

International Trends and the Evolving Role of the Integrated Financial Adviser in Defence

*Sumati Kumar**

The Indian economy's development over the past decades has given rise to complex challenges. Policy makers thus needed to make institutional changes in financial management systems. In the system of Financial Advice, the Financial Advisers are expected to provide independent financial advice to the administrative authorities in decision making for achieving organisational goals. Allocated resources are to be spent timely and prudently in the prescribed manner to achieve pre-defined outcomes. Integrated Financial Advice (IFA) in defence has also developed and evolved in recent years. To further refine the present system, this article looks at comparative positions in the United States and in the United Kingdom to derive their best practices. These could be customised and adapted to suit Indian requirements, so that the IFA system functions with greater efficiency and effectiveness, thereby optimising the utilisation of precious resources towards enhanced combat readiness of our forces.

One weakness in our governance is the incapacity to institutionalize the best practices from our own country and elsewhere. A conscious effort not only to identify and document best practices but also build policy and create new structures and institutions to allow mass replication needs to be made.¹

* Sumati Kumar an officer of the Indian Defence Accounts Service (IDAS). She was posted at MP-IDSA as Senior Fellow till March 2020.



INTRODUCTION

The role of government is to make policies according to public priorities and to allocate resources within fiscal ceilings, in an open and transparent manner. In the context of a growing and maturing Indian economy, there is greater demand for better government performance and results.

The finance function of the government is challenged by an increasingly complex scenario: more demanding accountability and regulatory requirements; changes in technology; and changing patterns for funding sources and strategies. Financial management practices in India are therefore under continuous evolution, which are given effect by the 'Integrated Financial Adviser' (IFA) in each administrative ministry in the government at the centre. The role of IFA is that of securing value for money which has been paid by the taxpayers. Public finance essentially comprises activities of generating resources, allocating resources and utilising resources. In recent times, the IFA has increasingly been involved in all these activities.

The evolution of the Integrated Financial Advice system stemmed from a need to decentralise the financial powers of the Ministry of Finance (MoF). This found favour with the policymakers because it developed capacity within an administrative ministry to manage its own financial affairs. Till independence, the system of financial control in our country was highly centralised and was located in the MoF. After India gained independence, the expenditure of the government grew enormously, in size as well as in complexity. It was felt necessary to devolve financial powers to the administrative ministries and to begin developing budgetary and financial competence within these ministries so that the financial proposals could be adequately scrutinised and vetted.

After several initiatives in this direction, the scheme of 'Integrated' Financial Adviser (IFA) as delineated by the MoF in 1975,² was promulgated. The earlier system of having an 'internal' financial adviser handling Budget and Accounts section and a separate 'associate' financial adviser placed in the Department of Expenditure, MoF (to be consulted on matters falling outside the delegated powers), promulgated in 1968, was done away with. This was in response to the policy to delegate enhanced financial powers to the ministries to enhance their competence in the field of financial management, by developing appropriate internal attitude and skills. As per the new scheme, the IFA would advise on the delegated financial powers as delegated in 1975, and outside the

scope of the delegation, he would work under the overall guidance of the MoF.

From 1975 onwards, a plethora of economic reforms took place in India. The institutionalised financial management systems were in need of matching reforms. The financial adviser was a key role in the government which required a relook in the changed global scenario. The system of IFA, as articulated in 1975, continued to evolve vide various instructions on the subject and it was given a concrete shape, once again, in 2006. With the maturing of the Indian economy and the need to match our systems with worldwide trends, the MoF gave detailed definition to the role of the IFA by this new scheme.³ The concept of the FA was clearly defined to include: assisting the achievement and goals of the administrative ministry; facilitating programmes while ensuring financial prudence; and ensuring funds allocated could be used timely and correctly as per the required outcomes. The FAs would be the representatives of the MoF with regard to financial matters.

The scheme of IFA began in the central ministries at various points of time. It was initiated in the main Ministry of Defence (MoD) in 1983. Primarily, it was envisaged that the FAs would be integrated with the various ministries and the executive would consult their IFAs while exercising their delegated powers. The MoD, in this regard, had two categories of delegated powers: those powers which could be exercised without consultation with the MoF; and those powers which could be exercised only in consultation with the MoF.

The Finance Division in the main MoD deals with all matters having a financial implication.⁴ This division is headed by Secretary (Defence Finance/Financial Adviser Defence Services) and is fully integrated with the ministry. It performs an advisory role. The MoD enjoys enhanced delegated financial powers to facilitate quicker decision making and these powers are exercised with the concurrence of the Finance Division. Finance Division prepares and monitors Defence Services Estimates, Civil Estimates of the MoD and the Estimates in respect of Defence Pensions.

The integration of Financial Advice below the MoD, in all subordinate organisations, has been a recent phenomenon. In 1991, a sub-committee of the Committee on Defence Expenditure recommended that the exercising of delegated financial powers by any authority below the ministry of defence also needed to be with the concurrence of a local FA. In 1992–93, this was also stated before the 19th Estimates Committee

of Parliament. As a result of all these efforts, the IFA system began in all the three services in 1993–94. The main aim of this scheme was to give independent financial view to the executive authority exercising the delegated financial power, so as to expedite decision making, thereby enhancing the satisfaction level of the troops deployed in the field and increasing operational preparedness.

In the various sub-organisations in defence, the scope of work of IFAs is as follows:⁵

1. To ensure efficiency, economy and propriety in the utilisation of public funds, the IFA is expected to meticulously and astutely examine each proposal where expenditure from public funds is involved.
2. The IFA must ensure that there is adequate justification on file wherever outgo from public funds is involved before he/she accords financial concurrence to the proposal.
3. It is within the duties of the IFA to enquire about the need to spend the stated amount of money towards the objective. So, the IFA may enquire:
 - is it necessary to carry out the proposed task;
 - is it possible to achieve the same ends by utilising lesser funds;
 - is the proposed amount of expenditure justified towards the stated aims; and
 - is the entire proposal in line with the overall policies of the government?

It will be useful to examine the institution of the IFA in other countries (nomenclature would differ, such as ‘Chief Financial Officer’ in the United States [US] or the ‘Finance Director’ in the United Kingdom [UK]) for further evolution of the system in our country, with specific focus on defence. In this context, two countries, the US and the UK, have been studied here. The UK was a model for us till we gained independence. However, it is the US that is often held out as a pioneer in the field of reforms in public administration. The finance function in these developed countries is a specialised function, manned by people qualified for the job, with the work content being well defined. There is also scope for the private sector to enter into this arena.

UNITED STATES

I think of it as an object of great importance...to simplify our system of finance, and to bring it within the comprehension of every member of Congress...the whole system [has been] involved in impenetrable fog. [T]here is a point...on which I should wish to keep my eye...a simplification of the form of accounts...so as to bring everything to a single centre[;] we might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress, and every man of any mind in the Union, should be able to comprehend them to investigate abuses, and consequently to control them.⁶

In 1990, the Chief Financial Officer Act (CFO Act) was adopted in the US to improve the general and financial management practices of the federal government by establishing a structure for the central coordination of financial management. The Act provided for the implementation of accounting systems and internal controls to produce reliable financial information and to deter waste, fraud and abuse. Additionally, the Act required extensive changes in reporting to improve the information available to administrators and to the Congress. The CFO Act changed federal financial management in three ways: it created a new organisational structure for financial management; it encouraged the development of new and compatible accounting systems; and it required new forms of reporting.⁷

The CFO Act, 1990 gives a legislative basis for the working of the CFOs in the US federal agencies/departments.⁸ Further, it states the authority and functions of the CFOs. The operational guidelines for functioning of a CFO are given by the Office of Management and Budget (OMB), which functions under the President of the US. Also, under the OMB is the Controller in the Office of Federal Financial Management, who functions as the accounting authority for the entire federal government.⁹

The head of the federal department/agency is the Secretary. He/she is ultimately responsible for running the agency, and the CFO reports to the Secretary. The CFOs are also required to keep communication channels open with the OMB,¹⁰ though they do not report to the OMB. The CFO thus plays a supportive and advisory role to the department, but it is the departmental Secretary who takes the final call on any issue. The CFO is meant to give all the available financial inputs to the

Secretary, which may assist him/her in coming to a decision. The inputs of the CFO are particularly important in preparing the budget. Later, the OMB guidelines are followed and the expenditure is monitored by the CFO.

The Government Accountability Office¹¹ (GAO) is an organisation meant to conduct external evaluation and audits of a government department's policies and programmes. Conducting fraud investigations and compliance assessments is also part of their job. The various Congressional committees, in their review of the reports of the GAO, expect the Secretary to testify on matters related to budget and policy, while the CFO is meant to certify finance-related matters.

The CFO is an appointee of the President, for which the Senate's consent is required. It is a cabinet-level position, similar to that of the Secretary. The CFOs have to be appointed by the head of the concerned agency. Further, the CFO Act states that the appointee must have 'extensive practical experience in financial management practices in large governmental or business entities'. However, exact qualifications for the post are not specified. The skills required for this position *inter alia* include budget formulation, management accounting, performance auditing and great proficiency in implementation of internal controls. The CFOs in the US are picked up from both public and private sectors. Many times, the CFOs already have relevant sectoral experience of the concerned sector in the private arena and this helps them in their work in the concerned government department. Therefore, the chances of a generalist administrator being appointed as CFO are almost nil. Indeed, in the US, the CFO positions are political appointments, which stand on a definite statutory basis. They are not advertised and recruitment is simply by word of mouth.

It follows, thus, that the period of service of the CFO would be at the pleasure of the President. It is common that a CFO changes when the President changes. Therefore, as it happens, usually the period of service of a CFO is around two years or less. There is no career progression in the department as the CFO already heads the finance wing. The only possible change could be if the CFO is appointed Secretary.

The CFOs are usually professional accountants who identify their training needs as they may arise. As professionals, they are required to continue professional development and in this respect, many agencies can provide the required training. The CFO Council¹² has also got six committees—for example, Financial Management and Policies

Committee and Best Practices Committee—which may assist the CFOs to assess their needs for any training. Newer areas in which the CFOs may need training could be: linking performance to accountability; improved internal controls as per Sarbanes–Oxley legislation;¹³ cost and management accounting to improve the output from programmes; specialty accounting for asset management, performance auditing, debt management, etc.; and quicker reporting to enable timely financial reports for the management.

The CFO bears responsibility for the entire range of financial management activities, including preparation of annual financial statements. These statements finally bear the signature of the Secretary. The CFO supervises the financial management of the agency and keeps close watch on the accounting and financial management software, which helps in giving data on internal controls and financial reporting. This must also comply with applicable accounting standards. All federal agencies have similar CFO functions.

Federal budget proposals are prepared by the OMB and appropriations are passed by Congress, after which the OMB authorises release of funds to the concerned department.¹⁴ The CFO needs to be actively working with the budget side of the OMB by projecting agency requirements and working in close contact with the OMB after appropriations are passed.

There is no system of performance appraisal in the case of the CFO. The benchmark of the output of a CFO is interpreted as per the department's financial performance.

The OMB bears responsibility of evaluating the performance of various departments. It uses a method known as 'balanced scorecard method'¹⁵ that utilises financial indicators to do so. These indicators may include compliance with various acts, submitting timely financial reports, obtaining clean audit reports and certifying that there were no improper payments. Such a transparent evaluation of a federal department's performance plays a major role in proper financial management. Differences of opinion, if they arise, among the persons holding the posts the CFO and the Secretary may be resolved by mutual consultation.

The CFO has a staff of a Deputy CFO and many other finance personnel who are there to look after various aspects, like cash and asset management. The number of staff would depend on the nature of work in that department.

All the staff are career finance and accounts personnel, with requisite certifications. They improve upon their knowledge by training

themselves with higher professional courses, while on the job. There may be certain specific areas where they may gain higher proficiency too, such as internal controls, performance measurement, cost accounting, balanced scorecard measurement, budget planning and information technology (IT). Training may be given by the agencies themselves or by outside institutions meant for the purpose.

UNITED KINGDOM

The nomenclature for the position of an FA in the UK is Finance Director (FD).¹⁶ There is no legislative mandate for the FD here. The FD draws his mandate from executive instruction. There is a legal backing, however, for the Accounting Officer:¹⁷ the Treasury administrative instruction, 'Government Accounting 2000', states that the Accounting Officer (Permanent Secretary of a department) would need a senior finance manager. Thus, all agencies have an FD. Any commitment of resources has to bear the approval of the Treasury. The authority to spend as per defined limitations is given to various departments by the Treasury. Delegated authority is exercised by the head of department.

The FD is professionally qualified,¹⁸ has board status equivalent to other board members, reports directly to the permanent head of the organisation and is a member of the senior leadership team, the management board and the executive committee (and/or equivalent bodies). This demanding leadership role requires a persuasive and confident communicator, with the stature and credibility to command respect and influence at all levels throughout the organisation. The FD must maintain a firm grasp of the organisation's financial position and performance. Supporting the accounting officer, the FD should ensure that there is sufficient expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the organisation's activities to account for their financial performance. It is important that financial management is taken seriously throughout the organisation.¹⁹

The FDs are usually at the level of a managing director (MD). Every department consists of a management board and FD is a member of the same. The board strategises for the long term, decides on investment decisions and ensures that the department's risk management and business planning is sound. For smaller agencies, the FD could be at the level of director, but would be present at board meetings. The management board normally has monthly meetings.

The FD has to take collegiate responsibility for all decisions that the board may take since he/she is a member of the board. Ultimate responsibility for the decisions remains with the accounting officer. The FD owes responsibility to his/her line superior, but does have sufficient independence to work within that framework. Further, the FD assists the accounting officer in evolving the goals of the department, developing plans, deliberating on the best way to allocate resources, deciding between competing priorities, extracting the best possible from the pay bill and overall, making sure that the employees maintain regularity and propriety in all matters.

The FD in every department has certain specific responsibilities, according to the nature of the department, and such department-specific elements are given out separately. The general nature of the position requires the following to be done:

1. scrutiny of departmental expenditure proposals;
2. coordinating of planning proposals;
3. preparing estimates;
4. monitoring of delegated authority for expenditure;
5. advising the Secretary whether the proposal for expenditure is sound or not;
6. preparation of accounts;
7. maintaining systems for costing;
8. ensuring that Government Accounting Manual is followed at each stage;
9. curbing the spending so that it remains within the estimate for it;
10. keeping track of expenditure regularly and reporting it to the authorities;
11. keeping track of the arrangement for banking;
12. making payments accurately;
13. ensuring that charges are recovered as per the rules in vogue;
14. making the rules for procurement clear to the functionaries and ensuring compliance with the Treasury rules; and
15. good liaison with external auditors (National Audit Office, or NAO).²⁰

The FD is also responsible for ensuring internal financial discipline. He/she has to maintain strong and effective policies to control and manage the resources of the organisation. This includes enhancing the financial literacy of budget holders of the organisation.²¹ The FD looks after

procurements too. He/she would need to make sure that the procedures related to procurement are quite clear to all the concerned employees. These procedures must be as per the guidelines of the Treasury. Thus, a system must be set up and maintained for following procurement procedures. In addition, the FD is a key member of the organisation who puts his/her mind to generate funds from public–private partnership (PPP), though bigger programmes under the aegis of the Private Finance Initiative²² may involve outsiders for advice.

To discharge all the responsibilities well, the FD must be competent and more importantly, should have a holistic comprehension of the legislative structure of the government. He/she must be a good leader and should have the requisite skills to interpret and analyse financial information for solving complex problems and analysing complex options. For the last several years, it has become usual for an FD to be a professionally qualified accountant who has worked at senior levels. Most of government expenditure is now in the hands of such qualified accountants. Though the post is open and selection is by merit, with entry possible from both the private and public sectors, FDs are picked up by far much more from the private sector. In fact, public sector experience is considered ‘useful but not essential’. Nowadays, fewer FDs have moved up through the Civil Service as compared to private sector professionals.

The heads of departments enjoy the status of an employer; therefore, every department may come up with its own procedures for recruitment which suits their requirements. However, these procedures and the resultant recruitments must comply with the central guidelines or the recruitment code issued by the Civil Service Commission (CSC).²³ Thus, CSC undertakes audits of policies regarding recruitment and its approval has to be sought for each external recruitment. There are broad principles of the CSC which mainly cater to the fairness of the selection. At times, the services of external agencies may be utilised for recruitments. The Treasury is always kept informed of applicants and is free to make comments or be a part of the agency’s interview panel.

In the UK, there is no distinct cadre of accounts and finance. The Government Finance Profession is not a cadre but a professional association. It functions as a portion of the Civil Service. Payment terms are negotiated with the person who is selected. Tenure depends on the terms of contract, but most FDs are on permanent tenure. The FDs can apply for transfer. Also, director-level FDs can become MDs through promotion.

As seen earlier, FDs are qualified professionals who are free to avail programmes which help in progress of their professional development. The recruitment process assesses their professional skills. The Professional Skills for Government initiative enumerates essential skills which are adopted by the Civil Service Management Board. New FDs are initially mentored by another FD of the same ministry. The Treasury arranges quarterly meetings for FDs, which all FDs usually attend. Many training institutions too offer relevant courses. All FDs are subject to Annual Performance Report (APR). The FD's APR is assessed by the head of the department and the Treasury does not give any inputs for this.

The FD heads the finance directorate. Each department develops its own structure for finance directorate. Under the FD, there is a Chief Accountant. Up to two levels below FD, qualified accountants fill up the posts. All the finance staff must be trained for the finance function; the procurement personnel must be trained for procurement; and so on. The FDs have to manage their staff, which begins with recruitment, their professional grooming and their performance management.

REVIEW OF INTERNATIONAL BEST PRACTICES AND PROPOSITIONS FOR DEFENCE

Immense pressure on resources in all countries has led to tighter financial management everywhere. As shown earlier, the CFO/FD/FA has been central to these changes in financial management. A review of the best practices of different countries brings out certain propositions for defence, as follows.²⁴

Remodelling the Role of IFA

As the role of the IFAs has evolved in the Indian context, it is clear that the finance officers are meant to facilitate the achievement and furtherance of the approved goals of the ministry, which is just as true of the MoD. All IFAs are expected to ensure value for money; the stated goals must therefore be achieved at a minimum cost to the exchequer. However, the General Financial Rules (GFR) and Delegation of Financial Powers Rules (DFPR) specify that the Secretary is the Chief Accounting Authority; it is he/she who exercises the delegated powers and consequently, bears the responsibility for the results. This is similar to what obtains in the US and the UK.

In India, the IFA is meant to advise the executive on all matters having a financial bearing. The executive, in turn, is empowered to reject

the advice of the IFA if he/she considers it necessary in the overall interest, but it is only rarely that this option is exercised. A change in mindset is required in India, where finance may be seen as another vertical in the organisation, similar to the perception abroad. In those countries, finance is required to give the requisite professional inputs, to which the executive may or may not agree due to various reasons which may not be related to finance. The relationship between the finance and the executive in India becomes even adversarial at times, which is highly undesirable. The finance officer and his/her staff must become trusted members of the executives' team, as they are in other countries, and all-out efforts must be made by each member of the organisation to be positive and work together as a team to achieve common goals. The organisation can only function effectively when there is an atmosphere of trust; this needs to be continuously and carefully nurtured and reinforced by both sides to achieve a healthy equation.

Enacting Legislation

Most developed countries have established financial management legislation. This is a far-reaching change that has contributed significantly in shaping the development of financial management. Simultaneously, it has increased the accountability of accounting officers and the IFAs. In the US, for example, the role of the CFO was clearly established by the CFO Act, 1990. The CFO Act, as a federal law, was intended to improve the government's financial management, outlining standards of financial performance and disclosure. The position of CFO was created for each of the federal departments and agencies. In accordance with the Act, each agency or department was to vest its financial management functions in its CFO. The CFO Council came into being by this Act and it comprises of the CFOs and Deputy CFOs of the bigger federal agencies and officers of the OMB and the Treasury. After this, several other legislations were passed which have impacted the federal financial management.²⁵ In Australia too, the Financial Management and Accountability Act, 1997 was enacted in order to improve management of public money. This Act aimed to increase professionalism and delegated substantial powers to the chief executives of the different federal agencies, who further delegated powers to the CFOs. In South Africa, Public Finance and Management Act²⁶ regulates the management of finances in the national and provincial government. It sets out the procedures for efficient management of all revenue, expenditure, assets and liabilities.

Apart from legislation, many countries have developed detailed guidelines on the role of the IFA and the functions required to be performed by the Finance Division. These include the traditional areas of finance as well as the emerging areas in finance. The UK has issued detailed guidelines for FDs and financial management, which are regularly kept updated for use by practitioners.

In India, the finance officers draw their authority from executive instruction. The enactment of legislation in India along similar lines would lead to streamlining and professionalism in all ministries, more so in such a complex area as defence, with its multifarious and voluminous expenditures. The functions, duties and responsibilities of IFAs down the line would be clearly defined. This would lend authority and credence to the activities of the finance officer as it would carry the force of law. It would also go a long way in ensuring accountability. Compliance with legislation would improve financial management, reporting, performance evaluation, administrative controls and focus on personnel needs; it would develop a horizon for further improvement of systems, and reduce cost of their implementation. This would eventually promote strategic planning and enhance security.

Evaluating and Reviewing Financial Management Systems

Many countries are making efforts to upgrade methodologies of evaluating the efficiency of government departments. This involves moving from control of transactions to achieving the objectives of the programmes. For example, the US has a balanced scorecard method of evaluation. Such a system of evaluation directly impacts the functioning of the IFA, as he/she is the main functionary advising the head of department in achieving better financial management. A balanced scorecard is a management performance metric used to identify and improve various internal functions and their resulting external outcomes. Balanced scorecards are used to measure and provide feedback to organisations.²⁷

Countries such as the UK periodically review the financial management systems of their government departments. The suggestions for improvement are fed into whole of government initiatives to improve core financial management competencies. These initiatives increase the responsibility of the FAs to improve upon the skills in enhancing overall performance.

In India, such methods of evaluation and feedback could be used to advantage, especially in defence. A periodic assessment of the IFA system by professional means would provide valuable feedback for improved policy decisions. Factors hindering performance could be identified and eliminated or reduced. Learning and growth of IFAs can be tracked and measured. Gaps, delays and bottlenecks in smooth flow of work can be identified so that they are effectively tackled. Perspectives from the services can be fed into the improvement cycle. Financial data can be utilised to get indicators for improving financial performance of various sub-organisations within defence.

Professionalism for the Post of IFA

In all countries, there is a movement towards greater professionalism for the post of IFA. The effort is to attract the best talent either from the public sector or the private sector. Most developed countries, such as the UK, the US, Canada and Australia, require their IFAs to be qualified professionals who are experienced in financial management. While the mode of recruitment may be different in these countries, the net is cast wide and the best talent is picked up for this crucial position. Such senior management recruits are members of professional bodies in advanced countries and continue to develop professionally while they are on their post. The tenure of these professionals is also quite stable.

In India, a move has been made in this direction very recently. For the first time, Union Public Service Commission (UPSC) appointed nine private sector specialists as Joint Secretaries in central ministries.²⁸ While these appointments were made for departments other than defence, it did include several key ministries. Niti Aayog, in a report, highlighted that it was essential that specialists be inducted into the system through lateral entry on fixed-term contract.²⁹ This 'lateral entry mode' can be read as an intent of the government to bring fresh talent into the bureaucracy from the private sector. This mode gives an opportunity to private sector specialists to join a government department and bring newer perspectives to long-standing problems. Perhaps a thought could be given to inducting finance professionals as IFAs in our country, after the system of lateral entry has stabilised. Eventually, this may include the important portfolio of defence, where there is a strong case for professionalism.

Intensifying Training

High priority is accorded by many governments to developing strong financial management skills. Therefore, developed countries have evolved methods to assess training needs, and accordingly provide regular in-service training and continued professional training of all finance personnel, including the head of the finance wing. Apart from the training which the government identifies, the CFOs too keep pace with newer developments with the help of their professional associations. In the US, for example, the CFO Council plans the training of the CFOs. In the UK, the National Careers Service provides information, advice and guidance to help make decisions on learning and work.³⁰ Several government websites also share financial information to upgrade the knowledge of the finance staff. In Australia, websites provide e-learning on Central Budget Management System, Cash Management and Commonwealth Resource Management Framework. These trainings are very important to ensure that all levels in the finance division are fully conversant with the new streams of work within finance.

In India, a deeper focus on training would be very useful in the area of defence. The existing human resource challenge arises from the shift in global trends and the expanding role of defence. Greater and more effective application of commercial skills are also required by officers dealing with finance, particularly with the entry of private sector in the defence industry. The range of activities for IFAs has become far wider and is likely to increase. Apart from financial management and project management, practitioners would need to be equipped with a sound knowledge base in: defence industrial policies, PPP, joint ventures and foreign direct investment (FDI); commercial aspects, such as international trade, outsourcing and negotiation strategies; legal aspects, such as contract law, licensing, transfer of technology and inter-governmental agreements; and economic aspects, such as state of the global economy, export control regimes and banking arrangements. At present, both service officers and officers from the finance wing are posted to projects which may be at different stages of execution and the officers commonly learn on the job. However, finance requires specialised nature of skills in defence since there are large volumes of expenditure involved. Defence finance capsules need to be included in training programmes for future leadership in existing war colleges, like Defence Services Staff College (DSSC) and the National Defence College (NDC). Thus,

an interdisciplinary body of knowledge needs to be developed and disseminated in a structured fashion to hone the professional skills of the officers and as well as staff to meet future challenges.

CONCLUSION

The CFO/FD is seen to be playing a key role in strong financial management in the government sector in all developed countries. The role of CFO/FD/FA has, in fact, increased over the years as a custodian of public finances and an important functionary of the management team, giving relevant financial inputs for strategic decisions. Indicators can be taken from the experiences of other countries, as detailed in the previous section, which may assist in further refining the role of the IFAs in defence in our country. The IFAs, at all levels in defence, need to be excellent managers and leaders who understand the policies and programmes of the concerned organisation. Their role in supporting the head of the entity in fulfilling financial responsibilities is crucial for the success of the organisation. The goal, as always, would be to enhance military capability to respond to an increasingly wide range of scenarios, by maximising the value of money available.

NOTES

1. Second Administrative Reforms Commission, Approach Paper, 2005, available at <https://darpg.gov.in/arc-reports>, accessed on 25 December 2019.
2. MoF, Office Memorandum No. F. No. 10(29)-E.Coord/73, dated 6 October 1975.
3. MoF, F. No. 5(6)/L&C/2006, dated 1 June 2006.
4. Available at <https://mod.gov.in/about--ministry>.
5. MoD, 'Appendix B', in *Defence Services Estimates*, Vol. I. It is an annual publication that explains organisation and functions of MoD (Fin) and Defence Accounts Department (DAD).
6. Thomas Jefferson, April 1802, available at [Fasab.gov](https://fasab.gov), accessed on 25 December 2019.
7. Available at <https://www.encyclopedia.com/finance/finance-and-accounting-magazines/chief-financial-officers-act-1990-and-federal-financial-management-act-1994>, accessed on 13 November 2019.
8. Overall, many benefits have been derived from the Act. These benefits are far-reaching and have impacted a number of programs, activities, entities,

individuals, and Executive Branch and Congressional decision makers. Implementation of the Act over the years has increased transparency, fostered accountability, established a government-wide financial management leadership structure and agency CFOs, promoted new accounting and reporting standards, generated auditable financial statements, strengthened internal control, improved financial management systems, and enhanced performance information.

See 'The Chief Financial Officers Act of 1990—20 Years Later: Report to the Congress and the Comptroller General', July 2011, available at <https://www.ignet.gov/sites/default/files/files/cגיעforpt0711.pdf>, accessed on 13 November 2019.

9. Other PFM legislation in the US include: the Government Performance and Results Act, 1993; the Government Management Reform Act, 1994; the Federal Financial Management Improvement Act, 1996; the Information Technology Management Reform (Clinger–Cohen) Act, 1996; and the Government Paperwork Elimination Act, 1998. The Government Performance and Results Act makes federal agencies accountable for achieving programme results through the provision of objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of federal programmes, as an aid to Congressional decision making and improving the overall performance of government. The Government Management Reform Act has expanded the CFO Act by requiring an audit of agency financial statements and preparation of government-wide financial statements. The Federal Financial Management Improvement Act requires agencies to provide uniform, reliable and more useful financial information. The Information Technology Management Reform Act focuses on improving the acquisition, use and disposal of information technology (IT) resources. The Government Paperwork Elimination Act moves more citizen and business transactions to the Web (e-government). See 'India—The Role of the Integrated Financial Adviser in the Government of India', available at wbdocsservices.worldbank.org/services?14_SERVICE=FILE_URLS2&RENDITION=Y&14_DOCID=090224b0828c25d4&stream=Yes, accessed on 13 November 2019.
10. 'OMB's Mission is to Assist the President in Meeting his Policy, Budget, Management and regulatory Objectives', available at <https://www.whitehouse.gov/omb/>, accessed on 13 November 2019.
11. The U.S. Government Accountability Office (GAO) is an independent, nonpartisan agency that works for Congress. Often called the 'congressional watchdog,' GAO examines how taxpayer dollars are spent and provides Congress and federal agencies with objective, reliable information to help the government save money and work more efficiently.

Available at <https://www.gao.gov/about/>, last accessed on 25 December 2019.

12. The Council is an organisation of the CFOs and Deputy CFOs of the largest federal agencies, along with senior officials of the OMB and the Department of the Treasury, all working collaboratively to improve financial management in the US government. The function of the Council is to advise and coordinate the activities of the member agencies on such matters as consolidation and modernisation of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organisations and any other financial management matter. Available at <https://cfo.gov/>, last accessed on 25 December 2019.
13. Available at https://pcaobus.org/About/History/Documents/PDFs/Sarbanes_Oxley_Act_of_2002.pdf, last accessed on 25 December 2019.
14. Available at www-wds.worldbank.org, last accessed on 25 December 2019.
15. Robert S. Kaplan, 'Conceptual Foundations of the Balanced Scorecard', Working Paper 10-074, Harvard Business School, 2010, available at https://www.hbs.edu/faculty/publication%20files/10-074_0bf3c151-f82b-4592-b885-cdde7f5d97a6.pdf, accessed on 14 November 2019. See also Nicholas J. Mathys and Kenneth R. Thompson, 'Using the Balanced Scorecard: Lessons Learned from the U.S. Postal Service and the Defense Finance and Accounting Service', n.d., available at <http://www.businessofgovernment.org/sites/default/files/Scorecard.pdf>, accessed on 14 November 2019.
16. Available at <https://www.gov.uk/government/organisations/civil-service-government-finance-profession>, accessed on 14 November 2019.
17. Accounting officers are central to how government spending is controlled. Always the most senior official in a department—the permanent secretary—accounting officers are personally accountable to parliament for the use of public money. They must sign the department's accounts, but accounting officers have more extensive responsibilities beyond the department's financial health. They are accountable to Parliament for how every penny of public money is spent.
Available at <https://www.instituteforgovernment.org.uk/sites/default/files/publications/Following%20the%20pound%20-%20accounting%20officers%20in%20central%20government.pdf>, accessed on 14 November 2019.
18. The term, in this context, means both being a qualified member of one of the five bodies comprising the Consultative Committee of Accounting Bodies (CCAB) in the UK and Ireland—that is, the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants

in England and Wales, the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants in Ireland, and the Association of Chartered Certified Accountants—or having equivalent professional skills and/or qualifications, and having relevant prior experience of financial management in either the private or the public sector.

19. Available at www.publicchairsforum.org.uk, last accessed on 25 December 2019.
20. National Audit Office (NAO), available at <https://www.nao.org.uk/>, accessed on 25 December 2019.
21. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835558/Managing_Public_Money__MPM__with_annexes_2019.pdf, last accessed on 25 December 2019.
22. According to Keaton:

Private finance initiatives were first implemented in the United Kingdom in 1992 and became more popular after 1997. They are used to fund major public works projects such as schools, prisons, hospitals, and infrastructure. Instead of funding these projects up front from taxpayers, private firms are hired to finance, manage, and complete the projects.

See Will Keaton, 'Private Finance Initiative (PFI)', 6 June 2019, available at <https://www.investopedia.com/terms/p/privatefinanceinitiative.asp>, last accessed on 25 December 2019.
23. The appointments in the CSC are through public open competition and are independent of the government and the Civil Service. The Commission has been established by statute to provide assurance that civil servants are selected on merit on the basis of fair and open competition; and to help safeguard an impartial Civil Service. Available at <https://civilservicecommission.independent.gov.uk/>, last accessed on 25 December 2019.
24. Discussions with senior officers in the finance wing and inputs from service officers who regularly interact with finance form the basis of these propositions.
25. Refer to discussion in n. 9.
26. Available at <http://www.treasury.gov.za/legislation/pfma/PFMA%201999%20as%20amended%20March%202017.pdf>, last accessed on 25 December 2019. The Act came into being in 1999.
27. Available at <https://www.investopedia.com/terms/b/balancedscorecard.asp>, accessed on 25 December 2019.
28. See 'In a First, UPSC Appoints 9 Private Sector Specialists as Joint Secretaries in Centre', *Business Today*, 13 April 2019, available at <https://www.businesstoday.in/current/economy-politics/in-a-first-upsc-appoints->

9-private-sector-specialists-as-joint-secretaries-in-centre/story/336944.html, accessed on 26 December 2019.

29. Available at www.dailyexelsior.com, accessed on 25 December 2019.

30. Available at www.visionuk.org.uk, accessed on 25 December 2019.