

121.6.20

No. RW/G-20011/2/2000-WA

*Dated, the 12th October, 2000*

To

The Secretary, Public Works Department, Govts. of Delhi, Goa, Gujarat, Kerala, Orissa, Tamil Nadu, Uttar Pradesh, West Bengal and U.T. of Pondicherry and Chandigarh

Subject : Introduction of Direct Payment Procedure for the execution of National Highway Works

At present, the accounting procedure for maintenance of expenditure and capital work on National Highways is as per procedure formulated in 1977 by MOST in consultation with Comptroller and Auditor, General and Department of Expenditure. As per the said procedure, the expenditure is initially incurred by the State PWD

and on receipt of the monthly compiled accounts from the Divisions, the A.G sends to RPAO (NH) the monthly statement of receipts, if any, and expenditure on National Highways with all schedules, vouchers, supporting documents, etc. for claiming reimbursement.

2. It has been observed that in some of the States, timely LOC have not been provided thereby the State PWDs have not been able to spend the funds allocated to them resulting in surrendering of funds. It is also the experience that preferring the claims to RPAO through the Accountant General concerned delays the process of reimbursement of payment significantly. With a view to obviating these problems, direct system of payment was introduced last year when the special repairs programme was taken up in several States. Similar direct system of payment is now proposed to be introduced in several States and there is also a proposal to cover the entire country on the similar pattern. Under this procedure, the Regional Officer of the Ministry shall be declared as the Drawing and Disbursing Officer and he shall arrange payment to State PWDs for incurring expenditure on National Highways.

3. A copy of the detailed procedures containing the salient features on the direct payment procedure is enclosed.

4. It is requested that in the interest of uniformity and promptness in getting payment and executing the work, State Govt. may please communicate its concurrence to the proposed direct payment procedure. This concurrence may please be communicated immediately and in any case by 31<sup>st</sup> October, 2000.

*[Enclosure to Ministry's Circular No. RW/G-20011/2/2000-WA dated 12th Oct. 2000]*

## **PROPOSAL FOR DIRECT PAYMENT FOR EXECUTION OF NATIONAL HIGHWAY WORKS**

### **1. BACKGROUND**

Construction and maintenance of National Highways is done by State Government/Union Territory Government on behalf of Govt. of India M/o Surface Transport. At present, expenditure on National Highway is initially incurred by Executive Engineer of the State PWD from State Balances. Accounts are, thus, maintained by State AG, who books the expenditure under 'suspense'. Subsequently, State Govt./Union Territory Government raises reimbursement claims for the work done on the agency basis. Claim for reimbursement is raised to Regional Pay and Accounts Officer, O/o Chief Controller of Accounts, M/o Surface Transport, who makes the payment to State AG. There is a well laid procedure for making payment with respect to National Highway which is being followed by Regional Pay and Accounts Officer. State AG receives the payment for the admissible amount and clears the suspense operated by him. This procedure takes more than 3 months, thus, State remains out of cash to the tune of amount raised for reimbursement for such a long period. States are finding it extremely difficult to manage their a depleted cash and at times they utilised the money reimbursed for National Highway works for other purposes. Thus, this circle of incurring expenditure - getting reimbursement and incurring fresh expenditure is broken.

State Governments are time and again representing their problems relating to delay in getting the reimbursement claims through the existing procedure. Mainly, in the case of a big project where financial implications are large, the State Governments are, sometime, not in a position to issue the Letter of Credit with required amount in time. As a result of this, State PWD is unable to make payment for the project. In the absence of the payment, State Government can not raise its claim with the Central Government and this brings a vicious circle of cash flow problem with the State Government. On the other hand, despite money being available with the Central Government such projects suffer very badly along with adverse financial consequences, due to inordinate delay in payment.

### **2. PRESENT PROCEDURE**

At present, the accounting procedure for maintenance of expenditure on National Highways is as per the accounting procedure formulated in 1977 by M/o Shipping & Transport in consultation with C&AG and Department of Expenditure. As per the said procedure, the expenditure is initially incurred by the State PWD and on receipt of the monthly compiled account from the Divisions the AGs sends to PAO(NH), the monthly statement of

receipts (if any) and expenditure on National Highways with all schedules, vouchers, supporting documents, etc. for claiming reimbursement. The PAO, thereafter reimburses the AG by Cheque/Demand Draft after exercising the prescribed checks.

It may be stated that during the last financial year when Special Repair Programme was introduced to take up the crash programme of special repair within short/limited time, it was thought proper that simultaneously Direct Payment Procedure may be introduced. This was agreed to by the concerned Authorities and the system was implemented for the period from 1.1.2000 to 31.3.2000.

The Direct Payment Procedure was approved for externally Aided Schemes in the Punjab States and Special Repairs of National Highways by C&AG vide letter No. 725AC.I/SP.II/16-98 dated 15.12.99.

### 3. PROPOSED PROCEDURE

The present proposal is for changing the procedure for payment on the lines of that approved for externally aided project for Punjab and Special Repair Programme vide PAO/NH/New Procedure/Dir. Payment/99-2000/1935 dated 15.12.1999. The procedure to be followed shall be as under :

- (a) Supervising Engineer, i.e., the concerned Executive Engineer or the PWD will submit certified bills of contractors to Regional Officer of M/o Surface Transport. He will verify the payment and give all necessary approval as per PWD procedure.
- (b) The bill submitted by the Supervising Engineer will include separately, agency charges payable.
- (c) Regional Officers of MOST will be the drawing and disbursing officer (DDO) and will present the bill to the concerned Regional Pay & Accounts Officer for payment.
- (d) 8658-PAO Suspense which was being operated by Accountant General in the old procedure would not be operated in this system. There is no change in the existing accounting heads to be operated by Govt. of India in the proposed "Direct Payment System" yet these heads of A/cs. are reproduced below :

#### 1. MH 3054-Roads & Bridges 01 National Highways

- (i) 01.052 Machinery and Equipment  
00.00.52 Machinery and Equipment (Non-Plan)
- (ii) U1.337 Roads Works  
0.1 Maintenance by Road Wing  
01.00.27 Minor Works (Non-Plan)
- (iii) 01.00.27 Minor Works (Plan) [SPECIAL REPAIRS]
- (iv) All other activities covered under the existing Reimbursement Procedure

#### 2. MH 5054-Capital Outlay on Roads & Bridges

- (i) 01 National Highways  
01.052 Machinery & Equipment  
02 Machinery & Equipment  
02.00.52 Machinery & Equipment (Plan)
- (ii) 01.101 Permanent Bridges  
02 Work Financed from Permanent Bridge Fee fund.  
02.00.53 Major Works (Plan)
- (iii) 01 Works under Road Wing  
01.01 Externally Aided Schemes  
01.01.53 Major Works
- (iv) 01.02 Other Schemes  
01.02.53 Major Works (Plan)  
01.02.53 Other Schemes (charged) C. Code 023/182
- (v) 01.04 Counter-part fund for externally Aided schemes of Road Wing  
01.04.53 Major Works (Plan)
- (vi) All other activities covered under the existing Reimbursement Procedure

- (e) Regional Officer of MOST acting as DDO will maintain all necessary records before making the payment to Supervising Engineer.
- (f) RPAO will draw the cheques as per payment instructions of RO in favour of the parties and pass them to RO who in turn will pass them to the Supervising Engineer after making necessary entries in his records.
- (g) The Supervising Engineer will disburse the amount to the concerned parties.
- (h) As far as agency charges are concerned the same will be paid by the RPAO to the State A.G. for crediting to the A/cs. of State Govt. (P.W. Deptt.) as the State P.W. Deptt. is executing work on behalf of the Central Govt. on agency basis and these agency charges are to be accounted for by the State A.G. (A&E) as receipt in the State Accounts. This receipt may not be mixed up with the re-imbursement procedure already adopted for the reasons that in the later case the cheques are issued by the RPAO to liquidate the balances under "8658-Suspense A/c.-PAO Suspense-Amount adjustable by RPAO (MOST)" in the books of State AG. against the claims raised for National Highways.
- (i) The payment of PAO for the year 2000-2001 released to these 14 states are to be adjusted/recovered as under :
  - (i) The amount will be adjusted to the maximum extent out of the claims upto August 2000 preferred by the State Govt. through the State A.G.
  - (ii) The balance of PAO, if any, will be adjusted against the agency charges payable to the States for the ensuing period of the current financial year.
  - (iii) In case the amount of PAO, if any, still remains to be adjusted, the State Govt. will be asked to refund the amount in cash by issue of cheque/DD in favour of the RPAO concerned.
- (j) All receipts (Miscellaneous) inclusive of receipts from DOT, Electricity Board & PHED pertaining to NH would be deposited by means of cheque/DD. The P.W. Divisions would send the cheque/DD to the Regional Officer (DDO) who in turn would pass on to the RPAO for crediting in their accredited bank. On clearance of such cheques/DD the amount will be accounted for by the RPAO under the relevant Major Head of A/c, i.e., "MH 1054-other receipts". Such receipts will not be taken as reduction of expenditure as normally done by the State PWD.
- (k) Vouchers in r/o claims relating to departmental works which are disallowed by the RPAO as inadmissible for one or the other reasons would be returned immediately to the R.O. (DDO) for onward transmission to the State P.W. Deptt. for accounting them against head of A/c. relevant to the State Govt. In no case such inadmissible claims are to be accommodated under "MH 8658-suspense, A/c. Suspense".
- (l) Office of the Supervising Engineer will maintain all the records of payments/disbursements and send a monthly demand of disbursements to RO, RPAO, CCA and DG (RD) & AS.
- (m) RPAO will send details of payments of agency charges to the State Accountant General every month.
- (n) State Govt. will be responsible for physical and financial progress of the project.
- (o) The collection of toll fees, other toll related charges, permanent bridge fee fund, etc. which are governed by National Highways Act and National Highways Rules will not be affected by the proposed Direct Payment procedure. These will continue to be deposited by the divisions/agencies through the demand drafts with PAO (NH) New Delhi as it was being done in the past.

In order to overcome the difficulty arising due to tight financial position of State PWD it would be appropriate to make the proposed scheme effective at the earliest. If approved, payments and accounting through this revised procedure may be followed in the States of Assam, Mizoram, Nagaland, Manipur, Meghalaya, Punjab, Rajasthan, Madhya Pradesh, Maharashtra, Andhra Pradesh, Karnataka, Bihar, Haryana, Himachal Pradesh w.e.f. 15<sup>th</sup> September, 2000 for all development and maintenance works [as indicated in (d) above].

## MANUAL OF DIRECT PAYMENT PROCEDURE FOR EXECUTION OF NATIONAL HIGHWAY WORKS

### 1. MANUAL OF DIRECT PAYMENT PROCEDURE

1.1. The system of Direct Payment for maintenance work of National Highways and Payment Procedure for World Bank assisted project in Punjab was approved by C&AG vide his U.O. No.725-ACI/SPH/16-98, dated 15.12.99. The consent, of C&AG for the said procedure was for the year 1999-2000. This system was introduced in eight states. Under this procedure Regional Officer (NH) was declared as Drawing and Disbursing Officer. All the Supervising Engineers were asked to submit the bills of contractors to the RO of MOST. He was required to verify the payments and accord necessary approval as per PWD procedure. Thereafter, these were to be processed by RPAO(NH) and issue of cheques by him in favour of contractors as asked by RO and make necessary entries in his records. The payments were to be restricted as per allocations made by MOST for this purpose. Cheques for agency charges were sent to State Accountant General for credit to the State Account.

1.2. Now Ministry has decided to introduce the Direct Payment Procedure in 14 States for all works under the MH 3054, and MH 5054 : C&AG has accorded his approval for introduction of this procedure in 14 States-w.e.f.

1.10.2000 vide his U.O. No.547-ACI/SP-11 dated 28.9.2000. It has been subsequently approved by CGA vide U.O. No. 9(9)/91/TA/pt./617 dated 29.9.2000.

## 2. **PRESENT PROCEDURE**

2.1. At present, the accounting procedure for maintenance of expenditure and capital work on National Highways is as per procedure formulated in 1977 by MOST in consultation with C&AG and Deptt. of Expenditure. As per the said procedure, the expenditure is initially incurred by the State PWD and on receipt of the monthly compiled accounts from the Divisions, the A.G. sends to RPAO(NH) the monthly statement of receipts, if any, and expenditure on National Highways with all schedules, vouchers, supporting documents, etc. for claiming reimbursement. The RPAO, thereafter reimburses the claimed amount to AG by cheque/Demand Draft after exercising the prescribed checks.

## 3. **DIRECT PAYMENT PROCEDURE**

3.1. Under this procedure, the Regional Officer (National Highways) has been declared as the Drawing & Disbursing Officer and arrange payments to State PWDs for incurring expenditure on National Highways.

3.2. All Supervising officers/Executive Engineers/Project Directors of State P.W.D. will submit the claims of contractors/department to the Regional Officer, (NH) M/o Surface Transport in the prescribed forms for seeking payment from RPAO (*Annexure I*). In case bills are of different type forms prescribed by CPWD may be used.

3.3. The roles of the Regional Officer and Regional Pay & Accounts Officer (National Highways) in the procedure have been defined separately.

## 4. **RESPONSIBILITY OF R.O.**

4.1. In the revised procedure of Direct Payment the Regional Officers will execute and exercise the duties of DDO as prescribed in Receipts & Payment Rules/GFR and CAM. He will receive the Bills in duplicate, from the Divisions for arranging payments to contractors/divisions. After applying the prescribed checks as detailed below then he will sign the Bill in the capacity of DDO and send it to RPAO. RO should maintain a Bill Register in the proforma detailed in *Annexure II*.

4.2. R.O. should enter the bill in the above Bill Register and enter the Bill No. and Date on right corner on the first page of the Bill. He will also record the classification on the Bill.

4.3. Before sending the bill to PAO, RO should make entry of the Bill in Job Register/Expenditure Control Register in prescribed proforma, *Annexure II*.

4.4. R.O. should also countersign the certificates received with the Bill from PWD Divisions as per *Annexure III*.

4.5. On receipt of the cheques/DD from the PAO office, R.O. should enter the number of cheque/DD in the Bill Register and simultaneously will enter these cheques/DDs in the cheque delivered register to be maintained in the format as detailed in *Annexure IV*.

4.6. R.O. should also watch the proper acknowledgement from the party and ensure to get the stamped receipt from the payee.

4.7. It will be the responsibility of the R.O. to issue proper TDS certificates to the concerned parties as well as to concerned Govt. agencies.

4.8. R.O. will also be responsible to get the compliance to the bills returned by the RPAO(NH).

4.9. R.O. will ensure that all bills are in prescribed formats and the Supervising Engineer has exercised all checks as required under rules and recorded relevant certificates required of him.

4.10. R.O. will also ensure that Division conducts the reconciliation of expenditure with the figures/records being maintained in his office and RPAO (NH) and discrepancy, if any, settled on month-to-month basis. R.O. will depute an official and reconcile the figures with RPAO on a monthly basis.

4.11. Checks to be applied by the R.O. while examining the bills received from PWD (NH) Division.

- (1) That the expenditure relates to National Highway work.
- (2) That the bill is in prescribed printed form and supported with all necessary documents (as shown in *Annexure I*).
- (3) That the expenditure is for a sanctioned job.
- (4) That the expenditure is covered with proper financial sanction/ technical and Administration approval of the MOST, New Delhi.
- (5) That all the recoveries have been made as per rule.
- (6) That the necessary entries have been made in the M.B.
- (7) The rates are as per agreement.
- (8) That the necessary certificates prescribed by the D.G. Roads MOST, New Delhi are attached with the bill.
- (9) That the expenditure is within the budget allotment.

## 5. RESPONSIBILITY OF PAO's IN THE DIRECT PAYMENT PROCEDURE

5.1. On receipt of bills from divisions duly verified and certified by the Regional Officer (NH), the Regional Pay & Accounts Officer will process all the bills with reference to the sanctioned estimates, sanctioned Revised Estimates Budget allocations and other financial sanctions. He will see that bills are duly supported by vouchers, invoices, schedules and these are in prescribed format. The bill is complete in all respect. He will also see that all statements are attached with the bill, wherever necessary and as prescribed in different codes (CPWD-Manual, CPWA Code).

5.2. After prescribing all checks as required under GFRs, Receipts & Payments Rules, CTRs, CPWD Manual Vol II, CPWD Account Code, Delegation of Financial Powers and Civil Accounts Manual, etc., he will pass the bill, make the necessary entries of expenditure in relevant registers (as detailed below) and then he will prepare a cheque and pass it on to R.O. for onward transmission to Divisions.

5.3. Thereafter, RPAO (NH) will compile the accounts of these payments and book the expenditure against the relevant Head of Account and send consolidated Accounts to Hqrs. He will also ensure that expenditure has not exceeded budget grant, approved estimates and expenditure relates to National Highways.

5.4. RPAO (NH) will also account for all receipts received from Divisions on account of sales of tender forms, sale of forests, sale of empty drums and bags, road cutting charges and DOT charges etc. All receipts will be accounted for against relevant receipt Head.

5.5. RPAO (NH) will return all such claims which are deficient of supporting documents, sanction, sanctioned estimate, not in prescribed format to R.O. for getting the compliance done from the State P.W. Division. He will also assist the Supervising Engineer in reconciliation of expenditure figures with that being maintained in his office.

5.6. RPAO will maintain the following registers for payments and accounts:

- (1) Jobwise/Expenditure Control Register (*Annexure-II*)
- (2) Payment Register - Form CAM 9
- (3) Compilation Register - Form CAM 33
- (4) Cheque Delivered Register (*Annexure V*)

5.7. RPAO (NH) will also maintain all other registers as being maintained now in the reimbursement procedure, namely :

- A Sanctions to Contracts
- B Register of orders of special recoveries.

## 6. RESPONSIBILITY OF STATE P.W. DIVISIONS IN THE DIRECT PAYMENT PROCEDURE

6.1. State PW Divisions will continue to execute the various schemes of Central Government on National Highways as entrusted to them and passing through their respective states. They will continue to be treated as agent to Central Government.

6.2. In the new procedure of Direct Payment System, the Regional Officer (National Highways) MOST will be the Drawing and Disbursing Officer for all payments and receipts relating to National Highways. The Supervising

Engineer (Ex. Engr. Or A. Ex. Engr.) will seek reimbursement from RPAO(NH) through the Regional Officer (NH). They (Supervising Engineer) will submit claims of contractors or of their own department (if some work has been undertaken departmentally) duly verified and certified to the Regional Officer (National Highways) for reimbursement instead of going through State Treasury and State Accountant General. The Regional Officer (NH) in turn, after exercising necessary checks as prescribed in the foregoing pages, pass on the bills to the Regional Pay & Accounts Officer (National Highways) for process and issue of cheques in favour of contractors as desired by the Supervising Engineer. The RPAO(NH) will then process the claims and pass them for payment and issue cheques. If some claims are deficient in some respect, the same will be returned to the Supervising Engineer through the R.O. for doing the needful. On compliance of the observations raised by RPAO(NH) the Supervising Engineer will re-submit the claim for reimbursement.

6.3. On receipt of the cheques from RPAO (NH), the same will be entered in the cheque delivered Register by the Division. Supervisor will ensure proper acknowledgement of payment released to the contractors/parties/ individuals.

6.4. The State PW Divisions will continue to maintain the same records for submission of bills to RPAO(NH) as is being done in the reimbursement procedure, (As prescribed in CPWD Manual Vol. II, CPWD Account Code, Receipts and Payment Rules, GFRs, Civil Accounts Manual etc.). They will continue to submit the claims of the contractors in the prescribed format as it was being done in the previous system. Some of the forms have been detailed in *Annexure I*.

6.5. In the Direct Payment System, all receipts pertaining to National Highways will be deposited with the Regional Pay & Accounts Officer (National Highways) by means of Cheque/Demand Draft. A receipt for this purpose will be issued by RPAO(NH). The following items will form part of National Highways Receipts:

- (1) Sale proceeds of Tender Documents
- (2) Sale proceeds of empty Bitumen Drums and Cement Bags
- (3) Road cutting charges
- (4) Sale of forest products
- (5) Receipts from Telecommunication Department
- (6) Misc. receipts

#### 6.6. AGENCY CHARGES

The cheque for agency charges for executing the work of National Highways will be sent direct to the State Accountant General for credit to the accounts of the State.

6.7. The Supervising Engineer will send a monthly statement of Bills and Payments to the State A.G. so as to enable him to calculate the amount of the Agency Charges due to the State.

6.8. The Supervising Engineer will be required to reconcile the details of expenditure being booked in his office with that in the R.O. on month-to-month basis. This reconciliation work cannot be postponed. If there is any discrepancy between the two sets of figures, Division will depute an official reconcile the same and it will be sorted out in consultation with the RPAO(NH).

6.9. The Supervising Engineer will ensure that all claims are supported with proper sanction of MOST and there exists approved and sanctioned estimates of the project for which bills are being submitted to RPAO(NH) for payment that budget allocations for the financial year are available. The charge is rightly debitible to the National Highways. He will exercise all checks as prescribed in this system and as required of him under CPWD Manual II, CPWD Account Code, GFRs, delegation of financial powers, Receipts & Payment Rules, CTRs and Civil Accounts Manual etc. He will also append all certificates with the bill as prescribed in this system. He will be responsible for factually correct submission of bills to RPAO(NH) through the Regional Officer. He will be accountable to the Drawing & Disbursing Officer for all payments and receipts.



## FORM MOST-2

## Annexure-III

Certificates to be furnished with the Bill by the Executive Engineer of PWD (NH) Div. & to be countersigned by R.O.

Certified that :

1. The bill has been prepared in prescribed form.
2. The 5% Bank guarantee has been deposited by the contractor vide no. \_\_\_\_ for Rs. \_\_\_\_ of \_\_\_\_ Bank valid upto \_\_\_\_.
3. Entries of this bill has been made in the Measurement Book at page no. \_\_\_\_ to \_\_\_\_.
4. All the deductions/recoveries have been made as per rates applicable.
5. Recoveries of Income Tax and Sales Tax and surcharge thereon have been deducted as per rule.
6. Works has been executed as per MOST's specifications.
7. All the recoveries have been realised and credited to proper head of A/c.
8. It is certified that the full rates have been allowed as the quality of work is as per MOST's specification.
9. All statements such as deviation statement, extra items statements and substituted items statement duly approved by the competent authority (if any) are attached with the bill.
10. Certified that the bill (measurements) has/have been compared with the previous bill.
11. Certified that the unconsumed material has been returned by the contractor/firm and taken in the Material AT SITE accounts.
12. Posting of this bill has been made in the contractor ledger.
13. Certified that the Approved Lower Rates/Approved Higher Rates items requiring sanction have been sanctioned by the competent authority and attached with the bill.
14. The secured advance/mobilisation advance to the contractor is covered by non-revokable bank guarantee furnished by the contractor.
15. Certified that the measurement have been accepted by the contractor in full as recorded in measurement book.
16. Contractor/firm has submitted the labour reports every fortnightly.
17. Details of each months payments are being sent to A.G.
18. Certified that as per para 33.12.3 of section 33 of CPWD Manual Vol-II, qualified engineer has been employed by the firm/contractor.
19. Arithmetic checks of all measurement has been checked fully.
20. MBs are attached with the bill.
21. Sanction/approval for extension of time of competent authority (MOST) is attached with the bill.
22. Theoretical consmption statement of material such as cement, bitumen, steel etc. have been attached with the bill.

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23. Secured advance and mobilisation advances have been released in accordance with the instructions by MOST or as per CPWD Manual Vol.II and their recovery is also as per instructions issued by MOST.

Countersigned

Executive Engineer

P.W.D. (NH) Division

S.E. (C) MOST

FORM MOST-3

Annexure-IV

**Cheques/Demand Drafts Delivered Register**

(to be maintained by R.O.)

S.No. & Date	Bill No. & date	Amount	Cheque No. & date	Signature of payee	Signature of DDO
1	2	3	4	5	6