



FINANCE DEPARTMENT

No. 55657/PU-C1/89/Fin., Trivandrum 4th October 1989

CIRCULAR

Sub.- Release of funds to the Public Sector Undertakings and other agencies-Guidelines-Issued.

Ref.- Letter No. CASS (Accounts) I/AA/4-9-87-88/63, dated 11th July 1988 from the Accountant General (Audit), Kerala.

The Accountant General in his letter cited has pointed out that an amount of Rs. 50 lakhs was released to the Scheduled Castes and Scheduled Tribes Development Corporation during the month of March 1988 for the implementation of schemes under special assistance for Special Component Plan as per the orders in G.O. (Rt) 117/88/Plg., dated 14th March 1988 and G.O. (Et) 131/88/Plg., dated 23rd March 1988. (These orders are seen issued without consulting Finance Department.) But an amount of Rs. 26.52 lakhs remained unutilised even at the fag end of the financial year with a view to prevent lapse of budget provision is violative of Article 40 (c) 7 of Kerala Financial Code, Volume I. The release of large amounts for schemes implemented by Agencies other than Government departments should be made according to actual necessity. It is also pointed out that in cases where the surplus funds are retained by the agency in Treasury Savings Bank Accounts, Government bears the additional liability of interest and the agency gets an unintended benefit in the form of interest, which could have been avoided if funds were released in accordance with actual requirements.

2. In the face of the stringent financial constraints of the State Government, it is absolutely necessary to minimise the impact of large outflow of money on the Ways and Means position of Government. To achieve this end, when budget provision such as grant, equity and loans are released to the Public sector undertakings/Boards/Autonomous Organisations etc., in large quantity, a condition is usually stipulated that the amount released should be deposited in Treasury Savings Bank/PD Account. This procedure will of course burden the Government with additional interest liability as pointed out by the Accountant General. In other words Government are paying interest for Government money. However, in order to reduce/avoid the interest liability which the Government will have to shoulder, it has been decided to review the present practice and issue the following guidelines for release of funds:-

(i) When a proposal for release of funds provided in the budget is received from an undertakings, the concerned Administrative Department should assess the actual requirement for the time being on the basis of the itemwar details of requirements to be furnished by them, and recommend that much amount only for the concurrence of Finance Department.

(ii) The concerned section in the Finance Department will scrutinise the proposal and agree to release the minimum amount required.

(iii) The amount so agreed to will be released to the undertakings in cash subject to the general orders regarding drawal of money from Treasury and the normal restrictions on treasury payments in force from time to time.

(iv) The unspent portion of the funds, so released will be deposited in Treasury Savings Bank as usual.

3. All undertakings, Heads of Departments and Departments of the Secretariat are requested to follow the above instructions closely with regard to release of funds.

R. NARAYANAN

Commissioner and Secretary (Finance)