

**Copy of the letter No.F.1 (57)-B/74, Govt. of India, Ministry of  
Finance, Department of Economic Affairs, New Delhi,  
Dated 12-10-1976.**

*Sub:* Inter-Governmental transaction – Procedure to be followed for settlement of.

Sir,

I am directed to state that the question of adoption on a reciprocal basis the procedure in regard to settlement of inter-Governmental transactions on account of supplies made or services rendered by one Government to another, as recommended in paragraph 13.7 of the Second Report of the Team on Reforms in the Structure of Budget and Accounts, has been considered by the Government of India, in Consultation with the State Governments. All the Governments have accepted the recommendations of the Team in this regard. Accordingly, it has been decided that effective from the 1<sup>st</sup> October, 1976 the principle and procedure set out in the following paragraphs will be followed for settlement of intergovernmental transactions on account of supplies made or services rendered by one Government to another.

2. In all cases of claims for an amount not exceeding Rs.1,000 in each case on monetary settlement will be resorted to. However, in respect of the following claims monetary settlement should be made irrespective of the amount.

- (i) Claims relating to commercial departments undertakings of Government, Which are required to work to a financial result, for services rendered or Supplies made to or by them; and
- (ii) Incidence of charges viz., leave salary, pension, etc., arising out of inter-Governmental deputation of individual Government servants, which will continue to be regulated by the rules laid down in Appendix 3-B to Account Code, Volume I.

3. For transactions have the limit of Rs.1,000 and where the supplies/services are to be paid for irrespective of any monetary limit, the settlement will be made through cheques/bank drafts by the supplied Government. The procedure to be followed for making the monthly settlements in these cases (i) between the State governments inter se and (ii) in respect of supplies/services to a Central Government Department, will be as indicated below.

- (i) Between the State Governments *inter se*:

The concerned officer of the Government in receipt of the supplies or services will present a bill at the Treasury for the cost of Services or supplies, along with the accepted invoice and a requisition for a bank draft in favor of the officer concerned in the supplying Government and remit that bank draft so obtained to the later who will present it at the Treasury for encashment and crediting to the proper head of account.

- (ii) Between a State Government and a Central Government Department, (including Defence, Railways and Posts and Telegraphs besides Civil).

The Department of the Central Government which received the supplies/services will present a bill along with the accepted invoice to its own. Accounts Officer concerned who will make the payment by cheque/bank drafts drawn in favour of the officer concerned of the supplying Government, in settlement of its claims.

In the reverse case of supplies/service rendered by a Central Government Department, the cheques/bank drafts received by it from the supplied Government will be presented by it to its Accounts Officer for encashment and credit to the proper head of account. In case the departmental officer is himself in account with a branch of the bank, the cheque/bank draft will be remitted by him to the bank with chalan showing particulars of the head of account, for credit to Government account.

4. The Union Territory Government will also follow the procedure indicated above as may be applicable to them for settlement of their inter-Governmental transactions arising out of services rendered or supplies made by/to them.

5. These instructions will not apply to payments to suppliers, arranged by the Department of Supply in the Ministry of Supply and Rehabilitation for purchases made by the State Governments, etc., through the Director General of Supplies and Disposals, in regard to which the procedure down in this Ministry's letter No.F (43)-B-73 dated the 31<sup>st</sup> July 1975 continue to hold good.

6. The procedure to be followed for realisation of customs duty goods imported by the various Government/Departments will be laid down separately by the Department of Revenue and Banking (Revenue Wing). Similarly the procedure to be followed for settlement of claims relating to supplies made by the Medical Stores Depots to various Governments/Departments will be prescribed separately by the Department of Health in the Ministry of Health & Family Planning.

7. The receipt of this letter may please be acknowledged.

Yours Sincerely

(Sd)

KUMARI SOMI TANDON

*Under Secretary to Government of India.*