

**INDIAN COUNCIL OF AGRICULTURAL RESEARCH  
KRISHI BHAVAN: NEW DELHI**

F.No. 22(1)/2016-CDN (A&A)

Dated the 25<sup>th</sup> May, 2016

**ENDORSEMENT**

The Ministry of Finance, Department of Expenditure, has issued instructions regarding – Scheme of Integrated Financial Adviser. As approved by the Competent Authority, this O.M.No. 5(6)/L&C/2006 dated 1st June, 2006 alongwith redefined Charter for Financial Adviser which outlines the features of the Revised Scheme of Integrated Financial Adviser, has been posted on the ICAR Web-Site [www.icar.org.in](http://www.icar.org.in) for compliance.

  
25/05/2016  
(RAJESH SAHAY)

**Sr. Finance & Accounts Officer**

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9. Incharge, ARIC, Directorate of Knowledge Management Units (DKMU), KAB-I Pusa, New Delhi-12 for placing the above mentioned OM in the ICAR Web-Site.
10. Secretary (Staff Side), CJSC, NRC on Meat, Hyderabad.
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12. Spare copies-10.

**F.No. 5(6)/L&C/2006  
Government of India  
Ministry of Finance  
Department of Expenditure**

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New Delhi, dated the June 1, 2006

**OFFICE MEMORANDUM**

**Subject : Scheme of 'Integrated Financial Adviser'**

Under the existing scheme of Budgetary and Financial Control and Delegation of Powers outlined by this Ministry vide OM No.10(29)-E.Coord/73 dated 6th October, 1975 and subsequent instructions in this regard, the Ministries have an Financial Adviser who is responsible both to the administrative Ministry and the Ministry of Finance. With his assistance, administrative Ministries freely exercise the enhanced powers delegated to them and, outside the scope of the delegations, he functions under the guidelines of the Finance Ministry.

2. After the introduction of the scheme, the Indian economy has matured and we are attempting to keep pace with the fast growing economies of the world. Therefore, it is imperative that our systems match the needs of a fast growing economy. The role of Financial Adviser assumes great importance in such a scenario and the scheme has been redefined in this context. The redefined Charter for Financial Adviser annexed to this memorandum outlines the features of the Revised Scheme of Integrated Financial Adviser.

3. This comes into force with immediate effect.



(Adarsh Kishore)

Finance Secretary and Secretary (Expenditure)

To,

1. Cabinet Secretary
2. Principal Secretary to the Prime Minister of India
3. All Secretaries to the Government of India (By name)
4. All FAs (By name)
5. All Heads of Public Sector Enterprises

## **ANNEX**

### **REDEFINED CHARTER FOR FINANCIAL ADVISERS**

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## **(I)**

### **Introduction**

The Scheme of Integrated Financial Adviser currently operates in accordance with Office Memorandum No. 10(29)-E-Coord/73 dated 6.10.1975 issued by the Department of Expenditure, Ministry of Finance. The scheme provides that the Financial Adviser would be responsible both to the Administrative Ministry and to the Ministry of Finance. The scheme also briefly indicates the functions of the Integrated Financial Adviser alongwith the modalities for functioning. A copy of the OM is appended **(ANNEX-1)**.

2. The last thirty years since introduction of this scheme have seen the Indian economy grow from a less developed stage to one of the fastest growing economies of the world. This growth has been the result of well structured economic reforms and conscious policy decisions. The last two decades have witnessed a plethora of reforms in monetary and fiscal management of the country. We have now reached a stage from where further progress requires a renewed effort. The second-generation reforms are throwing up complex challenges which, *inter alia*, call for a re-look at some of the institutionalized financial management systems.

3. The institution of Financial Adviser (FA) occupies a unique position in the functioning of Government of India. Having served well till now, time has come for it to be brought in sync with the fast changing socio-economic scenario and attendant attitudes, processes and systems in the Governmental functioning. It is necessary that the role, authority as well as accountability of the Financial Advisers be redefined and codified in unambiguous terms, and their capacity enhanced to meet the emerging challenges. Ministry of Finance has internally reviewed the scheme in this context, and the concept of redefined the charter for the Financial Advisers, as outlined in the ensuing paragraphs.

4. The overarching concept in redefining the charter for Financial Advisers is that Financial Advisers are meant to assist in the achievement of objectives/goals of their respective Administrative Ministries, as approved by the competent authority; and that they must commit themselves to facilitate implementation of the approved programmes, with due financial prudence, to ensure that monies allocated are spent on time, in the prescribed manner, to achieve the intended outcomes defined in measurable and monitorable terms. Assisting Administrative Ministries in ensuring 'value for money' would be a key objective for Financial Advisers, with emphasis on improving the quality of expenditure and requisite systemic improvements / capacity building for this purpose. It may also be reiterated that FAs represent the Ministry of Finance in regard to all financial matters.

5. The more complex responsibilities envisaged for FAs must be accompanied by corresponding authority and capacity. It would, therefore, be necessary to ensure that FAs are suitably empowered, and appropriate measures are taken for capacity building both institutionally and individually. The organizational resources, structure and processes themselves may need to be augmented / modified, and I.T. enabled systems, latest financial management practices, knowledge management structures etc. put in place.

## (II)

### **Role of Financial Advisers**

6. The role of Financial Adviser is now conceived to be akin to the role of the Chief Financial Officer in a corporate structure, with specific responsibilities for ensuring fiscal prudence and sound financial management. They would bring requisite financial expertise, and overall perspective of financial management of the Government, as enunciated by the Ministry of Finance, in rendering professional advice to the Secretaries of the Administrative Ministries on all matters which have financial implications.

7. The role of Financial Adviser will be crucial for successful planning and implementation of various schemes and projects. Value for money will be the most important parameter in evaluating such schemes and projects. Therefore, It is imperative that outlay for a scheme is intrinsically linked with the Outcome Budget and Performance Budget.

8. In rendering their advice, the Financial Advisers would be expected to accord priority to macro management with a view to help in achieving the outcomes set by the Ministries as goals for themselves. These macro issues could include schematic appraisal and concept functions, revenue management, subsidy management, fiscal resource transfer issues, defining and evaluating outcomes besides maintaining and safeguarding the budgetary integrity, etc. FAs would also be expected to look at the total picture of resources for the sectors in which they are functioning, and assist the Secretaries of the Administrative Ministries in moving towards greater resource mobilization, including in terms of enabling policy and regulatory framework to attract private sector funds. FAs would in no case be assigned any routine administrative functions of the Ministry.

9. Appendix 2 of DFPR is an indicator of overall expanse of duties and responsibilities of the Financial Adviser (**ANNEX-II**). However, following are some of the specific tasks which the FAs would be responsible for :

- (i) **Budget formulation:** FAs would continue to be responsible for budget formulation. They would bring in more analytical inputs into the budget formulation process, for improved budgeting and facilitating moving from 'itemized' to 'budgetary' control of expenditure. The present system relies largely on previous year's programme allocations and continuing commitments, without any real evaluation and expenditure analysis. FAs would now increasingly be required to assist the Administrative Ministries / Departments in moving towards zero based budgeting, and assist in better inter se programme prioritization/ allocation within the indicated budgetary ceilings, based on analysis of expenditure profiles of each programme/sub-programme and information on cost centres / drivers; assessment of output, outcome and performance; and status of the projects/ programmes (e.g. priority to last mile projects). Chief Controllers of Accounts / Controllers of Accounts (CCAs / CAs) will support them in this function. Such an analysis at the time of initial budget formulation should, over a period of time, help in enforcing hard budget constraints and reducing reliance on supplementaries. As the FAs' internal budgetary exercise becomes more rigorous, their involvement in MoF's budgetary processes will increase.
- (ii) **Outcome Budget:** Administrative Ministries will now be required to prepare their respective 'outcome budgets' by late March each year, on the basis of the 'Annual Financial Statement' presented in the Parliament in February. The 'outcome budget' would reflect the outlays in terms of outcomes, defined in measurable and monitorable terms. Reasonability of budget estimates, vis-à-vis the intended outcomes, will be ensured through specific appreciation of the unit costs of outcomes/delivery. Major schemes should have built-in provision for their evaluation by

independent agencies, which may be appointed by the Administrative Ministries and / or Planning Commission / MoF. FAs would be actively involved in the preparation of outcome budgets. They would also assist the Administrative Ministries in clear definition of measurable and monitorable outcomes with specified deliverables; setting up appropriate appraisal, implementation / delivery, monitoring and evaluation systems; and ensuring actual achievement of the intended outcomes.

- (iii) **Performance Budget:** Administrative Ministries will also be required to prepare their respective 'performance budgets' by late March each year, indicating the 'outcome' of the 'Outcome Budget' of the previous fiscal year at least upto December end. Thus, while Annual Financial Statement and Outcome Budget would be for the ensuing financial year, the Performance Budget would present the picture of actual achievements / performance for the financial year gone by. FAs would be actively involved in, and coordinate under the overall direction of the Secretaries concerned, the preparation of performance budgets for their respective Administrative Ministries. In essence, Budget Formulation, Outcome Budget and Performance Budget must link present, future and past in an integrated manner.

- (iv) **FRBM related tasks:-** The Fiscal Responsibility and Budget Management Act requires the Government to place disclosure statements before Parliament alongwith the Annual Financial Statement and the Demands for Grants. CCAs / CAs as heads of the Accounts wing shall render their professional expertise in the functioning of financial management system. FAs would be responsible for preparation of these statements in respect of their Ministry / Department for incorporation in the consolidated statements compiled by the Ministry of Finance for the Government as a whole. FAs would also provide requisite information and material as input for FM's quarterly review of fiscal situation to be presented to the Parliament.



(v) **Expenditure and cash management:-**FAs would continue to be responsible for expenditure management and cash management. MoF's initiatives for better expenditure management through sophisticated exchequer control mechanisms would also be supported by FAs with improved cash management, through monitoring of monthly cash flows effectively in the context of cash expenditure/commitments to be agreed to mutually between the MoF and the Ministries / PSUs / Autonomous institutions. This would help tighten the system of receipts and payments monitoring, and secure greater convergence of revenue inflow and expenditure outflows, so that borrowing and thus debt charges can be minimized. FAs would also ensure that release of funds to State Governments / other agencies is linked to the scheme-wise / project-wise utilization certificate and audited expenditure of previous years. Utilization certificates should reflect outcomes, or at least the physical outputs. FAs will also ensure that unspent balances with the State Governments and other agencies are not transferred to Public Accounts; and in case such transfer is permitted, these should be duly audited. The expenditure management function would also be closely linked to the 'outcome budget'. CCAs / CAs will support FAs in the discharge of these responsibilities.

(vi) **Project / programme formulation, appraisal, monitoring and evaluation:** Rigorous / effective project / programme formulation, appraisal, monitoring and evaluation are vital for high quality investment decisions and successful / timely delivery of intended outcomes. The Administrative Joint Secretaries have to take the lead role in project / programme formulation, implementation and monitoring. FAs should take the lead in ensuring high quality appraisal and evaluation with requisite rigour. MoF have issued clear guidelines in this regard, which need to be adhered to scrupulously.

- (vii) **Screening of proposals:** FAs would be responsible for examining and forwarding all proposals, which need to be referred to any Department in the Ministry of Finance.
- (viii) **Leveraging of non-budgetary resources for sectoral development:** FAs would assist the Administrative Ministries in evolving strategies for optimizing private sector investment and Public-Private Partnership in the sector, through enabling policies/schemes and appropriate regulatory framework, formulating projects for external funding, and taking innovative measures for leveraging of non-budgetary resources for sectoral development. In addition, the present role of FAs in assessment and leveraging of IEBR for investment programmes of the Public Sector Undertakings will continue.
- (ix) **Non-tax receipts:** Non-tax receipts have assumed greater significance in the context of the need to limit fiscal and revenue deficits, as mandated by the Fiscal Responsibility and Budget Management (FRBM) Act. An optimum non-tax receipt budget would, therefore, be prepared by FAs, in consultation with the Administrative Divisions. FAs would, thereafter, periodically review the various non-tax revenue receipts under control of the Ministry/Department to which they are assigned, in the context of market trends and other sectoral developments. FAs would need to act as a catalyst in moving towards a regime in which the user charges recover the cost of service fully or substantially, as per the Government policy in this regard, and in case of only partial recovery to ensure that the subsidy element is clearly quantified. In the case of rent, licence fees, royalties, profit share and dividends, the duties of FAs would include conducting periodical reviews, and giving their considered comments and recommendations regarding the reasonableness of return to the Government on the deployed public resources. CCAs / CAs shall assist FAs in relation to estimation and flow of non-tax revenue receipts.

- (x) **Tax Expenditure:-**FAs would also monitor tax expenditures, i.e., the revenue foregone by Government on account of various exemptions and concessions. This is important since tax expenditure constitute a significant part of overall Government spending. Within the administrative Ministry, such proposals should be routed through the Financial Advisers before finalization.
- (xi) **Monitoring of assets and liabilities:** Each Ministry must have a comprehensive record of its assets and liabilities. FAs would cause appropriate action for initial building up of such records and their on-going updation, as also for the maintenance and optimum utilization of the assets. Government guarantees should also be monitored. FAs in Ministries with significant real estate assets/property (land, buildings etc.) will cause a critical analysis of their utilization, including review of property encroached upon, property involved in disputes/court cases etc., and also be the catalyst to ensure necessary action for their availability and fullest utilization. The progress would be regularly reviewed, and corrective action taken on an on-going basis.
- (xii) **Accounts and Audit:** FAs would be kept informed about the overall quality of maintenance of departmental accounts by their respective CCAs / CAs. FAs would also regularly review the progress of internal audit and action taken thereon, so as to make it an important tool for financial management. Action taken on audit paras may also be monitored on a regular basis.
- (xiii) **Procurement and contracts:** Significant amount of monies are spent by Government on procurements and contracts. FAs would be required to set up strong internal systems to ensure due diligence and strict observance of MoF's guidelines in this regard. (The guidelines are being revised, and new guidelines are expected to be issued shortly).

- (xiv) **Financial Management Systems:** FAs would periodically review the financial management of the various programmes / projects of the Ministry from the systems point of view, and take appropriate action for making the financial management systems more effective.
- (xv) **Nominee Director on Boards of Public Sector Undertaking:** Financial Advisers are often Government's nominee Directors on Boards of Public Sector Undertakings (PSUs). This role assumes increasingly more important dimensions with the greater autonomy being granted to PSUs. FAs would need to bring strong requisite expertise to bear on all major issues considered by the Boards. Separate guidelines will be issued regarding the nomination and functioning of FAs as Directors of Boards of PSUs, in consultation with the Department of Public Enterprises.
- (xvi) **Use of technology :** Increased use of technology as an advanced tool, especially communications and information technology, should be encouraged not only in his division but also in the domain of Ministries / Departments with the view to ensure better utilization of resources available with the Government and improve delivery of public services to achieve the intended results. Economy, efficiency and effectiveness would be the guiding principles.

### **III**

#### **Involvement in Key Processes of Ministries**

10. It is important that FAs are fully involved in the key processes / activities of Administrative Ministries which have clear economic and financial dimensions. Administrative Ministries shall, therefore, invariably involve FAs in all such activities and decision making processes which would, inter alia, include the following but may not be limited to:-

- Formulation of annual/5-year plans, and other important consultations with Planning Commission like mid-term appraisal.
- Preparation of 'outcome budget', 'performance budget' and evaluation of actual outcomes.
- All proposals for consideration of CNE / SFC / EFC / PIB / Cabinet / Cabinet Sub-Committees, or otherwise referred to the Ministry of Finance.
- Externally aided projects, and other strategies to encourage larger resource mobilization for the sector, including through Public Private Partnership (PPP), appropriate regulatory structures etc.
- Policy / programme formulation and other major decisions, to facilitate proper appreciation of the consequential financial implications.

11. Ministry of Finance has been increasingly moving towards macro management of issues, and delegating more powers to the Administrative Ministries. This delegation is reviewed periodically and is suitably enhanced as and when required. As such, the Financial Advisers have adequate financial powers. Exercise of these powers, and necessary financial analysis, may require the FAs to call for relevant records / reports / files relating to various decisions, contracts etc. FAs' involvement would, therefore, specifically include the right of access to all records, reports, audits, reviews, documents, papers, recommendations or other material which are the property of the Ministry/Department, or which are available to the Ministry/Department,

and which relate to programmes and operations with respect to which that Ministry/Department calls for accounts, data and reports.

12. FAs would be consulted in all cases relating to the exercise of the delegated financial powers. While normally FAs' advice would be expected to be adhered to, there could be instances / cases in which the Administrative Ministries feel that there are valid reasons for some modification / deviation. In such rare instances, Secretaries of Administrative Ministries can exercise their power to overrule FAs' advice by an order in writing.

## **IV**

### **Reporting Systems**

13. FAs will be required to prepare an 'Annual Finance Report', which would be a factual report indicating the operational aspects of financial management of the Department/Ministry, including information on the resource requirement, pattern of expenditure with reference to outlay / budget, opening and closing unspent balances, opening and closing position of utilization certificates, position of non-tax revenue (user charges, dividends etc.) with reference to previous year, FRBM related activities etc, and suggestions for improvement.

14. FAs would also be required to furnish an 'Annual Outcomes and Systems Report', which would give factual information regarding the outcomes achieved vis-à-vis intended (as per Outcome Budget), policy and systems changes / improvements and action-taken / results-achieved in regard to those aspects of FA's role which are not included in the Annual Financial Report.

15. 'Annual Financial Report' and 'Annual Outcomes and Systems Report' would be factual reports to be submitted to Secretary (Expenditure), through the Secretary of the Administrative Ministry, by June 30 of the next financial year. The 'Annual Financial Report' would be prepared on the basis of the information contained in the provisional accounts released by the Controller General of Accounts in the month of May. The structure of the reports will be intimated separately.

16. In addition to the above, FAs would be mandatorily required to send disclosure statements concurrently to the Secretary of the Administrative Ministry and Secretary (Expenditure) whenever there are deviations from, or violation of, the provisions in paras 13-15 above. They may also be required to send any other information / report periodically, or as sought from time to time.

**(V)**

**Roles and responsibilities of CCAs / CA**

17. As the overarching concept now adopted is that the Financial Advisers are meant to assist in the achievement of objectives / goals of their respective administrative ministries it follows that the role of Chief Controller of Accounts (CCAs) / Controller of Accounts (CAs) should undergo a parallel change as the basic accounting and financial inputs for the Financial Advisers come from the CCAs / CAs. In the last three decades the role of CCAs / CAs has undergone subtle, unrecorded changes that need to be formally spelt out and institutionalized in precise and unambiguous terms. Not only do the accounts wings operating under CCAs / CAs need to catalyze changes in existing system protocols in order to synergise and integrate all interrelated aspects with the changing paradigm of financial management they in turn need to be strengthened and empowered to effectively cope with the changed demands made on them.

18. While the CCAs / CAs as head of the accounts wing, under overall superintendence and control of Financial Advisers, discharge their duties and responsibilities within the ambit of their respective administrative ministries lending their professional expertise to provide Accounting and Accountability support.

19. The spectrum of work for which CCAs / CAs will be responsible, in the revised outcome driven financial and accounting regime, are enumerated below:-

(i) **Receipts, Payments and Accounts:**

- Accurate and timely payments in conformity with prescribed rules and regulations.
- Timely realization of receipts.
- Timely and accurate compilation and consolidation of monthly and annual accounts.



- Efficient service delivery to the Ministry / Department by the banking system.
- Adherence to prescribed accounting standards, rules and principles.
- Timely, accurate, comprehensive, relevant and useful Financial Reporting.

(ii) Internal Audit / Performance Audit

The Internal Audit Wings working under the control and supervision of the CCAs / CAs shall assist the Financial Advisers in the appraisal, monitoring and evaluation of individual schemes. Moving beyond the narrow myopic confines of compliance / regulatory audit Internal Audit would focus on:

- Assessment of adequacy and effectiveness of Internal controls in general , and soundness of financial systems and reliability of financial and accounting reports in particular;
- Identification and monitoring of risk factors (including those contained in the Outcome Budget);
- Critical assessment of economy, efficiency, and effectiveness of service delivery mechanism to ensure value for money; and
- Providing an effective monitoring system to facilitate and course corrections.

(iii) Other financial management activities :

- Budget formulation including the ' Outcome' and ' Performance Budget'.
- Expenditure and Cash Management.
- Estimation and flow of non-tax revenue receipts.
- Monitoring of Assets and Liabilities.
- Disclosure and reporting requirements under FRBM Act.

(VI)

**Interaction between MoF and FAs**

20. The system of interaction between the MoF and FAs would be institutionalized to facilitate better two way communication and development of shared perspectives on financial issues. The Administrative Ministries would be clustered in three groups for this purpose, viz. economic / infrastructure sector, social sector and other Ministries. Secretary (Expenditure) would be meeting the FAs of each of these groups once in a quarter. These interactions will provide a forum to share the vision, priorities and concerns with the FAs who, in turn, would get an opportunity to apprise MoF about their activities, important developments and problems.

21. The quarterly interactions between the FAs and Secretary (Expenditure) would inter alia, cover the following areas:-

- Implementation / compliance of decisions taken in FM's quarterly meetings.
- Discharge of responsibilities detailed in this charter, specifically the functions defined in para 8 above.
- Initiatives taken as a catalyst for policy formulation/review and systems' improvements in the concerned Ministries.
- Identification of points for action on emerging sectoral issues, including potential opportunities within the sector/Ministry.
- Major proposals / projects currently in different stages of preparation / approval by the Administrative Ministries, for the consideration of CNE / EFC / PIB / Cabinet / Cabinet Sub-Committees.

22. The interactions could also be used for reviewing progress on MoF's specific priorities, as also those outlined in the Budget. Specific agenda items may also be developed for FM's quarterly meetings with FAs, on the basis of these monthly interactions.

## **(VII)**

### **Capacity Building**

23. The Integrated Finance Division may require strengthening in some Ministries for assisting the Financial Adviser in his redefined role. Such strengthening may include need for using information technology, setting up knowledge management structures, building requisite data bases, networking with relevant institutions / expert bodies etc. It may also require changes in the various decision making processes, conflict resolution, problem solving, programme/project formulation / appraisal, monitoring, evaluation etc., and delegation by FAs within their own divisions. The staff / officers would also require specialized training for rendering better professional advice. In addition, consultants may be required for specific tasks from time to time.

24. At the beginning of each Financial Year, the Financial Advisers should review the existing expertise, structure and processes of the Integrated Finance Division (IFD) under their respective charges, to assess / evaluate its strengths, weaknesses and potential for development. In doing so, the expertise available in the set-up of CCAs / P&AOs would need to be fully taken into account. FAs would also need to clearly assess the expertise, knowledge, skills and equipment (computers / internet etc.) required for effective functioning of the IFD. On the basis of this analysis, FAs would formulate by June 30, each year, specific time bound Action Plans for such organizational strengthening and changes as may be required. They would also need to put in place a strategy for further development of requisite skills etc., through training of existing staff and their replacement by suitably qualified personnel, wherever necessary. Creation of posts may be avoided while strengthening / restructuring the IFDs. Instead, proposals for engaging consultants for a limited time, under GFR 2005, may be sent for approval of Secretary (Expenditure), through the Secretary of the Administrative Ministry, if considered absolutely essential. An 'IFD Manual' would be prepared in due course, to facilitate more effective functioning of the Integrated Finance Divisions.

25. An institutionalized system would be set up by the Department of Expenditure for organizing periodical workshops, seminars and training for Financial Advisers and their officers, and for helping FAs in preparation of induction material for different level of functionaries working under them. At the beginning of each Financial Year, not later than June 30, the Financial Advisers should indicate to the Department of Expenditure, the training needs of their respective IFDs, areas where they want opportunities for their own capacity development, and assistance required to facilitate meeting of these needs. Basic skill upgradation areas could include Government accounting, commercial accounting, project appraisal, financial analysis, corporate governance etc. Policy related and sector-specific training could include public private partnership, contract management, negotiation, risk management, mergers and acquisitions etc.

26. FAs would be the nodal points within their respective Ministries for all activities relating to Plan, Budget and Programme / Project evaluations. As such, any units in the Ministry currently looking after the functions of undertaking evaluations, preparing Annual / Five Year Plans etc. should function under the overall supervision and control of the Financial Adviser.

27. Over a period of time, the enhanced capacity and expertise of IFDs, coupled with increased delegation of purely routine financial activities to the Administrative Divisions of the Ministries, would enable FAs to take on a more active macro-management role. This will also significantly enhance FAs' role in, and value-addition to, the budgetary management and project/ programme appraisal processes. FAs would also be expected to build-up an appropriate system of networking with Financial Advisers of autonomous organizations and institutions within their respective sectors, which are receiving budgetary support, to ensure optimum utilization of their resources.

**F.No. 10(29)-E.Coord/73  
Government of India  
Ministry of Finance  
Department of Expenditure  
\*\***

New Delhi, the 6th October, 1975.

**Office Memorandum**

**Subject : Scheme of 'Integrated' Financial Adviser**

Under the existing scheme of budgetary and financial control and delegation of powers to Ministries as introduced vide this Ministry's OM No. 10(3)-E.Coord/67 dated 18th October, 1968, the Ministries have an Internal Financial Adviser, who is in charge of their Budget and Accounts Section and is required to be consulted in all cases of exercise of delegated financial powers and an "associate" Financial Adviser based in the Department of Expenditure, who is required to be consulted in matters falling outside the delegated field. The 'associate' Financial Adviser is attached to a group of Ministries. In pursuance of the policy of to delegate enhanced financial powers to the administrative Ministries to match their responsibilities and to improve their competence in the field of financial management by developing appropriate internal attitudes and skills, this question whether the functions of the 'associate' Financial Adviser and the Internal Financial Adviser could, with advantage be integrated in a single official, forming part of the administrative Ministry, has been under consideration. It has been felt that Ministry in a larger measure than at present to enable him to play a more effective and constructive role in its developmental activities and should bring his financial expertise to bear in assisting the Secretary of the administrative Ministry and other senior officers in the planning, programming, budgeting, monitoring and evaluation, functions of the Ministry. A scheme of 'Integrated' Financial Adviser has accordingly been drawn up in consultation with Department of Personnel & Administrative Reforms, the salient features of which are outlined in the Annexure.

2. In the new scheme, the Financial Adviser will be responsible both to the administrative Ministry and to the Ministry of Finance. With the assistance, the administrative Ministry will be able to feely exercise the enhanced powers delegated under the Department of Expenditure OM No. F.10(13)-E.Coord/75 dated 10th April, 1975 and outside the scope of the delegations, he will function under the general guidance of the Finance Ministry. He will assist in budget formulation, scrutiny of projects and programmes for approval by the Ministry of finance and post-budget vigilance to ensure that there are neither considerable shortfalls in expenditure nor unforeseen excesses for which provision has not been made either in the original budget or in the revised estimates. The close association of Integrated Financial Adviser and his staff with the formulation and implementation of all proposals involving expenditure should facilitate the more effective discharge of the Financial Adviser's responsibility. It is cardinal to the working of the new scheme that the Financial Adviser should be associated with the formulation of schemes from the initial stages. The Financial Adviser will also be responsible for preparation of the Ministry's performance budget and monitoring of progress of schemes against the budget. The maintenance of an efficient accounting system is necessary for this purpose.

3. In matters involving any deviations from the budgeting and accounting procedures, consultations with the Budget Division of the Department of Economic Affairs, will continue to be obligatory. Similarly, in respect of the formulation of the Ministry's development plans, Plan Finance Division in the Department of Expenditure would have to be consulted. The Public Investment Board (PIB) and Expenditure Finance Committee (EFC) procedure would also continue to be applicable, the Integrated Financial Adviser taking on the role at present discharge by the Establishment Division and the Staff Inspection Unit of the Department of Expenditure would also not be affected by the proposed changes.

4. In the first instance, the scheme will be introduced in the following Ministries/Departments :

- (i) Health & Family Planning;
- (ii) Works and Housing;
- (iii) External Affairs
- (iv) Education and Social Welfare
- (v) Information and Broadcasting
- (vi) Science & Technology; and
- (vii) Shipping & Transport (where the scheme has already, been introduced as an experimental measure).

5. It is proposed to extend the scheme to other Ministries/Departments soon thereafter.

6. Pending further consideration of the need for formation of centralized or decentralized, single or multiple level cadre of finance and accounts and scheme for absorption of the present associate finance staff in such cadres, in the initial stage, the Financial Adviser, the officers and staff working in the associate Finance Divisions in the Department of Expenditure will be transferred to the administrative Ministries as follows according to requirements :-

- Officers of services other than the Central Secretariat Service will be treated as on deputation to the administrative Ministry instead of to the Finance Ministry
- Officers of the Central Secretariat Service including Grade I and selection grade will be treated as transferred to the administrative Ministry
- Members of the decentralized cadres of various grades of CSS will be transferred on loan basis from their present cadre to the cadre of the administrative Ministry on a purely temporary basis.

7. When the scheme is introduced, certain changes will be necessary in the organization structure in the administrative Ministry and in the Department of Expenditure. Creation/abolition of some posts will be involved. The details of the revised organizational structure in the administrative Ministry out of the posts and personnel to be transferred from the Department of Expenditure to the administrative Ministry alongwith the work will be communicated to the respective Ministries separately.

8. The new scheme will be introduced in the Ministries/Departments mentioned in para 4 as soon as suitable officers to man the posts of Integrated Financial Adviser become available. A separate communication will be sent to them in this respect.

9. The administrative Ministries/Departments are also requested to make necessary arrangements for housing the additional staff to be transferred from the associate Finance Divisions in the same building, as such arrangements are essential for the proper functioning of the Scheme.

Sd/-  
(NNK Nair)  
Joint Secretary to the Govt. of India

To,

All Ministries/Departments of the Govt. of India.

**APPENDIX 2**

**ITEMS OF WORK TO BE HANDLED BY INTERNAL FINANCIAL ADVISERS**

The Internal Financial will be in overall charge of Budget and Accounts in addition to the Internal Finance Section. It will be his duty -

- (i) To ensure that the schedule for preparation of budget is adhered to by the Ministry and the Budget is drawn up according to the instructions issued by Finance Ministry from time to time.
- (ii) To scrutinize budget proposals thoroughly, before sending them to Ministry of Finance
- (iii) To see that complete departmental accounts are maintained in accordance with the requirements under the General Financial Rules. It should, in particular, be ensured that the Ministry not only maintains account of expenditure against the Grants or Appropriations directly controlled by it but also obtains figures of the expenditure incurred by the subordinate offices so that the Ministry has a complete month to month picture of the entire expenditure falling within its jurisdiction;
- (iv) To watch and review the progress of expenditure against sanctioned grants through maintenance of necessary Control Registers and to issue timely warnings to Controlling Authorities where the progress of expenditure is not even.
- (v) To ensure the proper maintenance of the Register of Liabilities and commitments as required under the GFRs to facilitate realistic preparation of budget estimates, watching of book debits and timely surrender of anticipated savings;
- (vi) To screen the proposals for supplementary demands for grants
- (vii) To formulate the foreign exchange budget for the Ministry and to process individual cases for release of foreign exchange in accordance with the instructions issued by Department of Economic Affairs from time to time;
- (viii) To advise the Administrative Ministry on all matters falling within the field of delegated powers. This includes all powers other than those devolving on a Ministry in its capacity as Head of Office. It has to be ensured by I.F.A. that the sanction issued by Administrative Ministry in exercise of delegated powers clearly indicates that they issue after consultation with I.F.A.



- (ix) To identify, in particular, specific savings in cases of creation of posts and to maintain a Register for this purpose.
- (x) To scrutinize proposals for re-delegation of powers to subordinate authorities;
- (xi) To keep himself closely associated with the formulation of schemes and important expenditure proposals from their initial stages;
- (xii) To associate himself with the evaluation of progress/performance in the case of projects and other continuing schemes and to see that the results of such evaluation studies are taken into account in the budget formulation;
- (xiii) To watch the settlement of audit objections, Inspection Reports, draft audit paras, etc;
- (xiv) To ensure prompt action on Audit Reports and Appropriation Accounts, Reports of Public Accounts Committee, Estimates Committee and Committee on Public Undertakings;
- (xv) To screen all expenditure proposals requiring to be referred to Finance Ministry for concurrence or comments;
- (xvi) To ensure regular and timely submission to Finance Ministry of quarterly staff statements and other reports and returns required by Finance.