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No.AD-17007/16/2022-PFMS/ 5763
Government of India
Ministry of Finance
Department of Expenditure
O/o Controller General of Accounts
Public Financial Management system

4th Floor, Annexe, Shivaji Stadium, New Delhi,
Dated 9th Dec, 2022

Office Memorandum


Subject: FAQs on revised procedure of flow of funds under Central Sector Schemes Model II-reg.

Ministry of Finance, Department of Expenditure, vide OM dated 9th March, 2022 has issued the Revised procedure of Flow of funds under Central Sector Schemes via the Central Nodal Agency(CNA) wherein two Models of implementation have been laid out.

2. In this connection, a set of Frequently Asked Questions (FAQs) alongwith replies on CNA, Model 2 to facilitate implementation of the said procedure is attached herewith.

This issues with the approval of Competent Authority.

Encl: as above


(Anjana Vashishtha)
Deputy Controller General of Accounts

- To
1. All Secretary of Ministries/ Department
 2. All Financial Advisors of Ministries/Departments.
 3. All Pr.CCAs/ CCAs/ CAs(IC) of Ministries/Departments.

- Copy to:
1. PPS to AS (PFS)
 2. PS to Addl. CGA (PFMS)
 3. All Jt. CGA/Dy. CGA/ACGA of PFMS.
 4. Sr.AO (PFMS) to upload in website.

S. No	Question	Answer
General Queries about CNA		
1.	What is a Central Sector scheme?	<p>Central Sector Schemes are implemented by the Central Ministries/Departments through their designated implementation agencies and funds are routed through the functional heads relevant for the sector.</p> <p>The list of Central Sector Schemes is available in statement 4B of the Expenditure Profile of Budget Document.</p>
2.	What are the two Models proposed in the DoE's OM No. 1(18)/PFMS/FCD/2021 dated 09.03.2022 for the revised fund flow mechanism for Central Sector Scheme.	<p>DoE's guidelines dated 9th March, 2022 prescribe two models for release of funds and monitoring utilization of Central Sector Scheme funds -</p> <p>Model 1 (M1): M1 is the TSA model. It is implemented through Treasury Single Account (TSA). It is applicable to CS schemes having annual outlay of more than Rs. 500 crores and implemented without involvement of State Agencies.</p> <p>Model 2 (M2): M2 is non-TSA Model. It is implemented through Scheduled Commercial Banks and is applicable to CS Schemes having annual outlay of less than Rs. 500 crore or to the CS schemes implemented by the agencies of the State Governments exclusively or in addition to the Central agencies.</p>
3.	What are the prerequisites for onboarding on Model 2 of CNA?	<p>The prerequisites as conveyed by PFMS Division, O/o CGA vide OM dated 07.09.2022 for onboarding on M2 of CNA are as follows -</p> <ol style="list-style-type: none"> 1. The scheme should be a Central Sector scheme. 2. The Program Division (PD) has identified the scheme in Model 2 as per DoE's guidelines.

		<ol style="list-style-type: none"> 3. Notification of CNA and of the Sub Agencies (SA) by the concerned Program Division (PD) of the Ministry. 4. Opening of Central Nodal Account of the CNA. 5. Transfer of unspent balances of SAs lying in old accounts to the CNA account. 6. Opening of Zero balance accounts of SAs in the same Scheduled Commercial Bank in which CNA account is opened. 7. CNA or SAs status may be checked whether they are registered as Central Agency i.e. whether the State/District is appearing as central Agency in the Agency profile. If so, the correct State and District of the CNA is to be identified. 8. As and when any one SA transfers the unspent balance to the CNA, the scheme may be marked as CNA and funds can be assigned from the CNA to that SA. <p>It is to be noted that in case the Scheme is being operated via Model 1 CNA (i.e. via TSA), the Agency is not required to be marked as CNA. However, the Scheme should be marked as CNA.</p>
4.	What are the criteria for notification of CNA by the Government of India?	For M1, only Autonomous body/ PSU can be notified as CNA. For M2, a government agency (Autonomous body, institute, PSU etc.) under the administrative control of the Ministry may be notified as CNA.
5.	How many Central Nodal Agencies can be designated for one scheme?	Only one Agency can be designated as Central Nodal Agency (CNA) for one Central Sector Scheme. However, for Schemes implemented through State Governments, not more than 1 agency per State may be notified as CNA.

6.	Whether multiple CNAs are allowed if the scheme is being implemented through Central Government agencies?	No. However, exceptional cases may be referred to DoE with justification for consideration.
7.	Whether multiple CNAs are allowed if the scheme is being implemented through State Government agencies?	Yes, However, not more than 1 CNA per State may be designated as CNA.
8.	Whether multiple CNAs are allowed if the scheme is being implemented both through Central as well as State Government agencies?	Yes. For components being implemented through State Governments, not more than 1 CNA may be notified per State. For components implemented through Central Government Agencies, one of the Central Government Agencies may be notified as CNA and the remaining Central Government Agencies may be notified as SAs.
9.	Can a bank be notified as CNA?	No.
10.	Can State Department be notified as CNA?	State Government Agencies/Departments can be notified as CNA.
11.	Is Component- wise CNA possible?	No
12.	Is CNA required if funds are transferred as advance to lower level agencies?	Yes. However, no physical funds transfer is allowed to lower level agencies. They will be assigned drawing limits by their parent agency.
13.	How can the scheme be operated under the revised procedure if different components are implemented through different implementing agencies?	Component wise CNAs are not permitted. However, component wise Sub Agencies (SAs) may be designated and expenditure may be incurred upto the assigned limit.
14.	Whether scheme, which is on M1-TSA, can migrate to M2.	No
15.	If a scheme (Below ₹500cr. outlay) is operating under Model-1, is there a requirement to move to Model -2?	No

16.	What are the steps for migration the scheme from Model 2 (Scheduled Commercial Banks) to Model 1(TSA)?	<p>There should not be any balance left in the Scheduled Commercial Bank account as well as limit should not be available in PFMS. Thereafter, agency admin user may generate scheme bank details by Menu "My Scheme – Deactivate Scheme/Bank Account".</p> <p>The Program Division will approve the deactivation request by Menu "My Scheme – Approve Account for deactivation".</p> <p>It should be ensured that there are no transactions pending in the pipeline before deactivation of the earlier bank account.</p>
17.	How to give object head wise break up of funds while releasing 25% budget at the start of a quarter?	25% is to be calculated on total allocation of the scheme irrespective of object head wise breakup.
18.	Where one can see the User Manual and SOP of CNA? What are the roles and responsibilities of Users?	<p>The roles and responsibilities of the users are available in the User manual and SOP of CNA.</p> <p>All document related to CNA-SOP & CNA User Manual have already been provided at PD User Level (after Login in PFMS) under the Tab-"Manuals".</p>
19.	What is the procedure if the Central Sector scheme is implemented by transferring funds to the Treasury of the State.	Transfer to State treasuries is not allowed under the new procedure for flow of funds under Central Sector Schemes. Funds will be released to the CNA as per the new procedure.
20.	What are the exemptions in CNA?	Exemptions from DoE's guidelines are provided under Para 7 of DoE's OM dated 09 th March 2022 and corrigendum dated 25 th July, 2022.
21.	What are the types of State Agencies in Central Sector schemes?	Autonomous Bodies (ABs), Special Purpose Vehicles (SPVs), State Government Institutions and Departments under State Governments.
22.	Can a state agency CNA use M1.	No.

23.	What type of bank is required to be chosen under Model 1 of CNA?	For Model 1, account of CNA and those of SAs must be opened in RBI's eKuber. The account opening forms are to be submitted by the PAOs concerned to the Government Banking Arrangement (GBA) Section, O/o Controller General of Accounts. The forms are available at https://cga.gov.in/Page/Treasury-Single-Account-TSA-.aspx
24.	What type of bank is required to be chosen under Model 2?	For Model 2, Saving bank account is to be opened in a Scheduled Commercial bank authorized to do Government Business. Para 3(v) and 3(vi) of the OM dated 09.03.2022 may be referred to regarding the criteria for choosing the bank.
25.	In M2, what are the different types of accounts to be opened?	The CNA will open a savings account. The Sub Agencies (SAs) have to open Zero Balance Subsidiary accounts (ZBSAs) in the same bank. However, the bank branch may or may not be the same.
26.	Can any of CNA/SA accounts be a current account?	No
27.	Can the existing bank account of the agency be used as central nodal account?	Yes, but only if the Parent (CNA Account) and child ZBSAs are opened in the same bank, and the bank meets the criteria laid out in para 3(v) and 3(vi) of the OM dated 09.03.2022. Also, the existing bank accounts should not be mapped to any other scheme in PFMS.
28.	Is opening of Zero Balance Subsidiary Account (ZBSA) mandatory?	The SA can choose to open ZBSA or use the CNAs account.
29.	What type of account is ZBSA?	ZBSA will be a non-interest bearing account.
30.	Can the SAs function without opening a ZBSA?	Yes. In such cases, SAs may use a functionality present in PFMS which allows the SAs to use the CNA's bank account for payments.

		To utilize this functionality, the SAs while registering/adding CNA scheme may select "I will use the CNA account" option for incurring expenditure.
31.	Can individuals hold ZBSA?	No. The Sub agencies will open ZBSAs.
32.	What is a holding account and why is it used?	A holding account will be an account that will hold the funds for a maximum of 14 days as per the OM dated 09.03.2022 A holding account will be used for tax/statutory deductions/duties/levies/fees/utility bills etc.
33.	Can we change the bank used in Model 2 for CNA?	Yes. However, it may be ensured that the entire interest accrued is remitted back to the Consolidated Fund of India according to para 230(8) of GFR 2017. The balance in previous bank account should be transferred to the new account and the previous bank account should be closed.
34.	Are project wise accounts allowed in PFMS?	DoE's guidelines prescribe Central Nodal Account for the CNA and Zero balance accounts for the SAs. If the Department wishes to notify a project as SA, zero balance account for the same may be opened. If the Department does not wish to open zero balance accounts for all projects in an institute, the institute may be notified as SA and a single zero balance account of the institute may be opened. In such case, all the projects in that institute will draw funds using the zero balance account of the institute. However, while incurring expenditure, the SA can select the project code, against which the expenditure is to be incurred, from the project master, for MIS purposes.
35.	How to return unspent amount to CNA? Is it to be done via PFMS?	Before marking of the scheme as CNA, the Agency may return unspent funds via PFMS. This can be done if the SAs are already mapped in PFMS. Sub-agency can transfer the balances

		<p>to higher agency by Menu "Transfer – Transfer to Higher Agency". Further, only after all the SAs have returned the unspent amount to the CNA, the scheme can be marked as CNA.</p> <p>However, if the funds are returned after marking the scheme as CNA, then such returns should be entered via the proposed legacy data utility.</p> <p>Further, as per DoE OM dated 14.09.2022, The Program Division may allow the CNA to assign drawing limits to those Sub Agencies (SAs) who have returned the unspent balances to the CNA, and need not wait till all the SAs have done the same.</p>
36.	Who will mark the scheme as CNA?	CNA can only be marked by PFMS Headquarters.
37.	Can the same account be used by the agencies for expenditure, advance and allocation of funds to SAs?	Yes, the same account can be used. Provision has been provided in PFMS which allows the agency to earmark the funds for expenditure, advance and allocation to SAs separately.
38.	What are the steps for releasing funds to SAs?	<ol style="list-style-type: none"> 1. SAs need to refund any unspent balances to the CNA account. 2. As and when the SA returns the unspent amount to CNA, the CNA can assign the drawing limits to that SA. 3. The unspent amount returned back to the CNA account will be captured in PFMS via the proposed legacy data entry form.
39.	Can CNA have SAs outside India	No. Funds releases to Indian missions abroad are exempted from DoE's guidelines dated 9 th March, 2022.
40.	If the Ministry/ Department of Central Government does not have any autonomous body under its control,	Apart from Autonomous Bodies, PSUs/SPVs/Registered Government Societies/Government Institutes under the

	what will be the procedure for implementation of new procedure?	control of the Ministry may be designated as CNA.
41.	How to administer commodity sanction in Central Sector schemes.	If the commodity has been purchased through direct payment by PAO to vendor, the same is exempted under para 7(iii) of DoE's guidelines dated 9 th March, 2022. Further distribution of the commodity to sub agency requires only a book transfer and therefore need not be routed through CNA.
42.	What is the procedure in case a state agency executes work on PMC (Project Management Consultant) basis?	Funds released directly to vendors against the bills/claims are exempted as per para 7(iii) of the OM dated 9 th March, 2022 and corrigendum dated 25 th July, 2022.
43.	How Security Deposits and Earnest Money Deposits (EMDs) are to be treated.	No change in the procedure for treatment of SDs and EMDs. As per the existing practices, SDs and EMDs should be kept in a separate account not associated with the CNA framework.
44.	Some of the components are on exemption list and some are not. In such cases, is CNA is required?	Yes, as per the DoE OM dated 25 th July 2022, the non-exempted components have to be on boarded on CNA.
45.	In a CS scheme, can payment of salaries be made directly by the agency?	Yes, the employees have to be made as vendor to proceed with the payment.
46.	How to deal with the administrative expenses, subscription of journals/ e-journals etc. in a Central Sector Scheme done by the agency?	Such items of expenditure can be done to the vendor via PFMS.

Abbreviations

1. PFMS – Public Financial Management System
2. CNA – Central Nodal Agency
3. SA – Sub Agency
4. TSA – Treasury Single Account
5. M1 – Model 1; M2 – Model 2
6. AB – Autonomous Body
7. RBI – Reserve Bank of India
8. ZBSA – Zero Balance Subsidiary Accounts
9. PAO – Pay and accounts office
10. PSU – Public Sector Unit
11. SPV – Special Purpose Vehicle