting agency charges @ 9%.

5.3 In case there is a necessity to incur expenditure for National Highways works in anticipation of reimbursement of the expenditure by the Pay & Accounts Officer of National Highways, the Chief Engineer, National Highways will move Finance Department through Works Department to incur expenditure in advance up to a certain limit.

5.4 In such cases, Finance Department will indicate the limit up to which the Chief Engineer can allow the Divisions to incur expenditure in advance. The Chief Engineer, National Highways will enter the Letter No. & Date of Finance Department in the iOTMS.

5.5 The Chief Engineer, National Highways will allocate the amount available for expenditure after deducting agency charges @ 9% against the amount made available by the Pay & Accounts Officer of National Highways and the limit indicated by Finance Department.

5.6 The Chief Engineer, National Highways would be required to enter into the iOTMS the net amount allowed to be spent for National Highways works by Finance Department over and above the disbursement received from the PAO of National Highways as on 31st

March, 2011, the disbursements received during the period from 1st April, 2011 to 30th June, 2011 and any amount authorized by Finance Department during the said period and the net amount allocated among the Division for expenditure.

5.7 The Divisional Officers will be required to enter the particulars of all cheques issued by them for National Highways Works during the period from 1st April, 2011 to 30th June, 2011 by 15th July, 2011.

6. Monitoring facility for the Division/Projects/Treasury Link Bank Branches :-

6.1 Letter of Credit in Form – ‘A’ and Form – ‘B’ need not be insisted upon for drawal against cheques. The iOTMS will display Division/Project wise cheques issued for encashment at the Bank. For this purpose, **the Banks are advised to log into the Orissa Treasury Portal <http://orissatreasury.gov.in> and verify the cheque number issued by the Division before allowing encashment.** It is, therefore, incumbent on the Divisional Officers/ F.A. & CAOs to record the particulars of all cheques to be issued on or after 1st July, 2011 in iOTMS.

6.2. Drawal of cheques against Letter of Credit issued in Form-‘B’ by Finance Department in respect of DRDA deposits may be allowed till 30.6.2011 even if its date of validity is beyond 30.6.2011. Cheques issued on or before 30.6.2011 against such deposits may not be entertained by the Banks on or after 1.7.2011. Payment may be allowed against fresh cheques issued against such deposits in accordance with the revised procedure on return of the un-encashed cheques issued on or before 30.6.2011 by the Payee.

7. Additional Facility for the Controlling Officers to distribute Project-wise allotment :-

During the process of allotment distribution, Controlling Officers are allowed to indicate the name of the project against the budgetary

allotment and the Divisional Officers are to utilize the allotment accordingly.

8. Utilisation of allotment in accordance with the limits of QEA & MEP under the Cash Management System :-

The limits of allotment to be issued by the Controlling Officers to Divisions will be within the limits of QEA of the concerned Administrative Department. The iOTMS will not allow distribution of allotment beyond 40% of the budget provision during the last quarter and 15% in the month of March for the entire Demand for Grant.

9. Cheque issue and Validity :

A single cheque can be issued against both budgetary allotments and deposit. Divisional officers are to issue cheques against the available allotment/deposits in iOTMS by logging into the system.

The cheques shall be payable at any time within three months after the month of issue provided that all cheques drawn during a financial year shall cease to be valid after 31st March of same financial year. The provisions of Subsidiary Rules 108 to 131-A of the Orissa Treasury Code are to be referred to in respect of all matters pertaining to cheques.

10. Payment of statutory and other Government dues through deduction at source :

Statutory dues like Income Tax, VAT etc. are either paid in shape of cheque or through accounting adjustment against allotment/deposit balance. Such dues are to be set apart from the net amount payable to the executants and remitted to the concerned quarters as per the statutory provisions, contractual obligations and instructions of Government in force.

11. Role of Treasury :

While accounting for the paid cheques, through iOTMS, the concerned Treasury Officer will check as to whether it has been


entered into the system against allotment. The Treasury Officer would also verify whether the paid cheques were issued from the treasury.

12. Generation of Reports :

Consolidated Allotment Utilisation Report in respect of drawals made through cheques (Works Expenditure Module) and Bills (treasury drawal) would be generated sector wise i.e. Non-Plan, State Plan, Central Plan & Centrally Sponsored Plan and Head of Account wise up to the level of Object Head in respect of each Administrative Department, Controlling Officer and Divisional Officer/FA & CAOs.

I would, therefore, request you to kindly instruct the Controlling Officers, Divisional Officers and F.A. & CAOs under your control to implement the allotment/account based drawal of works expenditure from 1st July, 2011.

Yours faithfully,



24/6/11

Principal Secretary to Government

Memo No.28801(2)/F., Date 24.06.2011

Copy forwarded to Commissioner-cum-Secretary to Government, Panchayati Raj Department/ Special Secretary to Government, Planning & Coordination Department for information & necessary action.


Joint Secretary to Government

Memo No.28802/F., Date 24.06.2011

Copy forwarded to the Director of Treasuries & Inspection, Orissa for information and necessary action.


Joint Secretary to Government

Memo No.28803(35)/F., Date 24.06.2011

Copy forwarded to all Controlling Officers under Water Resources/Housing & Urban Development/Rural Development/Energy/Works Department for information and necessary action for information and necessary action.


Joint Secretary to Government


Memo No.28804/F., Date 24.06.2011

Copy forwarded to the Principal Accountant General(A&E), Orissa, Bhubaneswar for information and necessary action.


Joint Secretary to Government

Memo No.28805(3)/F., Date 24.06.2011

Copy forwarded to the Accountant General(CWRA)/ Accountant General(Audit-II), Orissa, Bhubaneswar/ Deputy Accountant General (Works), Puri for information and necessary action.


Joint Secretary to Government

Memo No. 28806(170)/F., Date 24.06.2011

Copy forwarded to all Treasury Officers/ Special Treasury Officers/ Sub-Treasury Officers for information and necessary action.


Joint Secretary to Government

Memo No. 28807(100)/F., Date 24.06.2011

Copy forwarded to all Branches of State Bank of India/ UCO Bank/ United Bank of India/ Central Bank of India/ Bank of India/ Indian Bank/ Allahabad Bank / Andhra Bank / Canara Bank / Punjab National Bank carrying on cash business of Treasuries, Special Treasuries and Sub-Treasuries (list enclosed) for information.


Joint Secretary to Government

Memo No. 28808(100)/F., Date 24.06.2011

Copy forwarded to All Officers of Finance Department / All Braches of Finance Department for information.


Joint Secretary to Government

Memo No. 28809/F., Date 24.06.2011

Copy forwarded to Head Portal Group, Secretariat, Bhubaneswar with a request to host the above circular in the website of Finance Department.


Joint Secretary to Government