

স্বরাষ্ট্র মন্ত্রণালয়  
নিবন্ধন নং: ১/৮-২১৯/৬



GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH  
MINISTRY OF FINANCE AND PLANNING  
FINANCE DIVISION

REVISED SYSTEM OF FINANCIAL MANAGEMENT  
FOR THE DEFENCE FORCES  
1982



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EXPENDITURE CONTROL & REGULATION WING  
FINANCE DIVISION  
MINISTRY OF FINANCE AND PLANNING

GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH  
MINISTRY OF FINANCE AND PLANNING  
FINANCE DIVISION

(Expenditure Control and Regulation Wing)

No. MF(EC-I)DP-1/82/450/1(25), dated Dhaka, the 27th September, 1982.

SUBJECT: Revised System of Financial Management for the Defence Forces.

References :

- A. Ministry of Defence letter No. F/146/66/WB(R), dated the 24th September, 1966 on 'Revised System of Financial Management of Defence Services'.
- B. Ministry of Defence letter No. F/146/66/WB(R), dated the 24th September, 1966 on 'Financial Control in the Armed Forces'.
- C. Ministry of Finance letter No. MF/(ECA-1)DP-23/76/DEF/141, dated the 10th July, 1976 on 'Revision of the System of Financial Control for the Army, Navy and Air Force'.
- D. Ministry of Defence letter No. R-3/76/D-XI/5103, dated the 11th December, 1976 on 'Revision of the System of Financial Control for the Army, Navy and Air Force'.
- E. Ministry of Finance (Expenditure Control Wing) letter No. MF(EC-I)DP-6/77/55, dated the 10th March, 1977 on 'Modification of the Financial Advisers Scheme along with delegation of Financial Powers'.
- F. Army Headquarters, General Staff Branch, Budget Directorate letter No. 2101/R/B1, dated the 3rd April, 1982 on 'Revised System of Financial Management for the Defence Force'.
- G. Chief Martial Law Administrator's Secretariat letter No. 7005/1/CIV-1, dated the 14th May, 1982 on 'Reorganisation of Military Accounts Department'.

1. The existing financial management in the Armed Forces has been reviewed and it has been decided to make radical changes in it. The Chief Martial Law Administrator(CMLA) has been pleased to decide that in supersession of the existing regulations/orders on the subjects, the 'Revised System of Financial Management' as outlined below will be introduced for the Defence Services with immediate effect.

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2. The relevant superseded financial regulations/orders will be suitably amended in the light of this letter. Necessary organisational and legal changes will also be brought in. To bring in these necessary changes and the amendments to the existing regulations, the concerned and related agencies/offices will take up cases with the Government immediately on receipt of this letter.

3. The abbreviations used in this letter are summarised in Annex-C to this letter. Annex-B to this letter is on the reorganisation of the Defence Finance Department (DFD).

### BUDGETING AND GOVERNMENT CLEARANCE OF EXPENDITURE ITEMS

4. Well in advance of the financial year, on the dates and in the form already prescribed, the Services Headquarters will submit comprehensive 'Budget Estimates' to the Ministry of Defence (MOD). These estimates will be submitted within the framework of the long-term 'National Defence Plan' to be approved by competent authority, so that, each Annual Budget fits into and contributes to the objectives of longterm planning. The National Defence Plan will be continually kept under review so that the framework remains realistic and up-to-date to meet the situational requirements. The estimates will be as detailed and supported by explanatory memoranda as may be necessary to identify the main items of expenditure so as to enable the Government to examine their justification.

5. In the case of non-recurring expenditure including purchases of stores and capital works, priorities will be indicated in the context of the National Defence Plan, so that, if full requirements cannot be met, the needs are known in order of urgency and importance.

6. In respect of stores, proposed purchases by main categories will be presented. Likewise, in respect of capital works, necessary lists including residential and non-residential accommodation will be provided as done at present.

7. The Foreign Exchange component of various items included in the Annual Budget will be indicated at the same time. The Annual Budget Estimates will be examined first by the MOD and then by the Ministry of Finance (MOF) and finalised for approval by the competent authority.

8. In the beginning of the Fiscal year, on the basis of the 'Budget Demand' approved by the competent authority, the Defence Secretary will make the budget allocations to the three services, and other MOD Organisations, in consultation with the respective services or Organisation, indicating separately the provisions made for non-effective charges, namely pensionary liabilities, and for non-recurring expenditure including capital works.

9. Similarly, on the basis of the Foreign Exchange Budget approved by the Government, Foreign Exchange allocation will be made.

10. During the budgeting process envisaged at paragraphs 4 to 9 above, main items or categories of expenditure will be finally cleared by the Government after examining their justification so that individual proposals do not have to be referred to the Government during the year.

11. It is contemplated that throughout the year, new measures including capital works additional units or other new schemes proposed to be incorporated in the next year's budget, would be submitted to the Government for approval, so as to obviate a *tab initio* examination at the time of budget scrutiny and discussions.

12. The existing 'Budget Heads' will be revised and rationalised in due course in order to provide under each service all expenditure relating to it, including expenditure on 'Defence Finance Accounts' (DF) and under each 'Main Head' all expenditure appropriately belonging to it.

13. In the case of provision of 'Common User Items' by 'Providing services' for other 'User services', the actual anticipated expenditure will be worked out by the services concerned and shown in its Budget Estimates. However, after the budget is sanctioned necessary funds will be placed by the User service at the disposal of the Service Providing Common User Items to them.

## **FINANCIAL POWERS AND RESPONSIBILITIES OF THE SERVICE CHIEFS OF STAFF**

### **Power of Administrative or Expenditure Sanctions**

14. Within the Taka and Foreign Exchange allocations made to the Services Headquarters, the service Chief will have full authority to sanction expenditure except in the following cases:

- a. Exceptional cases of lump sum provisions being made for any items of expenditure which could not be finally cleared at the time of budgeting process visualized at paragraphs 4 to 9 above. These categories of expenditure will be cleared as soon as possible after the budget allocations are made.
- b. Categories of cases mentioned at Annex-A to this letter. In the case of these categories, reference will have to be made to the Government as hitherto.

## Redelegation and Subdelegation of Financial Powers

15. The service Chiefs may redelegate/subdelegate their financial powers of administrative or expenditure sanction only, to their subordinate Officers amounting up to Tk. 25 lacs only. The Commander-in-Chief (C-in-C) will approve cases of redelegations exceeding Taka 25 lacs on the recommendation of the Service Chiefs.

16. The financial limits of various existing types of 'other Financial powers' — such as contractual, purchasing, indenting, writing-off and technical powers of various Officers like Staff Officers, Commanders, Directors and Contracting/Indenting/Technical/Engineer Officers will be suitably enhanced, 'rationalised' and delegated by the Government on the recommendation from the Service Chiefs/Headquarters.

17. As mentioned in paragraph-16, the cases for the enhancement and rationalisations of 'Other Financial Powers' will be taken up by the concerned Offices. However, enhancement of 'Contractual Powers' for Works and stores, of the Engineer-in-Chief (E-in-C) and the Director General of Defence Purchases (DGDP) will be as under :

- a. The DGDP will have full contractual powers for procuring any items indented or administratively sanctioned by any of the service Chiefs or heads of other MOD Organisations. For normal cases no reference is to be made to the Government for 'concurrence' as done at present. However, financial advice will be obtained from the 'Finance Controller Defence Purchases' (FC-DP-elaborated in the Annex-B & C).
- b. The E-in-C will have full contractual/tendering powers for construction of works and purchases of stores for which administrative sanctions have to be obtained from the service Chiefs. The Finance Controller Works (FC-Works-elaborated in the Annex-B & C) will provide financial management (accounting and advising) services. The E-in-C will normally redelegate this contractual power in full or in part, to the Chief Engineers for tendering. He may sparingly tender for the Works of Inter-services or complex nature. Primarily, tendering should be done by the Chief Engineers under the overall supervision of the E-in-C. If contractual amounts exceed the contractual powers of the Chief Engineers, the tender documents will be scrutinise and approved by the E-in-C before acceptance by the Chief Engineer. The E-in-C will deal with 'referred cases' of tendering by the highest technical authority for the Defence services including other MOD Organisations.

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### Power of Reappropriation

18. The service Chiefs will have authority to make reappropriation within the 'Main Heads' in consultation with the 'Finance Controllers' (FCs- 'Finance Controllers' are modified terms for the earlier Controllers of Accounts elaborated in para 22, and Annex-B) except in the following cases :

- a. Reappropriation from the 'Capital Heads' to 'Revenue Heads' and vice-versa.
- b. Reappropriation from and to the 'Pay and Allowances Head'.
- c. Reappropriation from and to the 'Ration Head'.
- d. Reappropriation from and to provisions for payment of principal and interest relating to credit purchases ('debt service' provisions).

### Responsibility/Accountability

19. The service Chiefs will be responsible for ensuring that expenditure is incurred in accordance with 'Canons of Financial Propriety' and relevant rules laid down by the Government in Financial Regulations for the Defence services and Compilation of General Financial Rules. The redelegation referred in the Paragraphs 15 to 17 above will not absolve the service Chiefs of their personal responsibility.

### FINANCIAL CONTROL SYSTEM FOR DEFENCE EXPENDITURE

20. Following 'Financial Control Measures'—which are elaborated in the subsequent Paragraphs—will be adopted :

- a. The Budget will be the main instrument of Government control over the Defence Forces/services—elaborated in para. 21.
- b. Defence Finance (previous Military Accounts) Department (DFD)—para. 22 and Annex-B.
- c. Directorate General Defence Audit (DGDA)—para. 22 and Annex-B.
- d. Financial Control System in the services Headquarters and other MOD Organisations. The following types of 'Financial Controls' will be adopted in the services Headquarters :
  - i. 'Budget and Account' or Finance Directorates will primarily deal with 'financial management' for the service Chiefs—Para 23.
  - ii. The FCs from the DFD, as financial managers will provide 'Financial Advice' to the services and other MOD Organisation—Para. 24.

- e. 'Difference' by the FCs—Para. 25.
- f. Close association of the FCs with the Services Headquarters—Para. 26.
- g. Close liaison between Services Headquarters and the CGDF—Para. 27.
- h. Financial Advisers, Defence Finance (FADF) (Previous FA Defence) with the MOD—Paras. 28 and 29.
- i. Defence Finance Cell (DF Cell) with the MOF—Para. 30.

### BUDGET WILL BE MAIN INSTRUMENT OF GOVERNMENT'S FINANCIAL CONTROL OF THE DEFENCE SERVICES

21. The new system has been necessitated by a recognition of the fact that the Service Chiefs should have larger powers for the utilisation of funds placed at their disposal and that it is necessary to take into account financial considerations at all stages, from the framing of plans to their execution. In the case of the Armed Forces, their peculiar requirements made it all the more desirable to have close association with Finance and Accounts *i.e.*, 'financial management'. Delegation of financial powers also assumes that the budget will henceforth become an important 'Instrument of Financial Control'.

### DEFENCE AUDIT AND DEFENCE ACCOUNTS

22. 'Departmentalisation' of Defence Finance (previous Military Accounts) and Separation of Defence Accounts and Defence Audit. With increased financial responsibility, the Service Chiefs will have more accounting responsibility. For an efficient and up-to-date Financial Management System, 'heads of the department' should have the accounting responsibility having their own internal or integral accounting service-keeping the external or 'Statutory Auditing' responsibility with external agencies/department. However, commensurate with our existing organisational and the services (Civil Services) structures the Defence Audit and Defence Account will be separated on the following pattern :

- a. The word 'Military' is connotative with: warfare, warlike, soldiers and armies etc whereas, the word 'Defence' has much broader and more 'democratic' and more precise connotation to cover all the Defence Services and Organisations which are subjected to Defence budget and expenditure. The word 'Defence' will be used in place of the word 'Military', whenever, associate with 'finance', *e.g.*, Military accounts, Military finance, etc. will be termed as Defence Finance, Defence Account etc.

- b. Defence Finance Department (DFD).** Till now military accounting was a function of the Comptroller and Auditor General (CAG). A new department called Defence Finance Department (DFD) similar to the earlier Military Account Department (MAD) which has been merged with the CAG, will be raised/organised under the administrative control of the MOD. The directive/guide lines for the organisation of DFD is given at Annex-B to this letter.
- c. Concept of Financial Management.** The traditional concept and practice of 'audit-accountancy' will be replaced by the modern concept of 'Financial Management' and besides account-keeping, the DFD will provide 'Financial Management service' to the Defence Services and Organisations. The Financial management service 'functions' for the DFD will be as follows:
- (1) 'Keeping' the Defence Account (or Military Account) under the administrative control of MOD and periodically submit 'Financial/Accounting Reports/Statements' to the CAG, as and when required by the CAG through the MOD.
  - (2) Internal/Primary Audit either pre- or post- (not statutory) to suit the individual requirements of each Service depending on their internal practice/authorised system of accounting.
  - (3) Assisting in statutory or External Auditing which is to be done by the Directorate General Defence Audit (DGDA).
  - (4) Providing 'Financial Advice' (elaborated in para 24 a to f) to the Defence Services and the other MOD Organisation, in 'Internal Financial Control system'.
  - (5) Supply/Disbursement and Control of Cash.
- d. Directorate General Defence Audit (DGDA) to be raised/Organised.** Statutory Audit will be done by a separate audit organisation, the DGDA under the administrative control of the CAG. This Directorate will be officered by the BCS (Finance Audit/Account) and the departmental Officers promoted from the subordinate ranks of the DGDA. It is to be immediately raised or organised and manned by the CAG so that it can function with immediate effect.

#### FINANCIAL CONTROL SYSTEM AT THE SERVICES HEAD- QUARTERS

23. Directorate of Budget and Accounts at the service Headquarters. Commensurate with the increased financial responsibility entrusted to the Service Chiefs, Budget and Account Directorates, depending on individual



service requirements, as far as possible, should be reorganised by the service Chiefs. If feasible they should be integrated into one 'Finance Directorate' to enable the Service Chiefs to exercise their functions including liaising and working in close coordination with the finance, accounts and the audit authorities : like and with the MOD and the MOF. With the help of the FCs, the Budget and Account Directorates should provide adequate 'Internal Financial Controls' to the services Headquarters. The detailed nature of these 'Internal Financial Controls' will also depend, besides rationalisation and uniformisation, on the peculiarities of individual service requirements and practices.

24. **Financial Advice for the service Chiefs or Headquarters.** The service FCs with necessary additional subordinate Officers and staff will provide all the necessary 'Financial Advice' to the service Chiefs and Headquarters normally through their relevant staff Officers. However, in the best interest of the service Chiefs, the service FCs will have direct access to their service Chiefs on complicated/difficult cases. They will work in close coordination with the Finance or 'Budget and Account Directorates' and other relevant Directorates. In Financial Advisers, the FCs will have the following functions with minor modifications to suit the individual service requirements :

- a. Examine and render advice on 'Budget Estimates and Reviews' prepared by the Director of Budget before their submission to the service Chiefs and subsequently to the MOD.
- b. Assist in the scrutiny of all 'new measures'.
- c. Assist in processing all cases with the Government which require Government approval *vide* Annex-A to this letter.
- d. Assist in internal auditing and render assistance in connection with post-audit (statutory) and account deeping by advising the service Chiefs and his other related Officers, by liaising among and processing the cases with, the relevant authorities.
- e. Assist in speedy disbursement of Pay, Pension and Allowances to the personnel by liaising between the Services Headquarters and the relevant authorities.
- f. Assist in speedy scrutiny of contractual or purchasing documents for project works and stores purchases.

#### DIFFERENCE BY THE FINANCE CONTROLLERS (FCs)

25. The FCs as Finance Advisers (FAs) will not exercise powers of concurrence as used to be done earlier by the FAs. However, the CGDF will work out 'advising-levels' of various FCs in terms of financial limits and 'nature of cases' in consultation with the service Chiefs/Headquarters to suit their individual requirements, and obtain the approval of the MOD in this behalf.

The FCs will be free within the rules to advise the supported Officers (service Chiefs or their delegated Officers), and free to discuss the interpretation of the Financial Rules/Regulations. They can 'differ' from the supported Officers and the supported Officers will have powers to overrule their 'difference'. However, the responsibility will be with the overruling supported Officers. The supporting FCs will have the right to refer the 'difficult cases through technical (Finance) channel to their superior Officers upto the CGDF and MOD/MOF for interpretation/advice etc. In exceptional cases of 'difference' they can advise the supported Officers to refer the cases of difference to higher authorities or the Government and or to the C-in-C. Such references will be binding on the supported Officers.

#### CLOSE ASSOCIATION OF THE FINANCE CONTROLLERS (FCs) WITH THE SERVICE HEADQUARTERS.

26. Consistent with the principles underlying the new system, the following procedure shall be adopted in obtaining financial advice and in associating the FCs with cases which fall within the delegated authority of the service Chiefs :

- a. *Committees.* Full use of the FCs should be made by nominating them as members of policy and priority committees, at the discretion of the service Chiefs.
- b. *Establishments.* The FCs will be associated with the review or reorganisation of military units and formations involving changes in manpower or equipment.
- c. *Indents.* All indents not involving items included in the Annex-A may be finalised by the service Headquarters, with the advice from the FCs. (Advising level to be decided as per paragraph 25).
- d. *Works :*
  - (i) The FCs will be associated with works proposal at the stage of scrutiny of projects and contract agreements. Internal/pre-audit scrutiny will be done by the works FCs in place of normal audit as is being done by the relevant Controller of Military Account (CMA) at present.
  - (ii) to avoid audit objections at a later stage, administrative sanctions issued by service Headquarters or any other MOD organisations, which have financial implications, should preferably be endorsed by the FCs, *i.e.*, financial advice should be obtained. (Advising levels to be decided as per Paragraph 25).
- e. The FCs should be encouraged to visit field units to familiarise themselves with the working of the Armed Forces.

## CLOSE LIAISON BETWEEN THE SERVICE HEADQUARTERS AND THE CONTROLLER GENERAL DEFENCE FINANCE (CGDF).

27. Closer liaison should be maintained between the CGDF and the Service Headquarters. There will now be a senior FC (SFC) at each Service Headquarters and it should be possible for the administration to know more fully the problems relating to finance, audit and maintenance of accounts in the Armed Forces. Formation or Administrative or Logistic Commanders should also have closer association with their corresponding regional/relevant FCs, one of whose recognised functions is to provide 'Financial-Advice' to Commanders. Personal contact and mutual human relation should solve many problems.

## FINANCIAL ADVISER DEFENCE FINANCE (FADF)

28. The earlier Financial Adviser Defence will be reorganised and redesignated as FADF (to differentiate from the regular FAs attached to other Ministries to suit the peculiar and special needs of the Defence Services. The FAs for the FADF will be Officers of the MOF located/attached with the MOD. The FAs from the MOF (like the present DFA Navy) will not be attached with the service Headquarters or other MOD Organisation (like earlier DFA, DGDF) as done at present.

29. To suit the special and peculiar 'Defence Needs' (like security, speed and expertise on military technology) for the Defence Organisations, the FADF Organisation will be asymmetrical to FA Organisation attached to other Ministries (Reference-E). The FADF will be specially organised and trained/developed to meet the following requirements:

- a. To process speedily and efficiently with the 'Refer-to-Government' cases given in Annex-A.
- b. To process all proposals for changes and amendments to existing financial and other rules, regulations, procedures, laws, etc., initiated by concerned agencies/offices in consonance with the Revised system of Financial Control for the Defence Forces and in pursuance of Paragraph-2 of this letter.
- c. To process all proposals, made from time to time relating to the review of financial rules and regulations which need to be kept under continual review in order to attain the maximum speed and efficiency commensurate with the dynamic nature of defence requirements.
- d. The FADF will assist the MOD in the 'Financial Management' for the Defence services/organisations or the 'Defence Finance'.

## DEFENCE FINANCE CELL (DF CELL) AT THE MOF

30. To cope with the special and dynamic needs for the Defence Finance, a Defence Finance Cell (DF Cell) will be specially organised and trained/developed by the MOF. It should exclusively deal with the 'Defence Finance'. It will be the 'sister-part' of the FADI with the MOF.

## REVIEW OF THE REVISED SYSTEM OF FINANCIAL MANAGEMENT

31. The revised system of Financial Management will be reviewed after a period of two years from the date, it comes into effect.

GHOLAM KIBRIA  
Secretary

Finance Division,

Ministry of Finance and Planning.

### Annexes :

- A. List of subject which must be referred to the Government.
- B. Reorganisation and Reallocation of Defence Finance Department (previous MAD).
- C. Abbreviations used in this G.O. letter.

### Copy to :—

1. The Secretary, Ministry of Defence, Old High Court, Building, Dhaka.
2. The Chief of Army Staff, Army Headquarters, Dhaka Cantonment.
3. The Chief of Naval Staff, Naval Headquarters, Banani, Dhaka.
4. The Chief of Air Staff, Air Headquarters, Dhaka Cantonment.
5. The Comptroller and Auditor-General, 10/S, Elephant Road, Moghbazar, Dhaka.
6. The Financial Adviser (Defence), Ministry of Defence, Old High Court Building, Dhaka.
7. The Military Accountant General, Government Office Building, 4th Phase, Segunbagicha, Dhaka.
8. Joint Secretary, Budget Wing, Ministry of Finance and Planning, Finance Division.
9. Joint Secretary, External Finance, Ministry of Finance and Planning, Finance Division.
10. Joint Secretary, Administration Wing, Ministry of Finance and Planning, Finance Division.

**Annex-A To Ministry of Finance**

Letter No. MF(EC-1)DP-1/82/450/1(25)

Dated 27th September, 1982.

**LIST OF SUBJECT WHICH MUST BE REFERRED TO THE GOVERNMENT**

1. Introduction of new, or revision or exision of existing terms and conditions of services of personnel, scales of pay, allowances, passages, pensions, gratuity, commutation of pension, unit or construct allowances, scales of ration and clothing, scales and specifications of accommodations and furniture, scales and rates of living accommodation, electricity and water, Tables of Organization and Equipment and scales of reserves.

2. Determination of the period for which General Staff reserves are to be maintained.

3. Creation of new posts of Lieutenant Colonels and above and Class-I Civilian Officers.

4. Grant of advance increments.

5. Variation in purchase procedures laid down by the Government.

6. Proposals in respect of receipt and their utilization.

7. Conditions governing sale or disposal of capital assets.

8. Variation in the rules relating to payment rates and free issue rates of stores, clothing and ration and the rate of recovery for services rendered to no-service department.

9. Any Inter-Services matter having financial implications. Siting and construction of physical facilities like buildings and installation etc., in the commonly sha-red Cantonments by more than one Service, which affects the efficiency functioning of neighbouring Service.

10. Negotiations relating to foreign aid, credits and barlers.

11. Relaxation of rules and regulations laid down by the Government.

12. Accounting and financial rules.

13. Large Foreign Exchange disbursements above a certain limit which may be imposed by the MOF.

**Annex-B To Ministry of Finance**

Letter No. MF(EC-I)DP-1/82/450/1(25)

Dated 27th September, 1982.

**REORGANISATION, DEPARTMENTALISATION AND RELOCATION  
OF DEFENCE FINANCE DEPARTMENT (PREVIOUS MILITARY  
ACCOUNT DEPARTMENT)**

1. The former Military Account Department (MAD) will be reorganised and renamed as Defence Finance Department (DFD) with immediate effect. For reorganising the DFD, policy decisions with an 'organisational model' (Para-14 and 17 below) for guidance are given in this Annex-B. Subsequently, the actual organisation of the DFD will be approved by a separate Government Letter/Order (GO) (Para. 14b below).
2. The DFD will be 'departmentalised' under the Ministry of Defence (MOD) and all the various offices of the DFD will be relocated/accommodated within the Cantonments. The various 'supporting' (providing 'Financial Management Service' functions) DFD-office will be co-located/accommodated within or as near as possible to, and 'attached' (Paras 14g and 17 below to this Annex-B) with, their corresponding 'supported' (using 'Financial Management Service' functions) Defence offices.
3. The word 'military' with restrictive connotation will be replaced by the word 'defence' which has broader and more precise connotation for the 'Defence Finance' subject/department. The present MAG will be renamed as Controller General Defence Finance (CGDF). Abbreviations used are summarised in Annex-C to the 'parent' GO-letter.
4. There will not be any Financial-Advisers (FAs) from the MOF to provide 'Financial Advise' to the Services Headquarters/Offices and other Organizations, as done at present (Reference-E of the parent GO-letter). The present Controllers of Military Accounts (CMAs) will be renamed as (Defence) 'Finance Controllers' (FCs). FCs will refer to 'Finance Controllers' in general, irrespective of their rank and type. The Finance Controllers (FCs) will act as FAs. So the capabilities and functions for FC organizations/post will be increased and concept broadened.
5. Traditional concept and practice of 'audit-accountancy' (of the previous CMAs/MAD) will be replaced with the modern concept of 'Financial Management Service'. Audit (statutory) functions will be separated from the Accounting functions (para. 11). The previous Controllers of Accounts with the additional role of Financial-Advisers (FAs) will be trained/developed as 'Financial Managers' for specific 'Defence Finance Management' functions (Paras. 6 and 7 below).

6. **Financial Management Service' Functions.** The CGDF as departmental head, will execute his functions through the DFD. The 'Financial Management Service' functions for the DFD (for the CGDF and other FCs at their respective levels) will be as under :

- a. 'Keeping' the Defence-Account (or Military-Account) under the administrative control of MOD and periodically/monthly submit 'Financial/Accounting-Reports/Statements' to the CAG, and as and when required by the CAG through the MOD.
- (b) Internal/primary-Audit, either pre or post (not statutory) to suit the individual Service requirements depending on their internal practices or authorised accounting system.
- c. Assisting in 'Statutory or External-Auditing' which is to be done separately by the Directorate General Defence Audit (DGDA)—elaborated in para. 11 below.
- d. Supply/Disbursement and Control of Cash.
- e. Organization (establishment) and 'manning' of the DFD including posting, promotion, training/development of the DFD personnel (both officers and subordinate staff)—i.e., Personnel Management for the DFD.
- f. Providing 'Financial-Advice' functions (elaborated in para. 7 below) to the Defence Services and the other MOD Organization, for the 'Internal Financial Management/Control System'.

7. **'Financial-Advice' Functions for the Supported Services/Offices.** As Financial-advisers, the FCs will have the following functions :

- a. Examine and render advice on 'Budget Estimates and Reviews' prepared by the Director of Budget or supported' Defence-officers before their submission to the Service Chiefs and subsequently to the MOD.
- b. Assist in the scrutiny of all 'New Budget Measures'.
- c. Assist in processing all cases with the Government which require Government approval vide Annex-A to the parent GO-letter. ..
- d. Assist in Internal-Auditing, assist in External/Statutory-Auditing, and Account-keeping but advising the Services Chiefs and his other related officers by liaising among, and processing cases with, the relevant authorities.

- e. Assist in speedy disbursement of Pay, Pension and Allowance to the personnel by liaising between the Service Headquarters/ other offices and the relevant authorities.
- f. Assist in speedy scrutiny of contractual or purchasing documents for project-works and stores purchases.

8. 'Financial Management Service' functions of the DFD envisaged for the Services will be generally applied to all the Services/Defence organizations keeping in view their individual internal peculiarities and practices. The CGDF, after consultation with the individual Service Chiefs/Headquarters will formulate detail working procedures or 'rules of business' and get them approved from the MOD.

9. The DEF will be 'officered' by both the BCS (Finance/Audit and Accounts) and the departmental officers promoted from the subordinate ranks. Departmental staff if found suitable can also be promoted to the rank of officers. Sparingly, military officers and staff may be loaned to the DFD on Extra Regimental Employment (ERE) or deputation. Similarly, if required, the DFD-personnel will be posted to the Defence Services/Organization—specially, to their Budget and Account Directorates.

10. The CGDF will demand training/development budget under an appropriate head created, and arrange proper in-service training for the DFD-personnel. The existing personnel have to be re-trained and re-groomed as financial managers for the given financial management functions. Besides the departmental training, short courses, seminars etc. run by the various local institutions like Bangladesh Management Development Centre (BMDC) etc., on the related field, will be availed for the DFD-personnel.

11. **Directorate General Defence Audit (DGDA) to be Raised/Organised.** Statutory-Audit will be done by a separate audit organization, the DGDA headed by a Director General Defence Audit (DGDA) under the administrative control of the CAG. This Directorate will be officered by the BCS (Finance Audit Account) and the departmental officers promoted from the subordinate ranks of the DGDA. It is to be immediately raised or organized and manned by the CAG so that it can function with immediate effect.

12. **'Advising-Levels/Limit' of the Finance Controllers.** The FCs in the capacity of financial advisers and as cash supplying/dispersing officer, will not exercise 'power of concurrence' as used to be done earlier by the FAs. However, 'advising levels/limit of various FCs in terms of Taka and 'nature of cases' will be specified by the CGDF in consultation with the Services Chief/Headquarters. 'Advising-levels/limit' will be approved by the MOD/MOF. The FCs will be free within the rules to advise the supported Defence-officers (Service Chiefs or their delegated officers), and free to discuss interpretation of the Financial Rules/Regulations with the supported officers.



13. **'Difference' by the Finance Controllers.** While providing financial advising functions, the FCs can 'differ' with the supported officers, and the supported officers will have powers to over-rule their 'difference', however, the responsibility will be with the overruling supported officers. The supporting FCs will have the right to refer the difficult cases to their superior officers up to CGDF for interpretation/advise, etc. In exceptional cases of 'difference', they can advise the supported officers to refer the cases of difference to higher authorities or the Government and or to the C-in-C. Such references will be binding on the supported officers under the normal circumstances.

14. **'Departmentalisation' and Reorganisation of the DFD.** Concept of 'departmentalisation' will be practised as far as possible under the given circumstances. The supporting DFD-offices/officers of various levels should be co-located/attached with the corresponding supported Defence-offices/officers. The DFD-offices will be re-organised on both geographical and functional/central basis on the following lines:

- a. Rank-terminology, status and pay scale of the FCs will be determined by considering the volume and nature of their work-load, amount of Taka-handling and the rank and status of the supported Defence-officers/offices.
- b. Present (CMAs) rank structure does not conform to the above, it has to be modified on the above lines considering their present status and pay scale. New inductions, re-training, promotion/postings, adjustments will be required. A 'Skeleton-Organogram' as a guiding model for reorganizing the DFD is given at para-17 below. The CGDF will get the actual organization approved by the MOD after consulting the Services Headquarters and other MOD organizations.
- c. Economy and efficiency of both 'geographical (regional) type of organizations' and 'functional/central type of organizations' should be kept in mind and a balance between the two should be followed for maximum speed and efficiency.
- d. For every Services, there will be one SFC on top of all the Area and Functional FCs supporting that Service. The Services FCs will be called: FC-Army, FC-Navy and FC-Air.
- e. On the geographical/regional concept, every Army Area will have 'FC-Area' to support the Area Commander with all the possible 'composit financial management functions' (Cash-disbursement, account-keeping and financial-advice related to pay-pension, store supply bills and project scrutiny and budgeting, etc.) related to that Area. For the Army, the FCs-Area will operate 'Impre

Account' for Emergency Cash Requisition (ECR), etc. Cases beyond the capabilities of the FCs-Area will be referred to the central/functional or Service-FCs. Similarly, the Navy and Airforce can have 'FCs-Base' if they require.

- f. Beside the FCs-Area, who will have 'composite financial management functions' related to the Areas, there will be central/functional FCs to deal with specialised functions like the 'FC-Works', 'FC-Defence purchases', and 'FC-pay' etc. elaborated below:
- (1) considering the volume of money and works (all MES/Defence Works including Civil Works like on-going Chiringa Alikadam Road and Cadet Colleges Works) and the full Contractual-powers of the C-in-C. Similarly;
  - (2) one 'FC-Defence purchases' will be attached with the DGDP and ;
  - (3) one or more 'FCs-Pay' (for Pay, Allowances, Pension and Funds etc., similar to the present FCMA/CMAO) will be attached with the Adjutant General (Ag) in case of the Army. On the similar principles;
  - (4) the functional and area FCs will be organised for the Navy and the Airforce depending on their peculiar requirements.
- g. *Administrative Control of Various Finance Controllers.* Various DFD-offices/officers like the Service-FCs and Area-FCs etc. will be under the 'technical' control of their respective superior DFD-officers. Also, their promotions, postings and terms and conditions of service will be controlled by the DFD-officers under the MOD. However, for the 'departmentalisation', the various DFD-offices/officers will be 'attached' with their corresponding supported Defence-offices/officers for the following 'partial/local administrative' control.
- (1) Accommodation, office timing, local security. (Accommodation to be budgeted from the appropriate Ministry/Defence Accounts Heads to be created.)
  - (2) Casual leave, and recommendation for earned leave which is to be controlled by the DFD-officers;
  - (3) A part of their Annual Confidential Reports concerning the 'relevant' points and views of the supported Defence-officers.
  - (4) Regulation of tours, submission of necessary reports and returns and attending cases or priority.
  - (5) For 'Account-keeping' 'Internal-Auditing', assisting in external or 'Statutory-Auditing' and providing 'Financial-Advice'—as much as these concern the supported Defence-offices.

15. 'Personnel Management' for the DFD and the DGDA. Primarily, the CGDF will be responsible for the 'Personnel (both officers and subordinates) Management' of the DFD under the Administrative control of the MOD. Similarly, the Director General Defence Audit (DGDA) will be responsible for the Personnel Management of the DGDA under the Administrative control of the CAG. The BCS (Finance-Audit/Account) officers will be on deputation to the DFD and their postings, promotions, and service terms and conditions will be governed by the relevant rules.

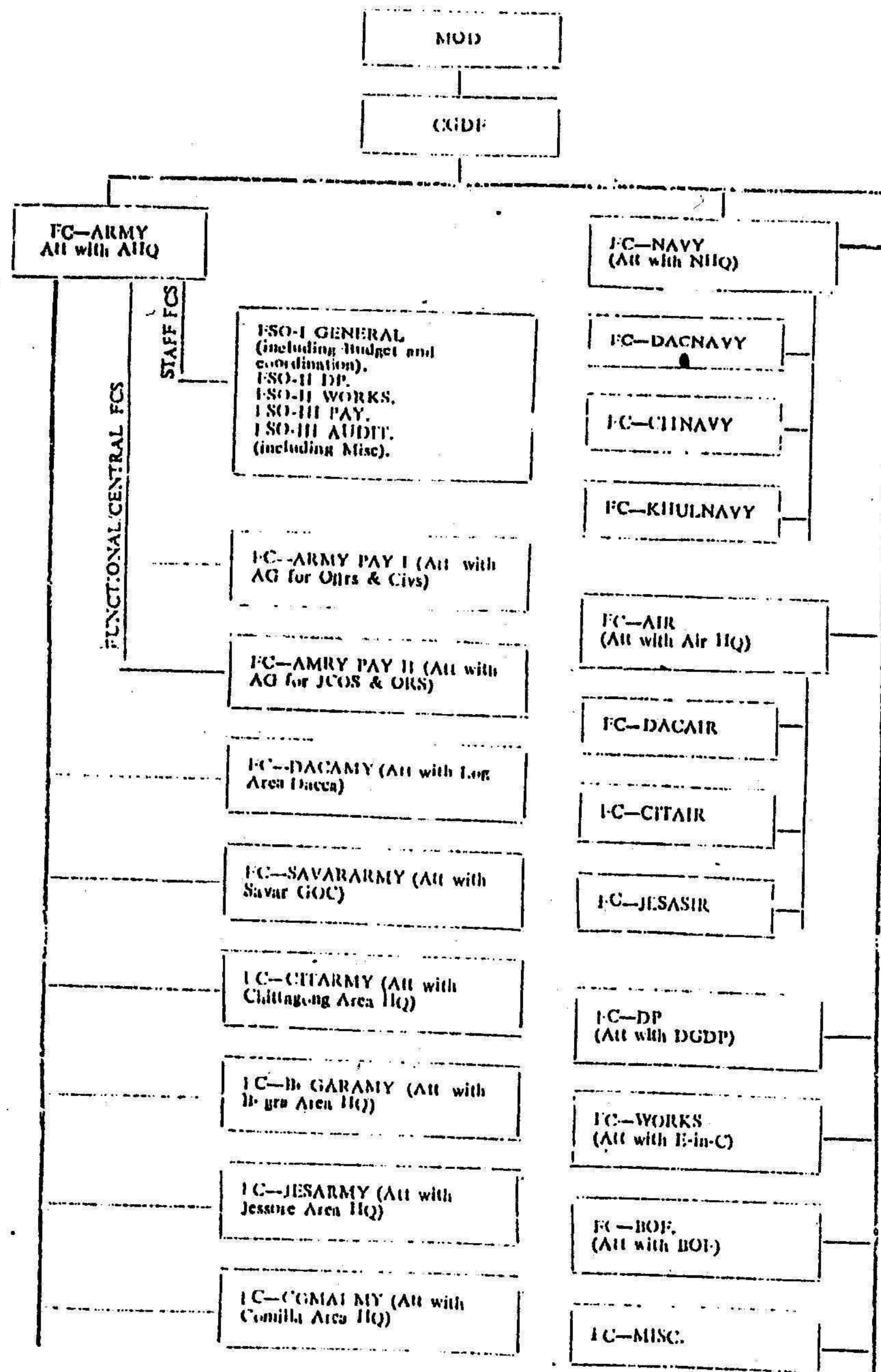
16. Mobility of Personnel between DFD and DGDA. As far as practicable, mobility of personnel of Officers between the DFD and DGDA should be so regulated as to ensure that an officer in DGDA does not have to deal with the audit accounts and payments related to a period when he was posted in DFD.

17. Skeleton Organogram for the DFD Organization. Given at Appendix-A to this Annex-B of this parent GO-letter.



Appendix-A to Annex-B to Ministry of Finance Letter No. MF(EC-I) DP-1/82/450/1(25) Dated 27th September, 1982

SKELETON ORGANOGRAM OF THE DEFENCE FINANCE DEPARTMENT--A GUIDING MODEL FOR REORGANISATION



FC : Any Finance Controller.  
 CGDF : Controller General  
 Defence-Finance  
 DP : Defence Purchases.  
 Pay : Pay, Allowance Pension and Fund.

Works : MES/Defence Works.  
 BOF : Bangladesh Ordnance Factory.  
 FSO : Finance Staff Officers.

**ABBREVIATION USED IN THE LETTER**

AG	: Adjutant General.
Att	: Attached.
AFC	: Assistant Finance Controller.
BCS	: Bangladesh Civil Service.
BOF	: Bangladesh Ordnance Factory.
CMLA	: Chief Martial Law Administrator.
C-in-C	: Commander-in-Chief same as Supreme Commander.
CAG	: Comptroller and Auditor-General.
CMES	: Commander Military Engineering Services.
DGDA	: Director/Directorate General Defence Audit.
DFA	: Deputy Financial Adviser.
CGDF	: Controller General Defence Finance (previous MAG).
DF Cell:	Defence Finance Cell in the Ministry of Finance.
DFC	: Deputy Finance Controller.
DF	: Defence Finance (Military Finance, MF).
DFD	: Defence Finance Department (previous MAD).
DP	: Defence Purchases.
DGDP	: Director/Directorate General of Defence Purchases.
FC	: Finance Controller, in general.
FA	: Financial Adviser, in general.
FADF	: Financial Adviser, Defence Finance (FA Defence).
JFC	: Joint Finance Controller.
MES	: Military Engineer Service.
MOD	: Ministry of Defence.
MOF	: Ministry of Finance.
Misc.	: Miscellaneous.
SO	: Staff Officer.
SFC	: Senior Finance Controller.
Pay	: Pay Pension Allowances and Funds, etc.
GO	: Government Order.
FSC	: Finance Staff Officer.

