



Defence Accounts Code, 2023

First Edition



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Preface

Defence Account Code has its origin in the Civil Account Code (Volume-I to Volume- IV). The first edition of Account Code Volume-I was approved on 23rd December 1938 and released in 1940 by the Accountant General of India with the approval of Lord Linlithgow the Governor General of India. The first edition of Military Account Code was released in 1950. The current edition has been revised and updated after a long hiatus of 72 years.

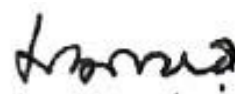
Defence Accounts Code encompasses the entire gamut of the accounting function discharged by the Defence Finance Department. It contains detailed instructions and procedures relating to accounting, compilation, consolidation of annual accounts and inter-departmental adjustments.

Over the course of the last 72 years, significant changes have been introduced in the transaction of government business and accounting starting from the restructuring of the financial management pertaining to Ministry of Defence as well as 3 Forces and inter services departments. Within the Department, significant changes have been made in automation of systems of payment and accounting of expenditure. There was thus a need to reflect these in the Code replacing those provisions that have been rendered redundant in view of these changes.

Controller General Defence Finance convey thanks and gratitude to OCAG (Office of the Comptroller and Auditor General) for furnishing valuable suggestions. Thanks and appreciation to the Panel of Editors who worked hard to release a revised edition of Defence Accounts Code after a long breakage.

This Edition of the Defence Account Code supersedes all the previous editions. However, any suggestions, comments, advice for improvement or update this edition in the course of time will be welcomed.

Date: 20 March 2023



(Monowara Habib)

Controller General Defence Finance

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Definitions

In this Code, unless there is anything repugnant in the subject or context:

a) Accountant General:

means the Head of an office of Accounts including Controller General of Accounts and when used in relation to a treasury, the head of an office of accounts to whom the accounts of the treasury are rendered.

b) Accounts Area:

means an area the accounts of which are dealt with by one and the same Accounts Officer.

c) Accounts Officer:

means the head or any gazette officer working in a Pay and Accounting Office.

d) Appropriation:

means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation.

e) Bank:

means Bangladesh Bank or any of its offices or branches, any branch of a n y b a n k acting as the agent of the Bangladesh Bank in accordance with the provisions of the Bangladesh Bank Order, 1972.

f) CGDF:

means the Controller General of Defence Finance, the Head of the Defence Finance Department.

g) Cheque Drawing DDO:

means a drawing and disbursing officer functioning under a Ministry or Department (including Public Works Department, Forest Department and Departments in which the provisions of Central Public Works Account Code or MES Regulations are authorized to be followed) who is authorized to withdraw money for specified types of payments against an assignment or budgetary allocation from an account opened in his favor in a specified branch of an accredited bank.

h) Civil Accounting Office:

Means the following offices:

- i) Office of the Chief Accounts and Finance Officer (CAFO);
- ii) Office of the Divisional Controller of Accounts (DCA);
- iii) Office of the District Accounts and Finance Officer (DAFO);

- iv) Office of the Upazilla Accounts Officer (UAO);
- v) All accounting offices of Railway Accounting Circle;

i) Auditor General:

means the Comptroller and Auditor General of Bangladesh appointed under article 127 of the Constitution of Bangladesh.

j) Consolidated Fund:

means the Consolidated Fund of Bangladesh as referred to in clause (1) of Article 84 of the Constitution.

k) Constitution:

Means the Constitution of the People's Republic of Bangladesh.

l) Controller General of Accounts:

Means Controller General of Accounts (CGA) responsible for preparation of Finance Account of the government.

m) Debt Heads:

In relation of Ministry of Defence means the head of accounts under which transactions of Government closing to balances are recorded and carried forward to the next financial year which includes heads of Debts, Loans and Advances, Provident Funds, Reserve Funds, Deposits and Advances and Suspense and Miscellaneous.

n) Defence Accounting Circle:

means the offices of the Defence Finance Department including Controller General Defence Finance, who are responsible for keeping accounts, internal control and compliances, rendering financial advice and reconcile transactions of three forces and inter-services departments.

o) Disbursing Officer:

means a Head of the Office and any other Gazetted Officer so designated by a Department of the Government or an Administrator, to draw bills and make payments on behalf of government.

p) Defence Transaction:

Transaction pertained to the three forces i.e. Army, Navy, Air Force and inter-services department.

q) EFT:

is the electronic exchange i.e. transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.

r) Financial Year:

means the year beginning on the 1st of July and ending on the 30th of June of the following.

s) Controller:

means an Accounts Officer under the Administrative control of the Controller General Defence Finance, who is responsible for the maintenance and internal audit of the accounts of Defence Services in his jurisdiction. The term includes:

- i) Senior Finance Controller;
- ii) Finance Controller;
- iii) Joint Finance Controller;
- iv) Area Finance Controller;
- v) Chief Controller of Defence Finance;
- vi) Additional Chief Controller of Defence Finance.

t) Principal Accounting Officer:

means the Secretary/Senior Secretary of the Ministry of Defence and the Principal Staff Officer (PSO) of Armed Forces Division.

u) Public Account:

means the Public Account of the Republic as per the clause-2 of Article-84 of the Constitution.

v) Re-appropriation:

means the transfer of funds from one primary unit of appropriation to another such unit;

w) Remittance Head:

Remittance Heads Refer to head of accounts to which transactions relating to remittance business are taken.

x) Revenue Heads:

refer to the heads of account under which are recorded all proceeds of taxation and other receipts classed as revenue and the expenditure met therefore.

**Chapter 1 Function of the Controller in relation to
Defence Service Account**

Introductory

- 1) As per the Rule-3 of The Initial and Subsidiary Accounts Rules, 1952 and Section-3 of Comptroller and Auditor-General (Additional Functions) Act, 1974 relieved the Auditor General from the responsibility of keeping accounts of the Defence Services without derogating from his power to prescribe the form in which such accounts shall be rendered to him and in which the initial accounts from which the accounts so rendered are compiled or on which they are based shall be kept.
- 2) For the sake of practical convenience, the forms of accounts, including Appropriation Accounts, relating to the Defence Services, whose accounts are not kept by the Auditor General may be determined by the CGDF and the provision referred to in the preceding paragraph will be deemed to have been satisfied if the forms so determined are not questioned by the Auditor General.
- 3) The forms in which the accounts should be kept in the offices of the Defence Finance Department are prescribed by the CGDF, but if any change affects the form of the Finance Account, it will not be made without the previous sanction of the Controller General of Accounts and Comptroller and Auditor General.
- 4) All returns, accounts and statements required by the Controller General of Accounts and Comptroller and Auditor General should invariably be prepared in the forms prescribed by the Comptroller and Auditor General.

Notes:

- i) The word 'form' has comprehensive meaning so as to include the prescription not only of the broad form in which the accounts are to be kept but also the appropriate heads under which certain transactions or classes of transactions have to be entered.
- ii) The Ministry of Finance may require any information which can be derived from the accounts maintained in a Defence Account Office, and for this purpose the Defence Account Officer may find it necessary on some occasions to make slight modifications in the forms of accounts. All changes in the prescribed forms and procedure should be referred to the CGDF.
- iii) All returns, accounts and statements required by the Auditor General shall invariably be prepared in the forms prescribed by him.

iv) With CGDF as its head, the Defence Finance Department is responsible to the Auditor General that suitable accounts are maintained in respect of the three arms of the Defence Services, viz., Army, Air Forces and Navy. The Defence Finance Department is constituted of several Defence Accounting sub-circles each controlled by an Accounts Officer, commonly known as the Controller, directly responsible to the CGDF in the matter of accounts arising in his account circle.

Departmentalization of Accounts

5) From 27 September 1982 onwards, the responsibility for compiling the accounts of Defence Services has been entrusted to the CGDF, who was previously known as Military Accountant General (MAG).

6) The Controller General Defence Finance functions as the Chief Authority in all matters affecting financial advice, internal audit and the accounting in respect of expenditure pertaining to the Defence Services. Under the scheme of Departmentalization of accounts in the Ministry of Defence, the Defence Secretary will be the Principal Accounting Officer for all transactions of the Ministry of Defence and this responsibility is discharged by him through and with the assistance of CGDF, who will function for and on behalf of the Principal Accounting Officer. The payments and accounting functions in respect of the Ministry of Defence are entrusted to the CGDF.

7) CGDF is responsible for the compilation and consolidation of the accounts of the Defence Forces in the prescribed form. The CGDF, on behalf of the PAO arranges payments of Defence Services through Senior Finance Controllers/Finance Controllers/Area Finance Controller/Chief Controller of Defence Finance Office/Additional Chief Controller of Defence Finance/Field Pay Office and the cheque drawing DDOs and is also responsible for arranging internal audit of all expenditure.

General duties of Controller General Defence Finance

8) CGDF is responsible for the following items of work under the scheme of departmentalization, performed for and on behalf of the Principal Accounting Officer:

- a) Keeping the Defence Account and periodically/monthly submit Financial/Accounting Reports/Statements to the appropriate authority

(MOD/Service Headquarters/CGA) and as and when required by the Auditor General.

- b) Internal/primary audit either pre or post (not statutory) to suit the individual Service requirements depending on their internal practices or authorized accounting system.
- c) Assisting in Statutory or External Auditing which is to be done separately by the Director General, Defence Audit (DGDA).
- d) Supply/Disbursement and Control of Cash.
- e) Providing Financial Advice functions to the Defence Services and the MOD organization for the Internal Financial Management/Control System.
- f) Preparation of the portion of the Finance Account pertaining to Defence Services and its submission to the Controller General of Accounts and Director General Defence Audit for incorporation in the Finance Account of the Government.

General Duties of Controllers

9) The main duties of a Controller as an Accounting Officer are:-

- i) to collect accounts of all the Receipts and Disbursements of his circle of Accounts.
- ii) to transfer to other accounting circles the items pertaining to them which originate in his circle and adjust in his accounts the items transferred to him by other Account Officers.
- iii) to furnish necessary material to the Central Compilation Section, also known as the Central Manual Compilation (CMC) in the manner prescribed in this code for making up on his behalf a monthly detailed account for his Account circle.

10) Each Controller is responsible for the accuracy and efficient working of the numerous processes of which the monthly account is the outcome. He should keep himself thoroughly acquainted with the progress of receipts and expenditure, to be able to promptly bring to notice any matter demanding attention. He is charged with the administration of those numerous matters in his area, of which Government is debtor or creditor, and it is his duty to see that proper accounts are kept of all those transactions and that due measures are taken for their adjustment without undue delay. He settles accounts with other Accounts Officers, and it is his duty to see that these accounts are promptly settled. The Controller has the care of the pecuniary relation of the Defence Services of the Government of Bangladesh

in his area with other Governments (e.g., Extra Budgetary or Local Govt.), Departments, individuals, and bodies and for this purpose he is not merely to keep the accounts but also to watch and, in some cases, to direct the matters out of which the accounts arise.

11) Each Controller is responsible for ensuring that all transactions for which necessary monetary settlement has effect against the Defence balance other Accounts Offices are speedily adjusted in Defence books and are not left outstanding in the suspense heads for an unduly long period.

Miscellaneous

12) All communications on matters affecting the classification of Receipts and Charges and on forms and procedure relating to accounts should always be addressed to the CGDF. Controllers shall not address the Ministry of Finance, Ministry of Defence or the Auditor General directly, except on routine matters.

13) No requisition for submission to a Defence Accounting Office of a new account return should be issued by the Controller without reference to the CGDF and if the requisition is on an officer not under the control of the Controller, the views of the local authorities should first be obtained.

14) Controllers must not address Ministry of Defence directly, except on routine matters or in connection with the prescribed estimates and returns rendered direct to them. All questions involving interpretation of rules or procedural changes should be referred by the Controllers to the CGDF.

Chapter 2 General outlines of the system of accounts

Introductory

15) As per the Article-84 of the Constitution of Bangladesh, all revenues received by the Government, all loans raised by the Government, and all moneys received by it in repayment of any loan, shall form part of one fund to be known as the Consolidated Fund and all other public moneys received by or on behalf of the Government shall be credited to the Public Account of the Republic.

16) The Government has arrangements with the Bangladesh Bank by virtue of which the general banking business of the Government (in which business is included the receipt, collection, payment, and remittance of moneys on behalf of Government) is carried on and transacted by the Bank. Government business is transacted at any of the offices, branches, or agencies of the Bank for the time being in existence as may from time to time be so directed. The Government, including the Defence services as a general rule, operates on every office and branch of the Bangladesh Bank.

17) Save as may be specifically provided in any case, cash balances in the Consolidated Fund and Public Account of the Republic are either held in a government treasury or kept with the Bank.

General Outlines of the System of Accounts

18) The following are in brief the general outlines of the system of accounts of the Defence Services of the Government of Bangladesh: -

- a) All receipts on behalf of the Defence Services of the Government of Bangladesh are paid into the Bank. The initial accounts of such receipts are not maintained at the Treasury. The initial and detailed accounts of such receipts are kept by the Controllers.
- b) All payments on behalf of the Defence Services of the Government of Bangladesh are Ordinarily made at the Bank, by means of cheques, EFT etc., drawn by officers of the Defence Services (including Defence Finance Department); some Defence Services departmental officers are, however, authorized to withdraw sums in lump from the Bank by cheques etc., for making payments. The payments are treated merely as payments on behalf of the Defence Services and the initial and detailed accounts of the payments are kept by the Controllers or officers drawing the moneys by cheques.
- c) The officers referred to in clauses (a) and (b) above render the accounts of their transactions to the Defence Accounts Officers concerned.

- d) Officers who are in charge of stores prepare stores accounts for audit by their respective Controllers.
- e) Accounts received from officers, vide clause (c) above, the receipts and payments authorized by the Defence Finance Department, and other transactions passed on for adjustment by other Account Circles, are classified in the Account Office and the Punching Media embodying the classification so made are transmitted to the CMC Section.
- f) Transactions of the Units and formations, to which Accountants of the Defence Finance Department, are attached, are classified under the appropriate heads of account by such Accountants. While the Punching Media embracing the transactions of the Military Engineering Service are transmitted to the 'E' Section of Senior Finance Controller (Works) direct by the Unit Accountants attached to the MES Divisions.
- g) The Punching Media received in the CMC Section are abstracted month by month under the appropriate heads of accounts classification in Sectional compilations according to the various sections of each Account Office concerned.
- h) The consolidated annual accounts of the Defence Services are submitted to the Auditor General by CGDF for certification.

Annual Finance Account of the Government

19) The Controller General of Accounts (CGA) consolidates the annual accounts of all Account offices in Bangladesh, as well the accounts of the transactions effected by its diplomatic representatives abroad, which are booked against the respective heads of account in the accounts rendered by them, into one annual account for the whole of the country. This consolidated annual account which is called the "Annual Finance Account of the Government of Bangladesh" presents the transactions of the Government side by side classified under the several major and minor heads of accounts classification, thus incidentally enabling a comparison to be made for statistical or other purposes, of receipts and expenditure of the several Governments pertaining to each branch of Administration or to activities of a similar nature. The portion of the Finance Account relating, the Defence Services is prepared by the CGDF and forwarded to the CGA for incorporation in the "Annual Finance Account".

20) All returns and statements for the Finance Account must be prepared in the forms prescribed by the Auditor General and submitted to him by CGA for certification, and in all matters relating to these accounts the CGDF's instruction should be strictly followed, as it is

essential that there should be uniformity in the returns and statements furnished by the several Controllers.

Defence Appropriation Accounts

21) The form of Appropriation Accounts which the Controllers are required to prepare and submit to CGDF is not dealt with in this code. The instructions relating to the preparation and submission of such accounts are included in the Military Audit Code. But, in a nutshell, CGDF is solely responsible to prescribe forms and manner of Defence Appropriation Accounts with the approval of the Auditor General. The object of these accounts is to relate the expenditure brought into account during a financial year to the several items of budgetary provision. As no special process of accounting is involved in the preparation of Appropriation Accounts, they should be regarded as complementary to the accounts of annual receipts and disbursements. CGDF is responsible to prepare two separate Appropriation Accounts. One for Defence Services, another for Armed Forces Division. The two Accounts are signed by the Secretary of Ministry of Defence and Principal Staff Officer of Armed Forces Division respectively.

Note: Due to change of classification after introducing BACS in public financial management, CGDF had to prepare the forms and manner of Defence Appropriation Accounts as per the guideline and approval of the Auditor General.

Proforma Accounts

22) The operations of some departments of the defence Services sometimes include undertakings of a Commercial or a quasi-commercial character e.g., Ordnance Factories, Naval Dock Yards etc. Even though these may be maintained almost entirely for the benefit of the Defence Services, it is still necessary that the financial results of the undertakings should be expressed in the normal commercial form so that the cost of the service or undertakings may be accurately known. This implies the maintenance of suitable capital, manufacturing, Trading, Profit and Loss Accounts and as the Government system of accounts, being on a purely cash basis, is unsuitable for such commercial accounts, these are usually kept on a pro-forma basis outside the general accounts of the Defence Services. The actual transactions entering these pro-forma accounts, except these adjusted on accrual basis find a place primarily in the regular accounts and the commercial accounts are additional as well as separate.

Mode of Settlement of Defence Transactions

23) All transactions arising in the Defence books which are eventually adjustable against the balances of the Railways and Department of Posts, or vice versa, are passed on to Accounts Officers concerned through "Settlement Accounts" and monetary settlement between the balances concerned in respect of such transactions is effected by the Controller/Accounts Officer in whose books the transactions originate through the Central Bank.

24) Transactions between Defence Services and other Ministries of the Government are settled on cash basis by issue of MICR Cheques or any other instrument introduced by the government.

25) Transactions arising in the books of one Controller which are adjustable in the books of another Controller of Defence Accounts are passed on through the Defence Exchange Accounts.

Central Journal and Ledger

26) The Controller General of Accounts maintains a Journal and Ledger for central transactions which is posted from the finance accounts of each year received from all Accounts Offices in Bangladesh.

Chapter 3 General Period of Accounts

General Period of Accounts

27) The annual account of the Defence Services which the CGDF is required to render to the Government shall record transactions which take place during financial year running from 1st of July to 30th of June of the following. Similarly, the position of the Annual Finance Account of the Government of Bangladesh, relating to the Defence Services, in which the CGDF is required to furnish to CGA shall record transactions of the Defence Services for the same period.

Note:

The Government accounts of a financial year may be kept open for a certain period in the following year for completion of various accounting processes inter alia in respect of the transactions of June are known as June Supplementary; for the carrying out of certain inter-departmental adjustments, and for the closing of the accounts of DSOP/DSPF/GPF and Suspense Heads. Adjustments may also be made after the close of the year owing to mis-postings and misclassifications coming to notice after the 30th of June. An actual transaction taking place after 30th of June i.e., June Supplementary should not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open for the purpose mentioned above.

28) After closing of annual accounts, if a rectification/readjustment is necessary, the same will be carried out with the prior approval of CGA and Ministry of Finance in exceptional cases subject to the following:

- i) Journal Entry is initiated for rectification of a misclassification/readjustment within the time limit prescribed by the CGA.
- ii) The rectification/readjustment necessitated which may materially misstate the Finance Account in a single transaction unless rectification/ readjustment is otherwise necessary for closing of annual accounts.
- iii) Suitable action is invariably taken against all concerned for not detecting the error during monthly review and within the supplementary accounts.

Cash Basis of Accounts

29) With the exception of such book adjustments as may be authorized by any rules included in this code or by any general or special orders issued by Government after consultation with the Auditor General, CGA or the CGDF, as the case may be, the transactions in the account of the Defence Services shall represent the actual Cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.

Currency in which Accounts are kept

30) The accounts of Government kept in Bangladesh shall be maintained in Bangladeshi Currency.

Main Divisions of Accounts

31) The Accounts of the Government shall be kept in the following two parts:

- i) Part-I - Consolidated Fund of Bangladesh;
- ii) Part- II – Public Account of the Republic.

32) In Part- I (Consolidated Fund of Bangladesh) of the Account there shall be two main divisions namely: —

- i) Revenue consisting of sections for “Receipt Heads (Revenue Account)” and “Expenditure Heads (Revenue Account)”.
- ii) Capital, Public Debt, Loans etc. consisting of Sections for “Receipt Heads (Capital Account)” and “Expenditure Heads (Capital Account)” and “Public Debt (Loans and Advances etc.)”.
 - a) The first division comprising of the Section “Receipt Heads (Revenue Account)” shall deal with the proceeds of taxation and other receipts classed as revenue, and the Section “Expenditure Heads (Revenue Account)” dealing with expenditure met therefrom.
 - b) The section “Receipt Heads (Capital Account)” in the second division shall deal with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure.
 - c) The section “Expenditure Heads (Capital Account)” in the second division shall deal with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material and permanent

character or of reducing recurring liabilities. It also includes receipts of a capital nature intended to be applied as set off to Capital Expenditure.

- d) The section “Public Debt” and “Loans and Advances” etc. of the Second Division shall comprise Loans raised and their repayments by Government such as “Internal Debt”, “External Debt” of the Central Govt. and Loans and Advances made (and their recoveries) by Governments.

33) In Part-II (Public Account of Republic) of the Accounts, the transactions relating to Debt (DSOP/DSPF, Deposits and Advances), Suspense and Miscellaneous and Remittances shall be recorded. The transactions under Debt, Deposits and Advances in this Part are such in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid together with the repayments of the former (Debt and Deposits) and the recoveries of the latter (Advances). The transactions relating to 'Remittances' shall embrace adjusting heads with Railways and Department of Posts etc., except Exchange Accounts which are settled within different accounting circles. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle. 'Suspense' in this Part is also an adjusting head. In short, the four main divisions of Government accounts shall be:

- a) Revenue,
- b) Capital,
- c) Debt, and
- d) Remittance.

Major, Minor and Detailed Heads

34) Inside each of the four divisions mentioned in paragraph-32, the transactions shall be grouped into sections which shall be further sub-divided into Major Heads of Account.

35) Transactions of the Defence Services which are of the nature of Revenue Receipts and Expenditure, also known as Service Receipts and Charges, are classified in the Defence Services Books as per the prescribed classification system. Defence Services Capital Outlay transactions are classified in same manner. Each of the Major Heads, specified above,

represents the 56-digit classification known as Budget and Accounting Classification (BACS) and is divided into the following segments:

- i) Organization;
- ii) Operational;
- iii) Fund;
- iv) Economic;
- v) Mode of Finance;
- vi) Authorization;
- vii) Location;
- viii) COFOG;
- ix) Budget Sector.

36) In all accounts, forms and statements, the Main, Sub, Minor and Detailed heads must be arranged in the context of classification system. In respect of the heads of account, the prescribed classification should be observed strictly, exact uniformity being essential, even regarding nomenclature.

37) The classification of all Receipts and Charges shall be noted on the Punching Medium to be securely attached to the relevant accounts, schedules or vouchers, a copy of the Punching Medium being sent to CGDF.

Classification of Expenditure as “Charged” or “Voted”

38) Expenditure which under the provision of the Constitution is subject to the Vote of the Legislature shall be shown in the annual accounts separately from expenditure which is "charged" on the Consolidated Fund. The expression "Charged" or "Voted" shall be appended to the heads concerned in the annual accounts to distinguish the two categories of expenditure. In new classification, Charged or Voted expenditure are denoted by “Authorization” segment.

Classification of transaction in Accounts & General limitations

39) Government after consulting with the Auditor General, has the power to issue any general or special orders as to the head of accounts under which any specified transaction or transactions of any specified class is or are to be included. All rules of classification laid down in this code shall not only be subject to the observance of this condition but shall also be subject

to the instructions regarding inter-departmental transfers and to any other rules or orders which have been or may be issued to regulate adjustments between Governments.

Note. Whenever provision made in the estimate of receipts and expenditure framed by Government or in any other order of appropriation does not conform to the recognized rules of classification prescribed in this Code, the corresponding receipts and expenditure should be brought to account against the particular Major or Minor head or other Unit of appropriation under which the provision is made unless there be strong reasons for a contrary course, as for instance, when such accounting would be contrary to law. Government should, however, be advised to rectify the error in the estimates of the following year unless it agrees to give effect to the correct classification in the accounts of the current year in view of the substantial amounts involved or where the misclassification affects the accounts of commercial, departments or allocation between Capital and Revenue heads.

General Principle of Classification

40) As a General Rule, the classifications of transactions in Government Accounts shall have closer reference to the function, programme and activity of the Government and the object of the Revenue or Expenditure rather than the Department in which the revenue or expenditure occurs. For example, expenditure incurred for Army Ordnance and the expenditure incurred by the Army for Air Force and Navy and vice versa are debitable to the Heads pertaining to the Factories or the Arm of Service for which the expenditure is incurred. This principle is, however, subject to such exceptions as may be authorized specially in any individual case or a class of cases.

Example: Expenditure in the MES on buildings which are under its administrative control, but which are required by a non-commercial branch of the Defence Services has to be charged as MES. Expenditure and may not be classified as a charge to the Units/formations actually using the buildings. The cost of such buildings for the Air Forces, Navy, Army Ordnance and Clothing Factories and Military Farms is however classified as a charge to the respective departments and not to the MES.

Classification of Capital and Revenue Expenditure

41) Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure.

Subsequent, charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organization, including establishment and administrative expenses, shall be classified as Revenue expenditure. Capital expenditure is generally met from receipts of capital nature, as distinguished from ordinary revenues derived from taxes, duties, fees, fines, and similar items of current income including extraordinary receipts. It is open to the Government to meet capital expenditure from ordinary revenues, provided there are sufficient revenue resources to cover this liability. Expenditure of a capital nature, as defined above, shall not be classed as Capital expenditure in the Government Accounts unless the classification has been expressly authorized by general or special orders of Government. It is inherent in the definition of Capital Expenditure that the assets produced should belong to the authority incurring the expenditure. Expenditure on a temporary asset cannot ordinarily be considered as expenditure of a capital nature.

Criteria for determining whether expenditure should be classified under heads of Capital section or Revenue section of the Consolidated Fund

42) Expenditure of a capital nature to be classified in the Capital Section shall broadly be defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character.

Note: Expenditure on a temporary asset or expenditure on Grants-in-aid to local bodies or institutions cannot ordinarily be classifiable as capital expenditure, and shall not, except in cases specifically authorized by Ministry of Finance.

43) Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget Estimates and in Government Accounts.

Note: Capital expenditure is generally met from receipts of a capital, debt, deposit, or banking character as distinguished from ordinary revenue derived from taxes, duties, fees, duties, fees, fines and similar items of current income including extra-ordinary receipts. It is open to the Government to meet Capital expenditure from ordinary revenues provided there are sufficient revenue resources to cover this liability.

Allocation between capital and revenue expenditure on a capital scheme

44) The allocation between capital and revenue expenditure on a Capital Scheme for which separate capital and revenue accounts are to be kept shall be determined in

accordance with such general or special orders as may be prescribed by the Comptroller and Auditor General.

45) The following are the main principles governing the allocation of expenditure on a Capital Scheme, between Capital and Revenue accounts: -

- i) Capital account should bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service. It would also bear charges for such further additions and improvements as may be sanctioned under rules made by competent authority.
- ii) Subject to (iii) below, revenue account should bear all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and on such renewals and replacements and such additions, improvements or extensions as prescribed by Government also.
- iii) In case of works of renewal and replacement which partake both of a capital and revenue nature, the allocation of expenditure should be regulated by the broad principle that revenue should pay or provide a fund for the adequate replacement of all wastage or depreciation of property originally provided out of capital grants and that only the cost of genuine improvements, whether determined by prescribed rules or formulae or under special orders of Government, should be debited to Capital account. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and replacements between Capital account and the Fund should be so regulated as to guard against over capitalization on one hand and excessive withdrawals from the Fund on the other hand.
- iv) Expenditure on account of repairs of damage caused by extraordinary calamities such as flood, fire, earthquake, enemy action, should be charged to Capital account or to Revenue account or divided between them in such a way as may be determined by Government according to the circumstances of each case.

- v) Capital receipts, in so far as they relate to expenditure previously debited to Capital heads, accruing during the process of construction of a project, should be utilized in reduction of capital expenditure. Thereafter, their treatment in the accounts will depend on circumstances, but except under a special rule or order of Government, they should not be credited to the revenue account of the department or undertaking.

Capital receipts during construction mainly to be utilized in reduction of capital expenditure.

46) Capital receipts, in so far as they relate to expenditure previously debited to Capital accruing during the process of construction of a project, shall be utilized in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government, they shall not be credited to the revenue account of the department or undertaking.

47) Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken in reduction of expenditure under the Major Head concerned except where, under the rules of allocation applicable to a particular department, such receipts have to be taken to Revenue.

48) As a general rule, capital cost of works which are non- productive in nature is met from ordinary revenues. Borrowed money and other resources outside the Revenue Account shall not ordinarily be spent for non-productive purposes unless the following conditions are fulfilled: -

- a) The objects for which the money is wanted are so urgent and vital that the expenditure can neither be avoided, postponed, or distributed over a series of years; and
- b) The amount is too large to be met from current revenues.

49) Capital receipts, in so far as they relate to expenditure previously debited to Capital accruing during the process of construction of a project, shall be utilized in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government, they shall not be credited to the revenue account of the department or undertaking.

Conversion of outstanding loans into equity investments or Grants-in-Aid

50) Time to time, Government should take suitable measures to strengthen/restructure the Capital base of public sector enterprises so that these enterprises can improve their performance and productivity. Financial reliefs in the form of conversion of outstanding loans into equity investments or grants-in-aid are also agreed to as a part of the package scheme, Where loans outstanding against Public Sector Undertakings are proposed to be converted into equity investments in or as grants-in-aid to the Public Sector Undertakings, the approval of the Parliament to such proposals shall be obtained by including a token provision in the relevant Demands for Grants or Supplementary Demands for Grants as may be found expedient. The details of such conversion of loans may be explained in the relevant Budget/Supplementary Demand documents. After obtaining the approval of the Parliament, the balances under loans and the progressive expenditure of the Capital Heads of Accounts shall be corrected pro-forma through “Prior Period Adjustment Account” in the relevant Finance Account of the Government without affecting the current transactions of the year, under the Loan/Capital Major Heads concerned.

Record of Capital Expenditure in Accounts

51)

- a) The Government should prescribe definite criteria for classification of an item of expenditure as pertaining to 'Revenue' or 'Capital' taking into account the nature and magnitude of the expenditure involved. The source of financing (whether Revenue Budget or Capital Budget) should follow this classification.
- b) All items of expenditure to be met from Revenue according to the criteria indicated in (a) above should be initially and finally debited to 'Revenue' and it is not permissible to debit such expenditure temporarily to a Capital Head pending the write back to revenue over a period of years.
- c) The detailed rules by which allocation of expenditure between Capital and Revenue in commercial departments and Undertakings should be determined, shall be such as may be made by Government after Consultation with the Comptroller and Auditor General.

Pay and allowances (other than Travelling Allowances) of Government Servants

52) The classification of pay and allowances other than travelling allowances of Government servants will be governed by the following rules:

- i) The whole pay and allowances of a government servant holding a post substantively or in an officiating capacity should be taken against the department and the post in which he is, actually serving. This direction need not, however, be rigidly applied in the case of ministerial Government servants acting in other posts in the same office establishment; nor shall it apply to cases governed by special direction issued by Government.
- ii) When a Government servant whose main duties and post fall under one head of charge is entrusted with additional or subsidiary duties coming under another head, no portion of his pay and allowances shall be debited to the latter head. This rule shall not apply to separate fixed allowances for additional duties, nor shall it apply to cases governed by special Directions issued by Government.
- iii) The transit pay and allowances of a Government servant proceeding to join an office on first appointment, or on transfer, either permanently or as a temporary measure, or on reversion from one department to another, should, in the absence of special orders to the- contrary, be debited to the office to which he is proceeding.

Notes.-

- a) The transit pays and allowances, both ways, of officers of the Defence Services lent to Civil (including Railway) Departments or vice versa, are debitable to the borrowing Government. This principle shall apply even in cases where the Government servant takes leave either before joining the borrowing Department or before rejoining the lending department and shall hold good in respect of joining time admissible under the Service Rules applicable to him. Cases of permanent transfers between Defence Services and Civil (including Railway) Departments shall, however, be governed by the substantive service rule. For purposes of this note, officers of the Army Medical Corps in civil employment should be regarded in all cases as lent to the Civil Department.

- b) The transit pay and allowances both ways, of a Government servant transferred from one Government to another or to foreign service will be adjusted in such manner as may be mutually agreed upon by the Governments concerned.

Travelling Allowances

53) Travelling Allowances of Government Servants shall be debited in Accounts as part of the scheme, activity or organization under a programme or function of Government in connection with which the expenditure on travel on duty of the Government servants is solely connected. This principle is, however, subject to such exceptions as may be specially authorized on this regard by the Government.

Example: The cost of travelling/Daily Allowances, etc. of officers of one Department in connection with committee or other meetings, etc. of other Department is not debitable to same head as their pay but should be debited to those Departments.

54) The travelling allowance of a Government servant shall be classified in the accounts in accordance with the following rules: —

- i) Save as provided below and subject also to the directions given by the Auditor General to regulate adjustments between different departments of Government, the travelling allowance of a Government servant on whatever duty he may be employed shall be debited to the same Major head as his pay.
- ii) In the following cases, the travelling allowance of a government servant may be debited to a head different from that to which his pay is debited:
 - a) In cases where a Government servant is required to travel on duty connected with an outside body or fund; When Government considers it necessary to show separately the cost of a special service ; and
 - b) In cases covered by general or special orders of Government authorizing a deviation from the general rule.
 - c) In cases covered by general or special orders of Government authorizing a deviation from the general rule.

Expenditure on Military Work

55) Expenditure on Military Works shall be classified in accordance with the following principles:

- i) Outlay on buildings & other works shall be debited in the accounts as expenditure of the Military Engineering Services if the administrative control of the works is vested in the officers of the Military Engineering Services and as expenditure of the Military department concerned if the administrative control of the works is transferred by a general or special order of Government from the MES, to the department using or requiring them the term "administrative control" when applied to Military works implies inter alia the assumption of full responsibility for construction, up-keep and maintenance of buildings and other works and the provision of funds for the execution of these functions, This responsibility is not diminished if the execution of the work is entrusted to a different agency. Thus works, the administration of which is not transferred from the MES, may by mutual agreement be executed by the Public Works Department, or by any other Military Department (e.g., Military Farms and Remounts) but the charges in connection with them shall nevertheless be classified as MES, expenditure. On the other hand, a Military Department, to which the administration of a building or other work has been transferred, may invoke the aid of the MES, for technical advice or execution, but the charges relating thereto shall be debited to the Department concerned. The function of the Public Works Department in the former case and that of the MES in the latter is merely that of a contractor, and the administration and the control of the expenditure rests with the MES, in the former case and with the administrative department concerned in the latter. The agency by which the work is executed shall not thus be the deciding factor in determining the question of classification.
- ii) Contributions made by the Defence Services to Cantonment Boards etc., or vice versa, shall be debited as expenditure or shown as receipts (as case may be) under the head of Defence Services accounts most closely connected with the object for which the contributions are made.

Note. A contribution paid by a local body with the express object of meeting whole or a part of the cost of construction, by the MES, of a specific work which is eventually to be the property of the Defence Services should be credited in the MES, accounts to the Debt Head "MES Deposits". The contribution should for accounts purposes, be divided into two parts, the one representing a share of the works expenditure and the other the usual percentages on that share cover charges for MES, establishment and tools and plant, and the expenditure as actually incurred, together with the percentages, should be debited against it.

Refunds of Revenue

56) Refunds of revenue shall, as a general rule, be taken in reduction from revenue receipts under the Major Head concerned.

Cost of acquisition of land

57) The cost of land taken for the Army, Military Engineering Service, Air Forces and Navy shall be debited to the Defence Services estimates under the appropriate main heads of account.

Sale proceeds of Government land and building

58) The sale proceeds of building/land should be credited as recoveries of expenditure to the Defence Services, or the head of the civil departments concerned to which the cost was originally debited.

59) Taxes both on Residential and Non-Residential, buildings owned/or occupied by the Defence Department shall be debited to the Defence Services Estimates.

Municipal/Cantonment Board rates and taxes

60) Taxes both on residential and non-residential buildings owned or occupied by the Defence Services shall be debited to Defence Services Estimates.

General Methods of Accounting

Accounting for transactions pertaining to more than one major head of account.

61) For the sake of convenience or for other special reasons, receipts or charges pertaining to more than one head of account may be booked in the first instance under one of the heads concerned, but the portion creditable or debitable to the other head or heads involved should be transferred from the former head to the latter before the accounts of the year are closed.

Accounting for losses

62) Losses of public money, stores or other property of Government shall be accounted for in accordance with the rules in Chapter 8.

Recoveries in Government Accounts

63) The rules to regulate the exhibition of recoveries in Government Accounts are contained in Chapter 7.

Accounting for recoveries of overpayments

64) If a recovery relating to an overpayment of the current year be made by short payment of an item chargeable to the same detailed head, no separate adjustment shall be necessary. But such recoveries, if they are made in cash or by short payment of items not chargeable to the same detailed heads as were previously overcharged, as well as recoveries relating to a previous year, whatever the mode of recovery, shall be credited in the first instance to the Suspense Head such as "Recoveries - of Service Payments" defined in classification and appear under that head in the classified compilation. This suspense head shall then be cleared by a transfer entry punching media in the following manner: —

- a) by deductions from the current year's charge under the detailed head previously overcharged, if the recoveries relate to overpayments of the current year;
- b) by credit to the departmental receipt head concerned as receipts of the department or, in the case of department not having a corresponding receipt head to the head "Miscellaneous Receipts" of the major head concerned if the recoveries relate to overpayments of a previous year.

Accounts of Commercial undertakings

65) When any undertakings of Government are conducted on commercial lines, the essential formalities of commercial accounts should, if government so desires, be strictly observed. In such cases, separate commercial accounts of the Undertakings shall be kept outside the regular Government accounts. Gross receipts and expenditure of commercial undertakings shall be accounted for under the appropriate major and minor heads in the same way as ordinary receipts and expenditure of Government. The heads of accounts should; as far as possible, be common to Government accounts and the General Ledger maintained at the undertaking and should be selected with due regard to principles of Government and commercial accounting so that the monthly classified account of income and expenditure of the undertaking may be prepared readily from the General Ledger maintained at the undertaking.

Chapter 4 Deposits

Deposits

66) Sums which are clearly not due to Government, but are held in list, or as a security for a specific purpose, e.g., for the fulfillment of a contract, will be credited to the head "Deposits" until repaid to or on Account of the parties to whom they belong, when that head will be correspondingly relieved.

67) Undisbursed pay, pension or other allowances or receipts which can be credited to any specific head of accounts, should not be held under the head "Deposits"; such undisbursed amounts should be credited to the heads to which they were originally charged.

68) The head "Deposits" should not be used as a Suspense Head for showing receipts which owing to their not being clearly described, cannot in the first instance, be compiled to the correct head of account. In such cases, the receipts should be compiled to the heads to which they appear to pertain, or to the Sub-Head "Miscellaneous Receipts" under the Principle or Minor Head concerned, necessary re-adjustments being made on receipt of full information as to the nature of the credits. If the details are insufficient to allow such an adjustment or the final allocation is under settlement, the item should, pending its final allocation to the proper head, be adjusted under "Suspense Accounts".

69) Erroneous Compilation made under any of the Deposit head should be readjusted by deduct entry and not by a fresh debit or credit.

Different kind of Deposits in Defence Services Accounts

70) Deposits in Defence Department are classified as under: -

- i) Donations/Contributions towards the National Defence Academy.
- ii) Security Deposits.
- iii) Field Deposits.
- iv) Trust Interest Fund.
- v) Miscellaneous Deposits.
- vi) Deferred Pay Deposits.

Transactions Compliant under various Deposits/Donations/Contribution compliant towards National Defence Academy.

71) All donations/contributions towards the National Defence Academy are compiled to this deposit head, which will be relieved by per contra credit (by deduction from

expenditure) to Major Head (Capital Outlay on Defence Services) on receipt of instructions issued by government when the construction of particular building is completed.

Security Deposits

72) Security Deposits are tendered in form of Cash, Government securities, Bank Deposit Receipts or by deduction from bill. Deposits other than those tendered in cash do not pass through the Government accounts and are dealt with in the manner indicated in Financial Regulations Part-I and II.

73) Deposits tendered in cash are paid by the tenderers into the Bank on the authority of a Receivable Order obtained from one of the officers authorized to issue such orders; and the treasury receipts forwarded to the Controller concerned for compiling the credits to the head "Security Deposits". In the case of formations etc., which render cash accounts (e.g., Remount Depots, Military Farms), the amounts will be credited in those accounts, and the transactions will be adjusted to the head "Security Deposits".

74) The Store (Contract) and other Audit Sections concerned will maintain the Security Deposit Register and will effect an agreement between the totals of the postings in the Register and the corresponding figures appearing in the monthly compilation.

75) In case of MES, such transactions will be noted by the Unit Accountant (UA) attached to Garrison Engineer's office in a Register. An agreement between the postings in the Register and the compiled actuals will be effected monthly by the UA.

76) When Cash security deposits are transferred from one audit area to another, the transaction will be adjusted by debit (deduction from credit) to the head "Security Deposits" and credited through the Defence Exchange Account to the Controller concerned.

Field Deposits

77) Officers and Men of all units and formations on field service may leave any portion of their pay undrawn until they return from such service. The amount thus undrawn is shown separately in lump in the abstract of receipts and charges of the unit and will be compiled to the head "Field Deposits". The rules regarding these deposits are embodied in "War System of Payment".

Note-1: until further orders the head "Field Deposits" shall be held in abeyance record of the undrawn portion of pay and allowances being kept only in the Individual Running Ledger Accounts without making any adjustment in the classified compilation.

Note-2: This situation may be applicable in War time under War System of Payment, but in peace time no such deposit needed to be accounted, rather actual payment should be ensured by the Controllers.

Trust Interest Fund

78) On receipt of a payment order from the Bangladesh Bank for interests due on a Government Security held in trust, the amount payable after deduction of income-tax and commission, will be debited to the Civil Department, and credited to the head " Trust Interest Fund " This head will be relieved when payment is actually made to the parties concerned.

79) Accumulations in the Provident Funds mentioned above remaining unclaimed for more than six months will be transferred to the above mentioned heads, which will be relieved as and when the payment of the accumulated balances is subsequently made. These heads will be operated by the Controllers who maintains the fund accounts.

Deferred Pay Deposits

80) The amounts of deferred pay admissible to Other Ranks including Airmen and Naval Ratings will be calculated by controllers quarterly. The amounts thus calculated will be credited by controllers to the head "Deferred Pay Deposits".

Miscellaneous Deposits

81) All deposits which do not pertain to any specified Deposit Head will be compiled to the head "Miscellaneous Deposits."

Lapsed Deposits

82) At the close of each official year, all deposits remaining unclaimed for three years, exclusive of the year in which the deposits were made and all balances will be transferred to the credit of the Government under "Other Miscellaneous Receipts" by the Controller in whose books amounts appear, a note of the transfer being made against the entry- in the register of deposits. In the case of security deposits, the Controller will inform the administrative officer concerned, in order that the latter may make the necessary entries of such transfers in his register. Sums credited to Government as above will not be refunded without the sanction of the Controller.

83) When application for refund of a Lapsed Deposit is received, the register from which the Deposit was transferred to the credit of the Government will be checked to verify that the amount has not already been repaid. When the amount is refunded, the number and date

of the authority sanctioning the refund, the date of payment, and the disbursement voucher number, will be noted against the item concerned in the deposit register, from which the Deposit was transferred to the credit of the Government.

Reconciliation of Postings in Deposit Registers and Verification of Balances

84) For all deposits for which special forms of Registers have not been prescribed, a register will be maintained. In opening the registers (including the special registers), the deposits of previous years, which have not been repaid or credited to Government will be brought forward in detail from the preceding year's registers. The deposits and repayments made during a month will be posted monthly from the schedules accompanying the Punching Media, and the totals of such deposits and repayments as posted in the registers verified with the amounts shown in the monthly consolidated compilation.

85) At the end of the year, the total credits and debits for the year and balances at the end of the year will be agreed with the total credits and debits and balances as recorded in the ledger.

86) The balances of security deposits as recorded in the registers of Security Deposits will be verified annually with the list of outstanding furnished to those officers.

Chapter 5 Advances and Suspense

Loans and Advances

87) Disbursements of the following description are treated as advances: -

- a) All payments made which are subject to recovery or adjustment, other than advances of pay, pension or traveling allowances or any other advances which are compliable to Service Heads of Accounts.
- b) Permanent Advances sanctioned for current expenditure, such as the local purchase of petty stores, contingent charges and payments for extra temporary labor.

88) The Head “Advances” should not be used as a Suspense Head for showing debits or charges which owing to their not being clearly described, cannot, in the first instance, be compiled to the correct Head of account. In such cases, the expenditure should be compiled to the Service Heads to which they appear to pertain; the readjustments being made, if necessary, on receipt of full information as to the nature of the charges or debits. If the details are insufficient to allow of such an adjustment or the final allocation is under settlement, the items should, pending their final allocation to the proper head, be adjusted under ‘Suspense Accounts’.

89) Payments specially sanctioned by Government subject to recovery, With or without interest, are treated as loans”.

90) Before the payment of an advance is admitted in audit, or when a bill for an advance or loan is received, it should be seen that the advance has been sanctioned by the competent authority. Necessary notes will be made in a Demand Register of all advances to watch their recovery.

91) If an advance or loan or any portion thereof is outstanding against any person or unit, transferred from the audit circle of one Controller to another, it will be communicated to the Controller of the circle to which transferred by debit (minus credit) through the Defence Exchange Accounts to enable him to watch recovery by a corresponding credit being taken to the Heads affected if necessary.

92) In case of house building loans, where Government servants are transferred from one Department to another Department of the Government after the withdrawal of the entire amount of the advance, the balance of advances outstanding against the Government servants at the time of the transfer, will be transferred to the new accounting circle. At the

time of transferring the balances, the full particulars of month wise recoveries effected in his circle as well as the previous circle of Account, if any, will be intimated so as to enable the latter to determine the correct amount of interest accruing on the loans. The transfer of balances will be effected in the Head of Account "Loans and Advances" by "Loans to Government Servants-House Building Advances" as plus and minus credits in the books of transferring and receiving Accounts Officers respectively without affecting the debits for the year and the budgetary position thereby. Instances may also arise when Government Servants are transferred, after the disbursement of one or more installments of the advance, to a different circle of Accounts before they draw all the remaining installments of the loan. In such cases the part-disbursement made may remain outstanding in the books of the Accounts Officer, who paid the first installment of the Advance and the Accounts Officer, who paid the second and subsequent installments should pass on the debits to the first Accounts Officer. The debits for all installments of the loan, thus accumulated in the books of the first Accounts Officer, will be passed on after disbursement is completed, to the new Accounts circle in which the officer is working for adjusting recoveries made from the salary of the loanee. Credits in respect of recoveries, if any, affected from the Government Servants before the disbursement of the loan is completed, will also be likewise passed on to the first Accounts Officer for necessary entries in his books.

93) When an advance or loan is recoverable in installments, prompt action will be taken to enforce recovery if credit of each installment is not afforded as it falls due. If, however, the amount involved is considerable, recovery will not be enforced, but the matter will after a reasonable lapse of time and after necessary action has been taken by the Controller to effect recovery, be reported to the Government who sanctioned the loan.

94) All advances (other than those which are being regularly recovered by installments) remaining unadjusted for three months or more, will be brought to the notice of the Controller.

95) Every effort must be made to include in the accounts of a year all expenditure relating to that year, and to by this end, all outstanding advances must, as far as possible be adjusted before 30th June in case of advances which are not recoverable in cash but are to be adjusted on rendering accounts, steps should be taken to adjust any amounts which could not be settled by 30th June in June Supplementary or June Supplementary correction accounts of that financial year.

96) In the case of loans and advances, grants for which are voted by the Parliament, e.g., Regimental, and other loans, House building advances, Advances for purchase of motor cars, and advances for purchase of other conveyances, it should be seen that payments are not made unless it has been certified by the Accounts Section that funds are available to meet the sanction.

97) Advances are classified on the Defence Services books under the following heads: —

- i) Advances Re-payable.
- ii) Departmental transfers.
- iii) Remount Depot Suspense.
- iv) Permanent advances.
- v) Advances to Field Imprest Holders.
- vi) Miscellaneous advances.

98) All recoveries effected in adjustment of these advances will be credited in the compilations to the same heads as the advances when originally made were debited. This rule is to be observed even in those cases in which the recoveries appear in a class of account other than that in which the original advances were charged.

Advances Repayable

99) Moneys advanced for miscellaneous purposes under special authority and recoverable in cash and sums overpaid on vouchers other than those for service payments shall be adjusted under the head "Advances Repayable". Payments made on account of Defence Services expenditure finally chargeable to Government shall not be held under "Advances Repayable " on the ground that further proceedings in audit are necessary for their final admission. Such payments shall at once be compiled as service expenditure however the classification may be in the first instance. Classification should be revised, if necessary, in the subsequent month.

100) The head "Advances Repayable" shall cover items which are from their inception debts due to Government recoverable either in cash or by deduction from pay and allowances. Pay and allowances of any kind in respect of an assignable period paid before they are due shall be debited to the same head as when paid after they are due. Advances for compensation for land may be debited to "Advances Repayable" and retained under that head until receipt of proper payment vouchers when the amount should be transferred to the debit of the department concerned.

101) Advances for lawsuits should be finally debited against the department concerned. Refunds of amount remaining unspent out of these advances shall be dealt with as cash recoveries of service payments.

102) Advances made for the following purposes shall also be compiled to "Advance Repayable"

- a) Construction of Mess House.
- b) Establishment of Regimental Institute.
- c) Recruiting of Corps.

103) In the case of advances for purchase of motor cars and motorcycles, Controllers should insist on the production of receipts showing the actual cash paid for the motor car or cycle, and if the amount is found to be less than the amount advanced, the difference should be recovered at once, it should also be seen that evidences of insurance and renewals thereof are regularly furnished. To obviate references, particulars regarding the date when advances purchase of house, motor cars, motorcycles, bicycles, etc., were made and Whether interest is chargeable or not should be entered in the last pay certificates along with the outstanding demands, when an individual is transferred to another audit circle. In the case of advances which bear interest, the amount of interest accrued up to the date an individual was last paid should be noted on the LPC.

104) Every effort must be made to bring into the account of a year the expenditure relating to that year, and to this end all outstanding advances must, as far as possible, be adjusted before the 30th June. In the case of those advances, which are not recoverable in cash, but which are to be adjusted on rendering accounts, steps should be taken to adjust any amounts which could not be settled by the 30th June in the June Final or Supplementary Accounts.

Departmental Transfers

105) When payment for service's is made by the Remount or Farms Department, on account of another formation, Etc., the transactions will be adjusted as "Departmental Transfers ". The amounts shall be subsequently readjusted by debit to the head under which the charges for the formation, etc., are adjusted by credit to " Departmental Transfers ". The clearance of the items should be watched through a register.

106) Cost of repairs, etc., executed by workshops attached to store depots, for units and formations are also (adjusted through the head Department Transfers.

Remount Depot Suspense

107) Bills pertaining to Remount which are paid by the Senior Finance Controller (Defence Purchase), are compiled in the Controller's office in the first instance to " Remount Depot Suspense" or "Advances to Remount". Similarly debits or credits pertaining to those Depots passed on by other Accounts Officers through the Exchange Accounts are adjusted to the same head (if not previously adjusted). On receipt of intimation from the Controller, the Accountant will debit (or credit) the heads concerned by contra Credit (or Debit) to " Remount Depot Suspense ". The clearance of the items should be watched through a register.

Permanent Advances

108) All advances of permanent nature for current Contingent charges will be held at the personal debit of the officers to whom they are made until accounted for by them in the manner indicated in Pay and Allowances Regulation Part II.

Field Imprest Holders' Advances

109) Sums may be drawn by Field Imprest Holders to make disbursements to individuals, on the War System of Accounting (not Peace Time Accounting), either from Finance Controller (Army) Pay, or in from Emergency Cash Requisition using Financial Management System (for instance iBAS++). Imprest may be replaced by Digitized Payment system through Electronic Fund Transfer etc. where speedy disbursement of money will be ensured by the Controller. Sums so provided to the Field Imprest Holders shall be classified by the Controller, making the payments or adjusting civil debit on account of the Emergency Cash Requisition as " Advances Field Imprest Holders " and shall be intimated to the Clearing House for watching that a proper account of the disbursements is rendered by the Field Imprest Holders concerned. The disbursements accounted for by the Imprest Holders shall be classified by the Clearing House Section as receipts under the above head, by contra Debit to the relevant service heads of expenditure.

Miscellaneous Advances

110) Transactions which are of the nature of debts due to Government, but do not come under any of the heads specified at item of advances will be compiled to the head " Miscellaneous Advances ".

Regimental and other loans - Defence

111) Payments and recoveries on account of loans specially sanctioned by Government will be compiled to the head " Regimental and other loans-Defence " under Section " Loans and

advances by the Government ". The adjustment of these loans will be watched by means of a register. Advances for the purchase of houses, motor cars and other conveyances are treated as loans and will be compiled under the respective heads.

Reconciliation of postings in registers and verification of balances

112) The payments made, and the recoveries effected during a month in Account of advances or loans as recorded in the several registers, will be totaled separately and the totals will be verified with the amounts debited and credited respectively in the monthly consolidated compilation.

113) The balances outstanding at the close of each year in the various registers prescribed for recording the transactions under Advances and Loans will be verified annually with the balances shown in the ledger.

Acknowledgement of Balances

114) Acknowledgements in the prescribed form of all balances outstanding on 30th June under the following heads will be obtained yearly from all Officers who have received advances or loans. The amounts acknowledged must agree with the balances outstanding in the books of the Controllers:

- (1) Advances repayable (Defence).
- (2) Permanent Advances.
- (3) Regimental and other loans (Defence).
- (4) Advances Repayable (Navy).
- (5) Advances to Government servants on which interest is payable:
 - (a) Advances for purchase of motor cars.
 - (b) Passage Advances.
- (6) Advances to Government servants on which no interest is payable:
 - (a) House Building Advances.
 - (b) Advances for purchase of motor car.
 - (c) Advances for purchase of other conveyances.

When a permanent advance is acknowledged by an officer, other than the officer against whom it is then held, a correcting entry will be made immediately below the original entry in the Register of Permanent Advances.

Classification of transactions under suspense

115) Receipts and payments which cannot, in the absence of further information or orders, be allocated to any head of account, and where the heads to which the transactions are likely to be adjusted are not known, will be taken to the Head "Suspense Account". When information is received subsequently, the correct head of account will be credited or debited by clearing the amounts compiled under the head "Suspense Account". The charges under the head "Suspense Account" will consist only of items for which full particulars that will enable the accounts office to classify them properly, have not been given.

Note-1: No sums shall ordinarily be credited to Government by debit to a suspense head; Credit must follow and not precede actual realization.

Note-2: The balance in respect of the transactions under the head " Suspense Account " to be shown in the Review of Balances will be the net balance worked out by taking into account the original and adjusting entries of both debits and credits together; but the explanation of the net balance will show the details of original debits and original credits separately.

117) As in the case of advances, monthly agreement of the posting in the register will be made with the compilation, and the balance at the end of the year will be reconciled with the Ledger balance.

Chapter 6 Transfer Entries

Object of Transfer Entries

118) Transfer entries, which are entries intended to transfer an item on one head of account to another, are necessary in order:

- a) to correct an error of classification in the original accounts, or to revise classification provisionally made as a matter of convenience in the first instance.

Note-1: Sometimes it may be more convenient to classify items pertaining several heads of account under a single head of account in the first instance than to classify them under each head of account from the beginning; in such cases transfer entries are necessary to bring the amounts under their proper heads of account.

Note-2: Transfer entries should receive the special attention of the section officers so that habitual errors and misclassification in the accounts may not remain un-noticed.

- b) To adjust, by debit or credit to its proper head an item out-standing under a debt, deposit or remittance head.
- c) To adjust, inter-departmental and other transactions which do not involve the receipt or payment of Cash.

General rules

119) Transfer entries should be done through iBAS++ where one side of every transfer entry there should be only one detailed head which may be debited by credit to Sundry heads, or vice versa.

120) It should be seen that no transfer entry is made in the accounts unless admissible under the rules and transfer entry is made as soon as the necessity for it is discovered. In the case of periodically recurring adjustments, however, a list should be maintained to ensure that they are neither neglected nor postponed these adjustments as a rule be made monthly, but where this is really inconvenient, they may be postponed till the close of the quarter, though this course is objectionable, and should never be adopted without good and sufficient reason.

Correction of Accounts

121) If an item Which belongs to a revenue or service head is wrongly classified under another revenue or service head, the error may be corrected at any time before the accounts of the year are closed but after the accounts are closed no correction is admissible, it being sufficient to make it a suitable note of error. If, however, the error affects the receipt and disbursement of

another Government or the transactions of a commercial department it should be corrected by transfer in all cases as soon as the error is discovered.

122) An error which affects a debt, deposit or remittance head must be corrected by transfer, however old and however small it may be. If the accounts of the year in which the error took place are not closed, the correction should be made by removing the item from the head under which it was wrongly taken to that to which it properly belongs. If the accounts of the year in which the error took place are closed, then the correction should be made as follows, according to the manner in which the error had occurred:

- i) An item taken to one debt, deposit, or remittance head instead of another, the correction should be made by transfer from one to the other.
- ii) An item credited to a debt, deposit, or remittance head instead of to a revenue (or service receipt) head, or debited to a debt, deposit or remittance head instead of to a service head, the correction should be made by transfer to the head under which it should originally have appeared.
- iii) An item credited to a revenue (or service receipt) head instead of to a debt, deposit or remittance head, the correction should be made by crediting the proper head and debiting the service head as a refund, of recovery in a previous year.
- iv) An item debited to a service head instead of to a debt, deposit or remittance head, the correction should be made by debiting the proper head and crediting the service head as a recovery of a service charge of a former year.

123) When a transfer entry is made to correct an error under a revenue or service head, the superintendent shall be responsible for seeing that a proper note of the correction is made in the relevant vouchers and the Punching media.

Chapter 7 Directions regulating the Exhibition of Recoveries of Expenditure in Government Accounts

Introductory

124) The direction in this chapter shall regulate the exhibition of recoveries of expenditure in Government Accounts. In this code, the term "Recovery" is used in a limited sense to denote repayment of or payment by another department of the Government or by a non-Government party (including public sector undertakings, autonomous bodies and private persons and bodies to a Government Department) which initially incurred the charge and classified it in the accounts as final expenditure by debit to revenue or capital heads of accounts.

125) Recoveries of expenditure for services or supplies made to non-Government parties or other Governments (including local funds and Governments outside Bangladesh) shall in all cases be classified as receipts of the Government rendering such services or supplies.

126) The technical estimates take cognizance of all anticipated receipts from sale proceeds of material, plants, etc., received from the old structure, while the receipts under "Stock and Suspense" are, by their very nature inseparable from the expenditure recorded under the main head. The recoveries falling under these two categories should, therefore, be treated as reduction of gross expenditure.

Recoveries by one Government from another (Budgetary Central Government to Local Government)

127) As between budgetary central government and extra-budgetary or local government, the following directions shall regulate the classification of recoveries: —

- a) If the recoveries represent debits to another Government of expenditure which was so debitable from the moment it was sanctioned, they should not be treated as revenue of the Government effecting the recoveries but as deduction from expenditure.
- b) In the case of joint establishments, where the expenditure is not shared by two or more Governments ab initio but is incurred by one of the Governments and partially repaid by the others, the repayment, if made while the accounts of the year are still open, should be treated as deduction from expenditure.
- c) Recoveries of the classes falling under (a) and (b), if not effected within the accounts of the year in which the expenditure was incurred, should be treated as revenue.

Exception. In cases where the recovery is made on the basis the calendar year instead of the financial year, the whole amount of the recovery may be treated a reduction of expenditure though a portion of relates to expenditure incurred during the previous financial year.

128) As between different departments of the Government, the recoveries should be treated as deduction from the gross expenditure except such recoveries as are made by a commercial department, which should be treated as receipts of that department.

Note-1: The term "recoveries by a commercial department " for the purpose of this Direction shall apply to recoveries in respect of services rendered to other departments in pursuance of the proper functions for which the department is constituted, that is to say, in the case of the Posts and Telegraph Department, recoveries shall be treated as receipts only when they are made in respect of Postal, Telegraphs or Telephone Services rendered to the other departments. Where, however, a Commercial department acts as an agent of another department for the discharge of functions not genuine to the essential purpose of the department, the recoveries shall be taken in reduction of expenditure.

Note-2: Recoveries made from another department if not effected within the accounts of the year in which the expenditure was incurred, should be treated as revenue and not as deduction from expenditure, unless the latter course is authorized by provision in the budget estimates.

Receipts and recoveries on Capital Account

129) Notwithstanding anything to the contrary that may be provided by or under the Directions in this chapter, receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital major head shall be taken in reduction of expenditure under the major head concerned except where under the rules of allocation applicable to a particular department, such receipts have to be taken to revenue.

Chapter 8 Directions regulating -the exhibition of losses in Government Accounts

Introductory

130) The Directions in this Chapter shall regulate the exhibition and adjustment of losses in Government Accounts.

Receipts

131)

(i) If a claim be relinquished, the value of the claim shall not be recorded on the expenditure side as a specific loss.

(ii) If money due to Government has actually reached a Government servant and is then embezzled, stolen or lost, and thus have passed into the Government Account, it should be brought into the Consolidated Fund or Public Account of the Republic as a receipt and then shown on the -expenditure side by record under a separate head as a loss.

Note-1: The term " Government servant " used in clause (ii) of this article includes persons who, though not technically borne on a regular Government establishment, are duly authorized to receive money on behalf of Government.

Note-2: Where losses of public money are wholly or partially met by non-issue of Pay or Pension and the Accounts Department authorized applies to the unissued amount to meet the public claim, the resultant balance of the claim alone should be treated as a loss. the emoluments due being debited to the pertinent head of account as if they had been drawn and used by the government servant concerned in paying the public claim.

Buildings, lands, stores and equipment

132) Losses or deficiencies need not be recorded under a separate head in the accounts, though they should be written off any value or commercial account that may be maintained. If any transactions under these categories are recorded under a Suspense head in the Government accounts, losses or deficiencies relating thereto must be written off the Suspense heads also.

Cash in hand, whether in treasuries or in departmental charge

133) All losses or deficiencies should be recorded under separate heads in the accounts.

Note-1: The acceptance of counterfeit coins or notes shall. be regarded as a loss of cash.

Note-2: Any recovery made in the course of the year in which the losses are brought to account shall be- shown by deduction from the head under which the loss is recorded. Any recovery made after the accounts of the year are closed shall be shown as an item of receipt.

Irregular or Unusual Payments

134) Irregular or unusual payments should be recorded in the accounts with general reference to the ordinary rules of classification according to the nature of the expenditure; for example, an overpayment of pay shall be debited to the head "Pay". Similarly, an excess payment for bricks manufactured shall be debited to the work for which the bricks are used. It is only when special heads exist in the accounts for recording such charges, as compensations for damages, irrecoverable temporary loans written off and the like, that unusual or extraordinary payments shall be separately recorded.

Inevitable Losses

135) Where losses are an inevitable feature of the working of a particular department, the major head of account under which the expenditure of that department is recorded shall contain separate descriptive heads under which such losses may be recorded.

Exhibition of losses in Appropriation Accounts

136) The rules relating to the exhibition of losses in the Appropriation Accounts are contained in the instructions given in the Military Audit Code for the preparation of those Accounts.

Chapter 9 Adjustment of Accounts

Directions regarding Inter-Departmental Transfers

137) The instructions in this Chapter shall regulate the conditions under which a department of a Government may make charges for services rendered or articles supplied by it and the procedure to be observed in recording such charges in the accounts of the Government concerned.

Adjustments between Governments (Budgetary and Extra Budgetary or Budgetary and Local Government)

138) In the case of transactions between two, adjustment shall always be made if required by or under the provisions of the Act, and otherwise, in such manner and to such extent as may be mutually agreed upon by the Governments concerned.

Adjustments with, outside bodies

139) Payment shall be required in all cases where a department of a Government renders service or makes supplies to a non-Government body or institution or to a separate fund constituted as such inside or outside. the Public Account, unless Government by general or special order gives directions to the contrary.

Inter-departmental adjustments

140) For purposes of inter-departmental payments, the departments of a Government shall be divided into Service departments and Commercial departments according to the following principles: -

- a) **Service Departments:** These are constituted for the discharge of those functions which either (a) are inseparable from and form part of the idea of Government, or (b) are necessary to, and form part of, the general conduct of the business of Government. Examples of the first class are the departments of Administration of Justice, Jails, Police, Education, Medical, Public Health, Forest and Defence. Examples of the second class are the departments of Survey, Government Printing, Stationery, Public Works etc.
- b) **Commercial Departments or undertakings:** These are maintained mainly for the purposes of rendering services or providing supplies, of certain special kinds, on payment for the services rendered or for the articles supplied. They perform functions which are not necessarily Governmental functions. They are required to work to a financial result determined through accounts maintained on commercial principles. Example of Commercial Department is Ordnance Factories.

141) Save as expressly provided in general or special Government orders, a Service department shall not make charges against another department for services or supplies which fall within the class of duties for which the former department is constituted.

142) A Commercial department or undertaking shall ordinarily charge and be charged for. any supplies made and services rendered to or by, other departments of Government.

143) The Defence Services shall not make charges against another, department for services which fall within the class of duties for which, the Defence Services are constituted. Without prejudice to this general principle the Defence Services shall, in respect of Inter-departmental transactions charge and be charged for services rendered and supplies made to or by other departments, unless in particular cases or classes of cases, Government in consultation. with the Auditor General have decided that the Inter-departmental adjustment would be unsuitable and undesirable.

144) A branch of a service Department performing duties supplementary to the main function of the department and intended to render particular services on payment, may levy charges in respect of the work for which it has been constituted. Example, Jail Manufacture, Survey map-publishing, Printing (Publishing Department).

145) A branch of a department constituted for the subsidiary service of that department, but employed to render similar service to another department, may charge that other department e.g., Ordnance Workshop, Naval Dockyard.

146) A regularly organized store branch of a department should ordinarily charge any other department for supplies made; but petty and casual supplies of stores may, if the supplying department consents, be made without payment.

147) Notwithstanding anything contained in the instructions in this Chapter, a Government may, for special reasons which shall be recorded and communicated to the CGDF, permit Inter-departmental adjustment in any case where such adjustments may be considered necessary - in the interests of economy or of departmental control of expenditure.

148) Where under the instructions in this Chapter payment is required to be made by one department of a government to another, such payment may, if the case so requires or if otherwise deemed necessary, include adequate charge for supervision or other indirect expenditure connected with the service or supply for which payment is made.

149) Payments of amounts due by one department of Government to another shall ordinarily be made by book transfer except when such transfers do not suit the methods of accounts or of business adopted by the receiving department/unit.

150) As Military Farms are worked on quasi-commercial basis, they shall, as far as possible, settle all transactions in cash instead of by book debit or credit but as this is not always practicable or desirable, the latter mode of adjustment shall be adopted where necessary, e.g., in the case of—

- a) Stationery and forms supplied by the Stationery and Forms Department.
- b) Railway warrants or credit notes.
- c) Transactions between Military Farms.
- d) Transactions with Medical Store Depots including Ordnance and Clothing Factories, Army Remount Department, Cattle Breeding Farms, MES Civil Hospitals and Civil Jails;
- e) Purchase made from the Department of Supply.
- f) Water and land revenue charges due to Civil Departments.
- g) Other Inter-departmental charges.

Procedure of Adjustment

151) The transfer to other account officers is to make effect: —

- i) by classifying the transactions under the relevant heads of account as given in the Pamphlet of Revenue, Debt, and Remittance Heads; and
- ii) by sending an account of the transactions, month by month to the other party for incorporation in his accounts.

Chapter 10 Exchange Accounts

General Rules and Procedure applicable to Exchange Accounts

152) The Defence Exchange Accounts will be operated for adjustment of transactions of the following types only. In all other cases, the receipts and charges pertaining to Defence Services will be finally compiled in the books of the Controllers by whom they are realized or incurred.

153) Transactions pertaining to Debt, Small Savings Provident Funds, Loans and Advances Deposits and Advance, Suspense and Remittances head.

154) Under the computerized system, no monthly Defence Exchange Account, as such, is prepared and exchanged between parties to the account.

155) An Exchange Account should purport to be an extract from the books of the Account Officer who dispatches it and to show the amounts he has passed to debit or credit of the other party to the account with any necessary explanations of the credits and with documents supporting the debits.

156) Exchange Accounts shall comprise not only accounts between account circles which exchange accounts direct with each other but also accounts between account circles which exchange their account through another account circle with which both parties are in direct account.

157) Erroneous debits or credits in the accounts of a previous year, should be written back by fresh credits and debits and not by minus debits or minus credits.

158) The total debits and credits in an Exchange Account must tally with the corresponding entries in the consolidated compilation. No differences should on any account be allowed and if any occur, they should be investigated, and reconciled.

Entries in exchange accounts

159) The entries made in an Exchange Account will either be original entries or responding entries. An original entry is one in connection with which cash is either received or paid or for which a transfer adjustment is made for stores supplied or returned or services rendered and may be a write back. A responding entry is a response to an original entry and may also be a write back.

160) A responding debit or credit should not, ordinarily, appear in Exchange Accounts, in anticipation of the original credit or debit in the accounts of the other party. But any two

Account Officers may arrange in respect of any particular class of transactions, to afford credit-in advance of the debit or vice versa, care being taken to prevent double adjustments.

161) In the case of deductions on account of Income-tax, Postal Life Insurance Fund and other authorized funds, rent of public buildings (including electric installations, water supply, etc.) from the pay, establishment and pension bills which are to be passed on to another account circle for adjustment, the controller in whose circle the bills are paid should credit the deductions to the relevant head and pass on the gross amount of the bill to the other party to the account.

162) In cases where the entire amount of a bill for leave salary is debitable to the Civil Department, the gross amount should be passed on to the nearest Civil Accounting Officer, any recoveries on account of Income-tax and other deductions being adjusted in the books of the paying Controller, or where under any rule' or order, such credits are adjustable on the books of a different Account Officer, passed on to the Account Officer concerned.

Vouchers accompanying exchange concerned

163) When a charge is paid in one account: circle and is passed on through the Exchange Accounts to be adjusted in another circle, the Account Officer of the paying circle shall be responsible for obtaining a voucher which is correct in point of form, and which sets forth the charge with sufficient detail and clearness and also for the arithmetical correctness of the calculations in the bill. Unless it is expressly provided for otherwise, vouchers must be forwarded to the adjusting Accounts Officer in support of the debits in the Exchange Accounts. It is not necessary for the Account Officer finally adjusting the charge to check the arithmetical calculations of the vouchers. He shall, however, be responsible for auditing the charge to ensure: —

- i) that it is a proper charge against the work, office or other item of expenditure under his audit, and
- ii) that it has been duly sanctioned.

Note: In a few cases, for convenience, the audit of charges is carried by the Audit Office which does not adjust the charge. Charges incurred in the Navy, Civil, Public Works, Railway, Posts and Telegraphs and other departments on account of a Field Force come under this exception. So do the receipts and charges of the Military Engineering Services which are brought to

account by Divisional Officers of the Public Works Dept. and in respect of which Civil Accounting Office act as Sub Audit Office of the Defence Accounting Officers.

164) Cheques issued on Civil Account Officers of the Defence Services shall, after audit by the Civil Accountants be passed on to the Defence Finance Department, in support of the debits in the Exchange Accounts.

165) Railway debits for amounts due on warrants and Credit notes, etc., when raised by the Railway Account Officers should be accepted in full in the first instance, even though some of the items may appear prima facie to have been erroneously debited. These erroneous debits along with those found unacceptable for want of any supporting vouchers, etc., should be rectified by raising original debits against the Railways concerned after obtaining their consent.

166) In cases of services rendered or stores supplied by Government or by one Department of the Government to another for which adjustment in accounts is permitted, the serving department shall take credit in its account by debit to the department served. The debit should at once be accepted in the accounts of the latter and adjusted to the proper head of account.

167) In order to expedite adjustment of Exchange Account transactions, adjustment in accounts may be made on the advance schedules sent by other Account Officers in anticipation of the debits or credits appearing in the Exchange Accounts.

168) The final Exchange Account for June need not detail the items of the preliminary account but must open with its gross debit and gross credit. This Exchange Account should include responding entries only and no original entries should appear except with the consent of the other party to the account. Any corrections or adjustments found necessary after the dispatch of the June Final Exchange Account may, if the other party to the Account agrees, be communicated by means of a Supplementary Exchange Account.

Form and Treatment of Civil Exchange Accounts

169) The instructions in this chapter relate to the procedure to be observed in Defence Account Offices in respect of accounts exchanged with Civil Account Officers.

170) Transactions pertaining to the Defence Services taking place at any civil accounting officers which are adjustable in the accounts of the Defence Services shall be 'adjusted through the Exchange Accounts between Civil and Defence Services. Similarly, all transactions arising in the accounts of the Defence Services which are adjustable in the books of a Civil Account

Officer shall be passed on by the Defence Account Officer concerned to the former through the Exchange Accounts.

Form of Exchange Account

An Exchange Account will contain two kinds of items, namely,

- i) transactions of which the Defence Account Officer receiving the account obtains information through another part of the Account also, e.g., remittances of money into civil by officers of the e.g., Services and cheques drawn on Civil Accounting Officer by Defence Services disbursing officers;
- ii) transactions of which the Defence Account Officer receiving the account gets no information, except through it, and which he has therefore to deal with when he receives it, e.g., payments and receipts by the Civil Department on account of the Defence Services and vice versa which the Defence Account Officer, receiving the account must on receipt of the Exchange Account bring within his own accounts.

172) A Civil Exchange Account should be classified under four heads as follows: —

- Head I—Remittances to Civil from Defence Services.
- Head II—Remittances to Defence Services from Civil.
- Head III—Items adjustable by Civil.
- Head IV—Items adjustable by Defence Services.

173) The transactions which are passed through heads I to IV of the Civil Exchange Account are of the kind specified below:-

HEAD I.—Remittances to Civil from Defence Services

This head is intended for:

- i) cash remitted by the officers of the Defence Services into Civil Accounting Offices,
- ii) remittances into Civil Accounting Offices on account of cost of Military stores supplied to them, and

HEAD II.—Remittances to Defence Services from Civil

These remittances comprise payments upon cheques issued by the officers of the Defence Services and also when such are specially ordered special remittances from Civil Accounting Offices to Controllers.

HEAD III.—Items adjustable by Civil

This head is intended for moneys received or charges incurred on account of the Civil Department by officers of the Defence Services, and credited or debited by them to the Civil Department for adjustment in the accounts of the Civil Account Offices.

HEAD IV.—Items adjustable by Defence Services

This is intended for receipts received otherwise than on Receivable Orders and for payments on account of the Defence Services, made otherwise than on cheques issued by officers of the Defence Services, and also for the value of stores supplied by and returned to Civil Departments. These transactions should be debited or credited to the Defence Account Officers in the Accounts rendered to them by the Civil Account Officers. The only entries under this head in the accounts rendered to Civil by the Defence Account Officers should be responses given by them in adjustment of these debits and credits.

174) CGA needs to give no particulars in his outward Exchange Account of items credited and debited under-Heads I and III, and in the same way the Defence Account Officer need not to give particulars of the items credited and debited under heads II and IV of his Outward Exchange Account. CGA in giving particulars of credits under head IV, shall also enter in the relevant schedules the full designation of the party paying the amount into the treasury. Receipts and expenditure pertaining to Military Engineering Services or Air Force Works executed in the Public Works Department as a standing arrangement, in respect of which the Civil Account Officer acts as a Sub-Account Officer on behalf of the Defence Finance Department, shall not be included in the Main Exchange Account sent to the Defence Account Officers by the Civil Account Officer but shall be booked under a separate head "Exchange Account between Civil and Defence Services Sub Account Officer, MES, or Sub account Officer, Air Forces, as the case may be. The Defence Account Officer, shall, on receipt of the account of the MES, or Air Forces receipts and expenditure from, the P.W.D., incorporate them in his compilation by per contra debit or credit to "Exchange Account between Civil and Defence Services—Sub-Account Officer, MES, or Sub-Account Officer Air Forces ", as the case may be. A similar procedure shall be followed in cases in which a Defence Account Officer acts as a Sub-Account Officer of CGA in respect of Public Works under the Control of the Military Engineering Services.

175) Items shown under the heads "Remittances to Civil from Defence Services", and "items adjustable by Civil", shall not be written back without the previous consent of the Civil Account

Officers concerned. Similarly, items shown by Civil Account Officers under the heads "Remittances to Defence Services from Civil "and" Items adjustable by Defence Services" may not be written back by them without the prior consent of the Defence Accounts Officer concerned.

176) Errors committed in crediting or debiting amounts to head I to IV of the Exchange Account should be rectified, not by a transfer entry, but by addition or deduction, as the case may be, though the Progress Register of the month whose accounts are open at the time they are set right. When the balances as worked in the Progress Register are communicated to the other party to the account, the month in which such corrections are made and the particulars of errors rectified in the month shall also be intimated to that party.

Outward Exchange Accounts

177) The Outward Exchange Accounts will be prepared by the Defence Account Officers and dispatched to the Civil Account Officers concerned, together with statements showing details of treasury receipts adjusted under Head I during the month and detailed schedules in respect of transactions adjusted under Head III.

178) The totals in all schedules rendered by the Audit Sections in the Controller's office, which are to be sent in support of the Outward Accounts shall invariably be checked in the Accounts Sections by a Machinist and their correctness established. Before dispatch the accuracy of the accounts, will be tested by means of an agreement to be made between the figures shown therein and those exhibited in the monthly consolidated compilations. The Superintendent shall see that the figures in the Exchange Account agree with those in the corresponding Schedules, that all necessary explanations are given and that all documents are attached or their absence explained.

179) The work of effecting the agreement between the totals of the Schedules with the compiled actual envisaged in the preceding paragraph should be undertaken immediately on receipt of the compilations from the CMC Section and discrepancies, if any noticed, should be reconciled by calling for the details of the compiled actual at once. On no account should this agreement be deferred till the submission of the Exchange Account.

Outward Accounts for June

180) In order that transactions affecting balances which originate in the accounts of the Defence Account Officers may be adjusted as far as possible in the accounts of the year to which they

relate, the Defence Account Officers should send advance Schedules in respect of such transactions for the months of May and June so as to reach the CGA.

Inward Exchange Accounts

181) The Inward Exchange Accounts are prepared by CGA and dispatched to the Defence Account Officers supported by detailed Schedules and the supporting documents in respect of items under heads II and IV.

182) The original schedules of Miscellaneous Defence Services Receipts submitted by the Civil Accounting Offices shall be collected together by the CGA and forwarded to the Defence Account Officer concerned under cover of a list which shall be dispatched by the former not later than the 10th of the month following that to which it relates. The Schedules of Defence Service Remittances, together with the duplicate copies of Receivable Orders, shall, however, be retained in the Civil Accounting office. At the end of each quarter, a list of the items remaining unadjusted supported by the connected duplicate copies of the Receivable Orders, shall be sent by the Civil Account Officers to the Defence Finance Department.

183) The Schedules relating to payments of Defence Services cheques, together with the paid cheques themselves, shall be forwarded by the CGA concerned to the DCGDF in-charge, CMC Section. The Schedules relating to other payments with all vouchers shall be dispatched by the Civil Account Officers direct to the Controllers concerned.

Inward Exchange Accounts for June

184) All original transactions relating to the Defence Services which are likely to appear in the Exchange Accounts for June (Final) under head " IV—Items. Adjustable by Defence Services ", will be communicated by CGA to the Defence Account Officer concerned by batches in the form of Advance Schedules. Any such transactions coming to light after the dispatch of the last batch of advance Schedules, which may be adjusted by CGA in his June Final Account, will be communicated to the Defence Account Officers, as they are noticed, for adjustment in their June Supplementary Accounts.

185) The Schedules of Receipts and Payments under Heads I and II of the Exchange Account will be checked in the Accounts Sections of the Controller's offices and by the CMC Section, respectively by comparison with the supporting documents, and the Inward Exchange Account with the supporting lists and Schedules. Any wanting schedules or vouchers will be called for at once by express letter and the receipt thereof vigorously watched.

186) The items in the lists and schedules of payments and receipts under Heads I and II of the Exchange Account shall be further examined with a view to ascertaining if all of them pertain to the Defence Account Circle to which they have been passed. Items not so pertaining shall be rejected and the other party to the account requested to readjust them.

187) The debit items in the Schedules of payments shall be linked In the CMC Section, by electronic process, with the corresponding credit items in the daily lists of cheques drawn submitted to the 'E' Section by Controller's Offices along with the periodical batches of punching media.

188) Items, if any, remaining unlinked from the Schedules of payment shall fall under one or other of the following categories: —

- i) Items on the credit side for which debits have not yet been raised by the Civil Account Officer concerned, and those on the debit side in respect of which schedules have not been rendered to 'E' Section by the Controller concerned.
- ii) Items for which credit has been afforded by the Controller concerned to a Civil Account Officer other than the one to whom it is due.
- iii) Items against which incorrect cheque numbers and or amounts have been posted in the Daily Cheque Delivery Register.

189) To enable the Controllers to effect clearance of the outstanding under Head II of the Exchange Account, the CMC (Central Manual Compilation) Section shall furnish to them monthly lists of the unlinked items showing the number, month, year and amount of the relevant cheque against each item. Each list shall include all items remaining outstanding up to the end of the Month to which the list relates.

190) On receipt of the lists of unlinked items under Head II of the Exchange Account the Controller shall ascertain the cause of each credit item outstanding for more than three months from the date of its origin and address the Civil Account Officer concerned to expedite the debits or specify the reason why he is unable to raise the debit. In the event of cheques remaining uncashed for more than three months after the date of their issue the Controller shall take immediate steps to write back the credit afforded to the Civil Department in the first instance.

191) In regard to the unlinked debit items in the “E” list received from the Section, the Controller shall examine the causes of outstanding in respect thereof irrespective of their date

of origin and shall take immediate action either to furnish to the 'E' Section the wanting Schedule or necessary amendments to those already furnished, as the case may be.

192) The entries in the Schedules made by the Audit Sections and the Unit Accountants attached to MES, formations will be verified with the Schedules accompanying the P.M. and notes of responses shall be made against the items in the Inward Schedules. Controllers who are responsible for watching the progress of adjustments will also note, against the responding, items, the corresponding original items in the Inward Accounts.

193) Items adjustable by the Defence Services will be adjusted on receipt of advance schedules (or receipts forwarded by treasuries in respect of Emergent Advances) without waiting for the debit or credit to the Exchange Account.

Lapsed Cheques and Bangladesh Bank Government Drafts

194) Government Drafts lapse at the end of the third year after the year of issue, and cheques at the end of the third month after the month of issue. At the end of these periods, the Controllers concerned shall be asked to state if the Government drafts and cheques, responding credits in respect of which are outstanding under Head II in the absence of original debits from the Civil Department, have been cashed. If the reply of the Treasury Officer is in the affirmative the Civil Accounts Officers concerned shall be requested to point out the debits. If they have not been cashed the amounts of the Government drafts and cheques, which are outstanding on the 30th June of each year and have lapsed, will be transferred to the credit of the Government in the books of the Defence Services by debit to the Civil Department concerned. Defence Cheques when lapsed will be adjusted in the books of the Defence Services and not those of the Civil Department.

Cancelled Cheques

195) When a cheque is cancelled and a fresh one is issued in lieu, the amount will be adjusted by credit and debit to the Civil Department concerned under "Cheques drawn " and " Cheques cancelled " respectively.

196) When a cheque is cancelled and no fresh cheque is issued in lieu, the amount will be adjusted by debiting the Civil department concerned under the head "Cheques cancelled", the Service head affected being credited, in the usual manner, in the accounts of the month in which the cheque is cancelled.

Adjustment of Outstanding Loans against Government Servants transferred to Defence Services from Civil Department and Vice versa.

197) When a Government servant is transferred to the Defence Department from the audit area of a Civil Account Officer the balance of any loan outstanding against him, shall be retained in the books of the Civil Account Officer concerned and the recoveries effected by the Defence Finance Department shall be passed on to him through the Exchange Accounts. The same procedure will be followed in the case of individuals transferred from the Defence Services to the audit area of a Civil Account Officer with an outstanding balance of a loan.

Advances and Suspense Item

198) No " Advance " or other- " Suspense " item should be left under the Exchange Account pending recovery or adjustment. It should be adjusted to the appropriate debt head and must be entered in the proper objection book.

Objections.

199) Objections raised on the audit of Inward Exchange Account transactions -will be noted by the Audit Section and the Unit Accountant (MES) concerned when returning them to the Account Section. Action for the settlement of the items rejected by the Audit Sections and the Unit Accountants (MES) will be taken by the Account Section through correspondence with the Civil Account Officers concerned as soon as the Inter Departmental Schedules are received back from the Audit Section. Replies to such references will be watched through remainder cards. The final clearance of the outstanding items including these will be watched through the Progress Register.

200) In the case of items provisionally accepted, the Audit Sections or the Unit Accountants concerned, as the case may be, will address the Civil Account Officers concerned direct for the wanting information and or documents.

201) On receipt of objection statements on the outward Exchange Accounts, extracts from them will be sent to the Audit Sections and the MES, Unit Accountants concerned, who will enter their replies on the extracts and return them to the Accounts Section without delay. The replies, if accepted by the Controller, will be transcribed into the original objection statements, which will then be returned to the Account Officers concerned. No copies of these objection statements need be retained, the extracts mentioned above serving the purpose of office copies.

Chapter 11 Compilation and consolidation of accounts

General Principles

202) The receipts and expenditure accounts of the Army, Navy, Air Force, Ordnance Factories and Civil Departments paid out of the Civil Grant are electronically compiled on computer by the CMC Section of CGDF office. For this purpose, the necessary data available in the original vouchers etc. are codified in documents known as the Punching Medium. The Punching Media are sent by different Controller's Offices to CGDF.

203) A Punching Medium serves as a medium for codification of voucher for compilation of account from which data is entered in computer. Separate Punching Media is prepared for each class of voucher in the manner prescribed by CGDF.

a) Cash Vouchers (Class of Voucher 1)

This class of PM is prepared for cash payments by the DFD Officers (except MES bills) and simultaneously payment enforcement is made on the vouchers. Cash Vouchers are numbered serially after passing by the Officer-in-Charge.

b) Transfer Entries (Class of Voucher 2)

Punching Medium are prepared to transfer an item from one head to another, where necessary. All class 2 PM are numbered serially from a register maintained for this purpose.

c) Abstract of Receipts and Charges (Class of Voucher 3)

Each unit or formation, in respect of which an Abstract of Receipts and Charges is prepared, is allotted a fixed code which is recorded as Section Code on the Punching Medium prepared from the Abstract of Receipts and Charges.

d) Cash Accounts (Class of Voucher 4)

Formations drawing cheques against cash assignments like Military Farms, Remount Depots, Air Force Wings / formations, Imprest Accounts etc., may or may not be assigned fixed unit code, the Punching Media is prepared in adjustment of their cash accounts. In this case, payments are made either from the drawal against Cash Assignments or through a Public Fund in which proceeds of Cash Assignments are placed. Through comprehensive implementation of iBAS++ Budget Execution Module such Cash Assignment might be redundant. In such case no concept of drawal from public funds should exist.

204) All transactions including those communicated through the Exchange Accounts by other account officers, will be compiled in the accounts for the month in which they have arisen or have been communicated.

205) Charges, which, in the absence of the necessary information, cannot at once be compiled to the appropriate service head, will be provisionally compiled to the head to which it is likely that the expenditure or the greater portion thereof, is changeable and will if necessary, be subsequently readjusted by to the correct head or heads concerned, in the compilation of the month then open. Such readjustments will not be made if the accounts for the year in which the charges appeared have been finally closed.

206) Similarly receipts adjustable under revenue (or service receipts) heads will be credited to the head to which they appear to pertain, or if such head be not apparent, to the head 'Miscellaneous' of the sub-head concerned.

207) All entries involving exaggeration in the Accounts must be avoided. As regards classification of charges due to refunds of bona fide receipts and receipts due to credits afforded on account of recoveries of over-payments and recoveries of expenditure.

208) No figures will be classified for incorporation into the Compilations, except those obtained through the recognized channels, i.e., from the accounts interdepartmental schedules, vouchers or transfer entries, nor will any readjustment of figures appearing in compilations which have already been closed, be effected, except through transfer entry punching media.

Treasury Receipts

209) When payments are made into Civil Accounting Offices of sums due to the Defence Department, the treasury receipts are forwarded to the Defence Account Officer concerned for adjustment. Each treasury receipt will be en faced with the head of account to which the credit is due, and with the code number of the Civil Accounts Officer against whom a debit for the amount has to be raised. The adjustment of the amount of a treasury receipt should be made, if possible, in the compilation of the month in which payment was made into the treasury.

Note-1: In the case of receivable orders issued by Units the treasury receipts will be adjusted in the classified abstracts of the units concerned.

Note-2: Adjustment of treasury receipts in the Controller's Office will be made through transfer entry punching media.

Note-3: To ensure that all treasury receipts for receivable orders issued by the controller's office, have been received and adjusted, the counterfoils of receivable orders should be examined monthly, and a note should be made on them when treasury receipts are received and when they are adjusted.

Transactions with other Account Officers

210) All transactions which are required to be adjusted inter-departmentally, will be included by the sections concerned with the supporting vouchers will accompany the compilation.

Accounts for June

211) In order that all transactions of the year may be brought into the years accounts two compilations for June (one final and the other Supplementary) will be prepared in addition to the usual monthly compilation for that month.

212) In the final and supplementary compilations for June the following inter-departmental transactions only will appear in addition to any adjustments under heads- or accounts not involving inter-departmental transfers.

Final Compilations.

June Final comprises:

- i) Responding items on account of all other Account Officers.
- ii) Original debits and credits to other Account Officers, but in the case of Account Officers, other than Civil, only when the consent of the other party to the account has been obtained.

Supplementary Compilation

Supplementary Compilation comprises:

- i) Responding items on account of all other Account Officers.
- ii) Original debits and credits to other Account Officers, when the consent of the party to the account has been obtained.

213) Since errors in Punching Media are bound to cause unnecessary confusion in the mechanical compilation of accounts, they shall be avoided at all costs. The extent of check on the classification of transactions shall be rigidly applied. In addition, the correctness of all the entries on the top of the Punching Media will be ensured.

214) From the material furnished by the controllers' offices will be compiled and printed through Accounting Information System, in respect of each Defence Accounting circle a monthly classified account which will be in two parts. The first part of the account shall exhibit against the appropriate classification code heads in the Revenue (including Service Receipts and Charges). Capital, Debt and Remittance divisions, separately in respect of each section of the Controller's office and each group of MES Unit Accountants serving within the same Army district under the accounting control of the Controller, all financial transactions adjusted

and classified within the respective Defence Account circle and shall be known as the sectional compilation of the Controller concerned. Similarly, the second part of the account shall show all the figures appearing under Revenue, Debt and Remittance divisions as distinct from Service heads separately for each account circle and will be called the book compilation.

215) The accounts of the several Defence Account sub-circles will be consolidated month by month into one consolidated account of the Defence Services. The Service and Capital portion of the consolidated account shall be known as the Consolidated Compilation of Defence Services Receipts and Charges and will show side by side the compiled actuals for, and the progressive compiled actuals up to the end of the month of the financial year to which it relates. The Revenue, Debt and Remittance portion of the account will be called as consolidated Debt, Deposit, Remittance (DDR) heads compilation of the Defence Services which will also show consolidated figures of Service receipts and charges appearing in the consolidated compilation.

216) A copy of each of the two compilations in the preceding paragraph shall be submitted to the CGDF on the 25th and 30th respectively of the month following that to which they relate.

Chapter 12 Check of classification and review of compilations

Introductory

217) It is of utmost importance to verify that all financial transactions are properly recorded in the accounts and that they are allocated to the proper heads of account.

218) Cases in which in the absence of necessary information a particular transaction cannot at once be classified under the appropriate head of account and has thus been provisionally compiled to the head to which it is likely that the transaction or the greater part thereof is classifiable will be kept under close review. Such particulars of the transaction as will enable the final classification head being determined will be promptly ascertained from the parties concerned and the provisional allocation made in the first instance, revised without avoidable delay.

219) A suitable record of each transaction provisionally adjusted as above will be kept under the initials of the Section Officer concerned who will watch that no avoidable delay occurs in the readjustment of the amounts to the proper heads of accounts.

220) All entries involving exaggeration in the Accounts must be avoided and to this end the rules regulating the exhibition of recoveries of expenditure, refunds of recoveries and losses of public moneys and stores in Government accounts as laid down in the relevant chapters of this code must be strictly followed.

Check of Classification

221) The following general instructions will be observed as prescribing the minimum check to be exercised over the classification of Defence Service Receipts and Charges. It shall, however, be remembered that the more complete the check the better and that any other steps which it is possible to take to secure correct classification, without entailing extra expense, shall be taken:

- i) The classification of all items under the Revenue, Debt and Remittance heads in each punching medium, and of every item under each detailed head of service receipts and charges should be checked by the Superintendent. Items under each Revenue, Debt or Remittance head and items under each service detailed head should also be checked by the Assistant/Deputy Assistant Finance Controller.
- ii) Assistant/Deputy Assistant Finance Controller and Superintendents, when reviewing, shall also review Classification and see that the vouchers reviewed by them have been correctly and promptly classified and brought to account.

Note-1: The term "Superintendent" used in this paragraph means an Accountant or a member of the Superintending Staff in charge of a section or sub section in a Defence Account Office.

Note-2: For the purpose of this paragraph, the classification entered on the vouchers which the Superintendent and the Assistant/Deputy Assistant Finance Controller have checked as part of their concurrent review may be treated as checked for the purpose of this review. In the case of these vouchers the audit of which is permissible after compilation of the accounts, this check may be exercised at the time the vouchers are reviewed.

Review of Compilation

222) Before transmission to the CMC Section each batch of Punching Media shall be generally scrutinized to see that the Punching Media are in the consecutive serial order, explanation being given or any break in the series, and are free from irregularities such as over-writings, erasures, interpolations. Items, if any, of an unusual character shall be critically examined to see that full justification exists for their appearance.

223) As soon as the Accounts for the month are printed by the CMC Section, a copy of the printed sectional compilation will be forwarded to the respective Defence Account Officers' Account Section. The Account Section shall be responsible to scrutinize intelligently the sectional compilation for the Defence Account circle as a whole. The figures appearing against the several main heads of the Defence Services receipts and charges, both effective and non-effective, shall be critically examined with reference to the facts known regarding the commitments on the Defence Services expenditure, composition of the Armed Forces and policy decisions of the Government, and their correctness established. In addition, the compiled actuals shall be compared with those of the preceding month. If as a result of this comparison the figures against any particular head or heads of account are found to be so abnormally high or low as to arouse a doubt about their correctness, the account section will immediately take steps to reconcile the abnormality in collaboration with the audit sections concerned, the detailed list of vouchers being promptly called for from the CMC section, if necessary. Readjustment of misclassifications as also the adjustment of the omitted items disclosed by this review shall be carried out at once through the months account then open.

224) In view of the importance attached to it, the review prescribed in the preceding paragraph should engage the personal attention of the section officers concerned.

Chapter 13 Defence Ledgers

Defence Ledger

225) Every controller is responsible for maintaining the Defence Ledger exhibiting the transactions which pass into his accounts under the following divisions:

- i) **Revenue heads**—Receipts and payments on account of Revenue and Expenditure of Government.
- ii) **Capital heads**—Expenditure outside the Revenue Account.
- iii) **Debt heads**—Receipts and Payments in respect of which Government becomes liable to repay the moneys received or has claim to recover the amounts paid.
- iv) **Exchange Account heads**—Receipts and payments to be passed on to the Accounts of other Accounts Officers and debits and credits passed by other Accounts Officers and brought on the accounts.

The Defence Ledger shall comprise statement of receipts and charges and balances under the Revenue Capital, Debt and Remittance heads to be prepared.

226) The Defence Ledger shall comprise statement of receipts and charges and balances under the Revenue Capital, Debt and Remittance heads to be prepared.

227) The entries in the Defence Ledger Statements of Receipts and Charges and balances under the closed to "Government Account "and " Balance Account" respectively will be made annually. As soon as orders of the Auditor-General are received through the CGDF for the final closure of the books of the previous year, the closing balances of the account closed to Balance Account in the previous year will be brought forward in the statements of the current year. After the close of the compilation for June Supplementary and corrections thereto, if any, the actual receipts and charges will be posted in the statements and balance struck for the preparation of the Review of Balances. The closing balances in the statement will be verified with the balance worked out independently in the Debt head and Progress Register.

228) CGA maintains a Central Journal and Ledger, which is posted from the accounts of the year received from CGDF and other Audit Officers. The Exchange Accounts are each posted from the accounts of both the original and responding officers and are closed to balance. A copy of the Central Journal and Ledger when closed is sent to each Controller who should see that his own closing balances agree with those in the Central Ledger.

Note:- CGDF should send a consolidated Balanced Account to CGA for the year.

229) Each Controller is responsible for maintaining the details of the amounts due to or by Government, working up to the balance on his own books. He is further responsible for reviewing these balances at end of each year and finally submitting a copy of his review to the Auditor General.

230) The debt heads and personal accounts will be closed to balance but the other heads, viz., the Remittance heads will be closed to Government. The reason for this difference lies in the fact that the books of each office show only one side of these Remittance Accounts, so that the true balance can be shown only on the Central books of the Auditor. General where both sides are brought together. The head, "Transfers between Military Engineer Services Officers" will, however, be closed to balance.

Note: The head "Deposits—Exchange on Remittance Account" and the head "Deposits and Advances—Miscellaneous Government Account" will be closed to Government and the balance should not be carried forward to the subsequent year's book.

Write-off from balanced heads

231) Ordinarily all amounts due to Government which are found irrecoverable shall be written off from the Debt heads of Accounts concerning to an expenditure head as a loss to Government. Similarly, any amount due by Government remaining unclaimed for such time as may be prescribed by Government may be credited as revenue of the Government concerned by debit to the Debt or Deposit head concerned.

Note: The writes off are shown in a separate entry under the head Government in the annual Review of balances referred to in para-229.

Chapter 14 Verification of Balances

General

232) The accounts of the year are not complete until the balances upon the ledger under the Debt and other balanced heads have been verified. Accordingly, after the books of the year have been closed an explanatory statement of closing balances, called the Review of Balances, will be prepared in the form of a general report, which will take up each of the heads in succession. The report which should be typed should contain: —

- i) A statement of each ledger—balance which is to be explained.
- ii) An explanation of the nature and conditions of the liability involved in it.
- iii) A statement of the nature of the detailed accounts kept of the transactions connected with it and how far the final results of these detailed accounts work up to, and agree with, the balance on the ledger.
- iv) Information as to whether the person or "persons by whom the balance is owned or from whom it is due, admit its correctness, and, if they do not, where the difference lies. This would not apply to such items as Deposits Part of the explanations under heads (ii) and (iii) would necessarily be the same year after year and there is no occasion to repeat every year the same information, for which reference may be given to a previous report.

239) Details of the sub-heads of the heads "Deposits", "advances", " Suspense accounts " and " loans and advances " by Central Government should be given separately in the review.

Note: Discrepancies that may remain unsettled after the submission of the supplementary report should be carefully watched and their reconciliation reported to the CGDF. As a rule, discrepancies reported in the Review of Balances of one year should be settled before the review of the next year is submitted In the rare case of any discrepancies remaining unsettled even then, the review for the next year should differentiate between the discrepancies of the year and of those relating to previous year and should mention separately the action taken in respect of each, A similar differentiation should be made between the outstanding balances relating to the year of review and those relating to previous years, and any delay in the recovery of old items should be specifically explained.

Details to be recorded in review of balances

240) The Controller is responsible that details, working up to the balanced heads in the ledger and agreeing with them, are maintained of the amounts due to, or by, Government. He will,

therefore, review the closing balances upon his books, and ascertain if they agree with recorded details.

241) The Controller will clearly state in the review that he has ascertained by personal inspection that the balance on the books agree with the aggregate of the details recorded, and that the recoveries of house building, and other advances have been regularly effected. He will also state against each item under "Permanent advances", "Advances Repayable" and all the sub-heads under "Loans and Advances by central Government" that the balances exhibited on the 30th June have been accepted as corrected by the parties concerned, and that proper acknowledgements have been obtained from each. In every case in which it has not been found possible to obtain such acknowledgement, the reasons for the failure must be explained.

242) An annual statement of Review of Balances under the head "Loans, and advances" in the following form will be rendered by each Controller each year to CGA and Auditor General. The statement should contain full details as laid down in paragraph 322-A, Military Audit Code. Statement showing the results of review of balances on account of Loans and Advances bearing interest outstanding in the books of the Senior Finance Controller/ Finance Controller on 30th June.

Sr. No.	Nature of Advances.	Total No. of items outstanding.	Amt. outstanding on 30 th June.	Particulars of irregularities, special features		Nature of irregularity, action taken by SFC/FC to pre-vent recurrence thereof, special feature, etc.
				Total No. of items.	Amount of each items.	

243) The Controller will take steps to obtain the necessary acknowledgements annually from each individual against whom there is any balance outstanding under the heads "Advances Repayable" and all the sub-heads under "Loans and Advances by Central Governments" in time to admit of the fact being stated in the review. In regard to "Permanent Advances" such action should be taken early in April of each year.

244) Under the heads "Advances Repayable" and "Regimental and other loans (Military)" the authority for each advance or loan, and the precise method, of verification of the balance in each case will be given. In the case of "Regimental and other loans (Military)" it should also

be stated whether the conditions of each loan have been fulfilled. All items which are outstanding at the end of a year but which have been adjusted in the year following and prior to the submission of the review, must be indicated in a footnote connected with these items.

245) In the case of Provident Funds (DSOP/DSPF/GPF) it should be stated in the review whether the balances were communicated to the subscribers.

246) At the close of the year, the Stores (Contract) Section will work out from the compiled actuals, the total amount outstanding on account of Security Deposits and after effecting an agreement between the figures appearing in the printed. compilation and those shown in the register maintained by that section will furnish to the Accounts Section the necessary (agreed) figures for incorporation in the "Review of Balances".

M. E. S. Transactions under the Head “Deposits and Advances”- Suspense and Miscellaneous Deposits

247) Each Unit Accountant, GE/AGE (Garrison Engineers/Assistant Garrison Engineer) office, will prepare an annual statement, showing in detail, the transaction recorded in the "Register of Suspense Account", maintained by him, and forward it direct to the Accounts Section of the SFC (Works)/SFC(Navy) office. One copy of the statement will, simultaneously be submitted to the L.A.O. concerned who will after personal inspection of the registers in question, record on the statements a certificate of correctness and transmit them to the Accounts Section.

248) The Accounts Section will consolidate these statements and after agreement of these figures with the compiled actuals, and if necessary, in direct communication with the Unit Accountants, incorporate them in the Review of Balances.

249) On receipt of the Finance Accounts of the Central Government and audit report on these accounts each Controller will verify the figures included therein with the figures recorded in his office, so far as they relate to the Account for which he is responsible, and any instructions or observations contained in the report will receive attention.

Verification of balances under Heads of MES

Main Head —M. E. S.

250) The balances are in respect of Accounts subordinate to Sub-Heads C. Maintenance and Operation Installations " G " Stores and " Q " MES Advances viz., (i) Manufactures, (ii) Workshops, (iii) Stocks, (iv) Stores Purchased in Bangladesh, and (v) MES Advances.

251) Monthly debits and credits to the Accounts are verified month by month with the compilation. At the close of the year the balance under each account should be worked out independently by adding to and deducting from the balance of the previous year the total debits and credits of the year as shown in the Consolidated Compilation, and the resultant balances should agree with the balances worked out in the Relevant Expense Ledgers.

Chapter 15 Miscellaneous

Budget Estimates

252) A statement of the estimated annual revenue and expenditure with all receipts and disbursements of the Government is prepared by the Finance Division and presented to the Legislature. This statement is generally known as the “Annual Financial Statement” or the Budget.

253) The material on which the Budget and Demands for Grant in respect of the Defence Services are based is obtained by the Defence Finance Department in the form of detailed estimates submitted by head of departments, administrations, etc who in their turn depend for the material on heads of offices and other officers who collect the revenue or incur expenditure. The Controller of Accounts is responsible for rendering such assistance in the preparation, check and consolidation of Budget Estimates and Demands for Grants as may be settled by the Defence Finance Department in consultation with the CGDF.

254) The detailed rules for the preparation and submission of Defence Services Estimates are laid down in the Financial Regulations (Defence Services).

255) In addition to the above grants, two grants relating to civil i.e., Defence (Pension) under Special Activity and MOD (Civil) are also handled by the Ministry of Defence. The expenditure, for which provision is made in these Estimates, falls broadly into the following categories: -

- i) Pay and allowances of regular personnel of the Armed Forces.
- ii) Payments to Industrial Establishment employed in store depots, factories, etc.,
- iii) Transportation charges.
- iv) Miscellaneous expenses.
- v) Payment for stores.
- vi) Works expenditure and
- vii) Pensions.

Expenditure falling under category (1) above represent for the most part, obligator charges dependent upon the strength and composition of the Defence decides on the policy regarding strength and composition of the Defence Services and hence the responsibility for implementing

the decision and ensuring proper control over expenditure is vested with various controlling authorities at Armed Forces Headquarters etc., and no distribution of provision is made to subordinate authorities. The accounting heads, under which the expenditure of the nature is compliable, are called “Centrally Controlled Heads”.

Expenditure falling under categories (ii) to (vi) enumerated above is, in general, susceptible to control against budget provision by the various administrative and executive authorities subordinate to the Government. Some part of the total budget provision for these categories of expenditure is placed at the disposal of local administrative authorities through budget allotments, while the remaining part is controlled by the authorities at the Armed Forces Headquarters. The accounting heads under which expenditure against budget allotments made to local administrative authorities is compiled are called "Locally Controlled Heads".

256) Estimates of receipts and charges in respect of all the centrally controlled heads are prepared by the concerned Branches/Directorates etc. at the Armed Forces Headquarters/Departments and submitted for consolidation to Budget Directorates, who in turn submit the consolidated requirements to MOD.

257) Estimates for locally controlled heads relating to Army are prepared by Headquarters of Commands and Areas and Commanders of units and formations which are directly administered by Army Headquarters and by similar authorities on the Air Force and Navy sides in regard to the locally controlled heads under those Services. These estimates are rendered to the Controllers/Controllers concerned for check.

258) The Controllers, after checking the estimates prepared by the local controlling authorities, will record any corrections which they may consider necessary to those estimates with reference to past actuals or any other known factors or fresh sanctions of competent authorities or when the progress of current expenditure warrants such modifications giving full reasons in support thereof, and transmit the estimates to the authorities concerned at Armed Forces Headquarters through the Command Headquarters where necessary.

259) The estimates of receipts and charges in respect of Ordnance Factories are prepared by the Managers etc. of the concerned factories and, after scrutiny by the Controller, are transmitted to the Commandant of Ordnance Factories. The Commandant of Ordnance

Factories consolidates the various estimates and submits the consolidated estimates, after vetting by Controller to MOD.

260) The authorities at the Armed Forces Headquarters, MOD or Finance Division may also call for any other estimate, information or statistics required for budget or budgetary control purposes, from the Controllers and local controlling authorities. Such estimates etc., will be carefully and intelligently prepared or checked, as the case may be, and furnished to the authorities concerned without delay.

261) Copies of sanctioned Budget Estimates are distributed by MOD to all concerned. The authorities at Armed Forces Headquarters will communicate to subordinate formations the amount allotted under the various locally controlled heads with which they are concerned.

262) Budget estimates in respect of only the Heads relating to Defence Finance Department mentioned in the above paragraphs and Defence Services Pensions are prepared by the Defence Finance Department.

263) CGDF and the Controllers are also responsible for the preparation of Defence Services Cash Requirement estimates in respect of the heads detailed. These estimates will be prepared on very broad lines avoiding meticulous details and with the absolute minimum of labour.

264) The revised estimates will be prepared on the same lines and submitted on the same date as the original estimates except the figures will be based on the actuals for the first six months of the current year. Extraordinary transactions if any should be considered in making the provision.

265) To arrive at the figures to be included in the Forecast Estimates for Defence Pension Heads, the actuals of the preceding year will be taken as the basis and they will be increased or decreased with reference to the average increase or decrease in expenditure during the three years previous to that year, as the case may require due regard being paid to the orders or circumstances which may have given rise to those differences such as financial impact due to fresh retiree, revision of pension, implementation of new pension orders, increase in Dearness Allowance etc. in the current financial year, provisions for restoration of commuted portion of pension after 15 years in respect of service pensioners, death and disqualification of the pensioners etc.

Chapter 16 Control over expenditure and re-appropriation

Introductory

266) The main features of the budget and accounting heads relating to the Defence Services are:

- i) The expenditure on Revenue Account is distinguished from that on Capital Account. Generally, the expenditure on Revenue Account represents the recurring or operating expenditure, while the expenditure on Capital Account is used for creation of durable capital assets.
- ii) The classification of expenditure on Armed Forces is generally according to the nature of charge, and not with reference to the units/formations on which it is incurred. Thus, pay and allowances of army personnel are booked to the same minor head, irrespective of unit/formation where they may be serving.
- iii) In case of certain distinct organizations, established for a specific role, the entire expenditure on the organization is sought to be identified in the budget/accounts, irrespective of the nature of expenditure. Thus, separate minor heads exist for Military Farms, National Cadet Corps etc., where under all categories of expenditure (like pay and allowances, transportation, stores, works and miscellaneous, etc.) on these organizations are included.
- iv) Inter-Services adjustments are made for the cost of stores and equipment etc. supplied from one Service to another, so that the expenditure on each Service is available distinctly.
- v) The accounting heads have been so arranged as to enable the administrative authorities to have sufficient data, necessary for the exercise of closer and more effective budgetary control over expenditure.

267) The Demands for Grants for meeting expenditure on Defence Services are passed by Parliament each year, and within the amounts of these Demands for Grants, Ministry of Defence arranges for financing of services for which that Ministry is responsible. The provisions made in these Demands for Grants are based on estimate of requirements, within the constraints of total resources available and the demands on these resources.

268) Under Article- 92 of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of a law by Parliament. Therefore, after the Demands for Grants are passed, Parliament's approval to the withdrawal from the

Consolidated Fund of the amounts voted and of the amounts required to meet the expenditure charged on the Consolidated Fund is sought through an Appropriation Bill.

The process of detailed consideration of the Demands for Grants is not completed before the commencement of a new financial year. To enable the Government to carry on its normal activities from 1st July till such time as the Appropriation Bill is enacted, a Vote on Account is obtained from Parliament through an Appropriation (Vote on Account) Bill.

Generally, the provision included in the "Vote on Account" represents the sums required for meeting the expenditure likely to be incurred during April and May, i.e., broadly one sixth of the estimated gross expenditure included in the Demands for Grants. The period for which "Vote on Account" is taken may vary depending upon the situation. After the Appropriation (Vote on Account) Bill is passed and assented to by the President (generally before the commencement of the new financial year), the controlling authorities have to ensure that the expenditure in excess of the provision in Vote on Account is not incurred.

The purpose of the "Vote on Account is to keep the Government functioning, pending the passing of the Demands for Grants for the full financial year. Expenditure on "new services" should not, therefore, be incurred before the grants for the full year are passed and connected Appropriation Bill is enacted.

In certain cases where the expenditure in the months of April and May is more as compared to other months of the year or the expenditure is of an obligatory nature which cannot be deferred it may not be possible to restrict the expenditure to 1/12th of the Budget Estimates for the particular head. The Controllers may authorize provisional payments in such cases also so long as the "Vote on Account" in respect of the Demand for Grant as a whole is not exceeded.

269) The detailed procedure for the exercise of budgetary control, the list of control heads and the authorities forming the chains of control, exercisable under each controlled head of expenditure, are set out in the Financial Regulations for the Army and Air Forces Part-I.

270) The ultimate responsibility for seeing that the Defence Service expenditure does not exceed the corresponding budget allotment rests on the senior officer at General Headquarters within whose general administrative control the relative activities fall. This responsibility is usually under taken on his behalf by the Director or the other officer of corresponding status who directly administers the activities concerned. Thus, the Director of Military training is

responsible, under the Chief of the General Staff, for controlling expenditure on specialized training institutions and schools, the Director Medical Services under the Adjutant General, for controlling that on hospitals, the Director Ordnance Services, under the Quartermaster-General, for controlling that on Ordnance Depots and so on. It is to these officers that the amounts provided in the Defence Estimates, for expenditure subject to their respective controls, are allotted for distribution.

271) The fundamental rule on which the whole system of budgetary control may be said to rest is that no item of public expenditure may be incurred unless provision exists to meet it in the sanctioned budget estimates of the Year concerned. This rule applies as regards the nature of expenditure as well as the amount; in other words, the provision in the budget must have been made for the purpose of meeting the particular kind of expenditure involved. Certain authorities are invested with limited powers of "re-appropriation"—i.e., transfer of funds from one budget head to another—but with this exception the rule referred to above is absolute. It follows that each individual officer to whom any portion of a grant provided in the budget to meet a specified class of expenditure is allotted, is responsible for seeing that the allotment is utilized solely for that class of expenditure and is not overspent. In case the expenditure unavoidably proceeds at a rate unwarranted by the sanctioned allotment, it is the duty of the officer in question to apply for additional funds through the medium of periodical estimates submitted by him.

272) The three main stages of budgetary control against allotments are:

- 1) Initial distribution of budget grants
- 2) Watching expenditure against allotments and
- 3) Re-appropriation.

Initial Distribution of Budget Grants

273) The ultimate responsibility for ensuring that the expenditure does not exceed the corresponding budget allotment rests on the Principal Staff Officer/Senior Officer at the Services Headquarters/Departments within whose control the relative activities fall. The authorities who are charged with this responsibility are mentioned against each locally controlled head.

274) The amounts provided in the Defence Services Estimates for expenditure subject to local control are allotted to commands and other formations by the aforesaid authorities. These authorities keep back certain amounts as 'Reserve' to meet unforeseen requirements

from the formations. The authorities at lower stages in the chain of control have the discretion to hold in 'Reserve' a portion of the allotment placed at their disposal.

275) All communications of allotment from the Services Headquarters/Departments issue with the concurrence of the respective Directorate and these are endorsed to the Controllers concerned. Sub-allotments by Commands or formation Headquarters are also notified to the Controllers concerned.

Watching expenditure against allotments

276) It is the primary responsibility of the authorities, to whom allotments are made to watch the progress of expenditure and to see that the expenditure does not exceed the allotment. In order to facilitate this, the Controllers will render monthly statements to the allottees showing the serial numbers of the claims admitted in audit and the amounts debited against the allotment.

277) The Controllers will also simultaneously keep a watch on the progress of expenditure against sanctioned allotments and bring to the notice of the allottees and the immediate higher authorities, cases in which the trend of expenditure is, in the opinion of the Controllers abnormally heavy or unusually low.

278) For the budgetary control to be meaningful and strict, it is of utmost importance that the compiled actuals should be as accurate and up to date as possible. Accordingly, the Controllers will ensure that all transactions arising in their respective audit areas (including Inter-Services adjustment to the extent permissible) are brought to account promptly. This requirement equally applies to transactions which are passed on to them through Settlement Accounts and Exchange Accounts by the Civil and other Defence Accounts Officers respectively.

279) The procedure of highlighting high/low trend of expenditure enables the controlling authorities to initiate prompt remedial measures. In cases where savings can be foreseen, they may surrender such portion of the allotment as is not likely to be necessary for the rest of the financial year. In cases where the progress of expenditure in the financial year has been rather high, either the expenditure in the remaining part of the financial year has to be regulated to contain it within the sanctioned allotment or higher authorities have to be approached for additional allotment with full justification for the increase.

280) In cases where additional allotment becomes inevitable, action to obtain it is required to be taken by the administrative authorities promptly and sufficiently yearly. This

is necessary to avoid delay in settlement of claims, as no payment in excess of sanctioned allotment under locally controlled heads can be made, save in exceptional cases under the personal orders of the Controllers concerned (or the Officer designated by him according to Military Audit Code) who may authorize provisional payment at his discretion whenever he considers such a course to be in the best interest of the State. In cases where it is found that the administrative authorities fail to be vigilant in applying promptly for additional allotment of funds where provisional payments have been authorized, the Controllers will ask the authority concerned (endorsing a copy to the next higher administrative authority) to take urgent action in the matter, adding a warning that further provisional payments will not be made unless application for additional allotment, with reasons in support, is submitted through him promptly. If this warning has no effect and the Controller is personally satisfied that there has been laxity on the part of the administrative authorities, he should refuse further provisional payments and report his action to the authorities at the Defence Headquarters and the Directorate concerned through the CGDF.

Re-Appropriation

281) Re-appropriation implies the transfer of funds from one primary unit of appropriation to another such unit within a grant.

282) The procedure of re-appropriation provides some flexibility by which savings in the budget provision under one head can be utilized to meet excess expenditure under another head, provided that the heads are in the same Demand for Grant voted by the Parliament. Since the Revenue expenditure and Capital expenditure of Defence Services are provided in separate Demands for Grants, no re-appropriation between Revenue and Capital heads is permissible. The cardinal principle is that an authority can re-appropriate only in respect of savings arising out of the allotments placed at his disposal. The normal rules governing re-appropriation of funds in the case of Defence Services Estimates are summarized in the succeeding sub-paras. Re-appropriation may broadly be authorized under the following conditions:-

- i) Any allotment or re-appropriation within a grant or appropriation may be authorized at any time before but not after the expiry of the financial year to which such grant or appropriation relates.
- ii) Re-appropriation is permissible in respect of "savings arising out of allotments, placed at the disposal.

- iii) Re-appropriations are permissible only between expenditure heads. Thus, excess receipts and recoveries which are required to be accounted for as such cannot be utilized to meet expenditure in excess of sanctioned grant.
- iv) No re-appropriation is permissible between funds allotted for 'Charged' items of expenditure in terms of Article of the Constitution and voted items of expenditure.
- v) Sanction of Government of Bangladesh is required for any re-appropriation which affects the following :
 - ✓ Savings due to non-expenditure of provision for a specific measure
 - ✓ An error in estimates
 - ✓ Re-appropriations to meet expenditure one any new activity.

284) Notwithstanding, however, that the ultimate responsibility for exercising budgetary control rests on the administrative and executive officers of the Defence Services, the Defence Account Officers must also as a part of their normal accounting functions, exercise a close and independent watch over the progress of expenditure against the sanctioned allotments notified to them and in the event of any apparent failure on the part of the administrative authorities to recognize that the expenditure is being incurred at a rate likely to exceed the sanctioned provision or allotment the Defence Account Officer concerned should prominently bring the fact to the notice of those officers with a view to their applying for additional, funds through the central controlling authorities. Conversely, if the expenditure against any head of account is round to be relatively so low as to lead a Defence Account Officer to the conclusion that the allotment is unnecessarily large, the fact should be reported to the authority concerned with a view to his arranging surrender of the excess allotment.

285) In the case of those heads of expenditure in respect of which budget allotments are not notified to the Controller, the expenditure should be examined by him month by month with a view to ensuring that it is proceeding at a fairly uniform rate, any abnormal fluctuations, for which sufficient reasons are not on record in the Defence Accounting Offices, being brought to the notice of the expenditure control authority concerned.

286) Excesses over modified allotments under locally controlled heads will be brought to the notice of the local authorities by the Defence Account Officer concerned. The local authority concerned shall report such cases to the central controlling authority through the respective Defence Account Officer. This requirement having been satisfied the Defence Account Officer may remove his objection to the excess.

Loans and Advances

287) Service Headquarters will make allotments of funds to cover payments of Advances Repayable and Loans and Advances by Government grants for which are voted by the Legislature, addressing all the sanctioning letters to the controllers as are directly concerned in each case. These letters shall indicate (in addition to the particular allotment sanctioned on that occasion) the running totals of the amounts –transferred to date to the Controllers affected by each letter.

288) Controllers should, on receipt of each such letter, verify that the total amount shown as transferred to their areas is correct with reference to the payments already made by them and other sanctions already received, payments against which are still to be made. They should also see that the units concerned are taking action to surrender their allotments when the amounts are not likely to be drawn during the financial, year. When payments are made in anticipation of allotments, The Controller will ensure that an intimation of the amount paid is sent to the service Headquarter and definite allotment are obtained subsequently.

289) The Controller will render an annual statement of appropriations and actuals, including figures to end of June Supplementary for CGDF which is transmitted to CGA. The figure on account of transfer of balances from one Controller to another shown in the statement under the heading book-keeping adjustments will be agreed upon by the Controllers concerned in consultation with each other.

Appendix-1: Budget and Accounting Classification System (BACS)

290) The Budget and Accounting Classification System (BACS) is a logical accounting structure through which financial transactions, including budgets, are posted, stored, maintained and reported upon. It is a core element in the financial management system as it enables transactions with similar characteristics to be grouped together for budget planning, accounting, control and reporting purposes. BACS will support uniform introduction of double entry accounting. Whilst, initially, the BACS will be used to report government finances on a modified cash-basis, it has been formulated enable the future transition to full accrual accounting.

291) The BACS will support better public financial management in Bangladesh by providing additional and better-quality information to decision makers regarding public finances. The scope of the information available will expand, for example by enabling the gathering of information for a broader set of government entities, reporting of both financial assets and liabilities, and the ability to report on the location of spending. The quality of information will improve due to the improvements in the coding structure and introduction of double entry accounting.

292) The BACS is a system for codifying planned and actual financial transactions according to a predetermined classification framework. As an example, in its most primitive form, a BACS would be used to define whether a transaction is in the nature of a revenue or expense. Totalling all the expenses and revenues enables a surplus or deficit to be planned and recorded is a fundamental function of any organization.

293) A BACS has special significance for government due to the unique planning, control, transparency and accountability requirements of the public sector. The BACS defines the content (and the limits) of the information captured when financial transaction occur within the government. As almost all of the activities of government involve financial transactions, ensuring that the most appropriate set of information is collected during processing of those transactions are essential for day-to-day decision making, control and accountability at all levels of government.

294) In its most advanced form, accounts based on a well-functioning BACS could tell you that a particular transaction involved an amount paid out of a specific bank account to acquire

a particular type of good from a certain supplier at an identified location by a specific unit of a ministry performing a defined function as part of a unique project funded from a particular source. When embedded in an Integrated Financial Management Information System (IFMIS), the BACS would support controls that ensured that this same amount – with these characteristics – was executed according to the budget planned by that ministry and approved by the government and the Parliament.

295) Government budgetary transactions, both expenses and revenues, can be classified in a variety of ways. The choice of budget classification systems largely depends on the needs of users who usually want different pieces of information to help them make economic, social, managerial and political decisions. It is universally acknowledged that no single budget classification system can possibly meet the divergent information demands of many different stakeholders.

296) In order to satisfy this demand, governments usually adopt multi-dimensional classification systems that incorporate at least four essential dimensions. These are:

- i) Classification by administrative unit;
- ii) Classification by function;
- iii) Classification by economic feature; and
- iv) Classification by program

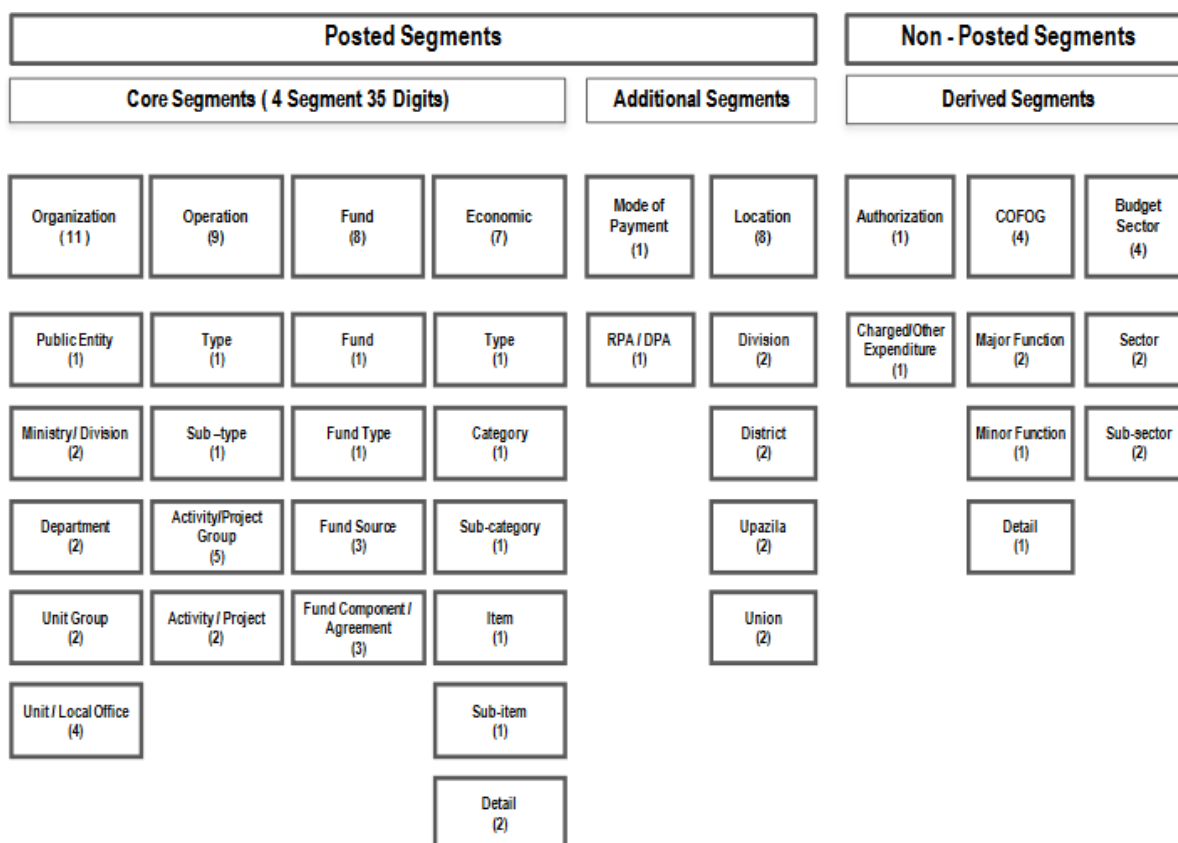
297) The following summary sets out the overall structure:

Posted Core Segments (Users to enter in iBAS)		
Segment	Digits	Purpose
1. Organisation	11	Identifies the organisational unit (Ministry/Division, Department, Operating Unit) responsible for a transaction
2. Operation	9	Identifies whether a transaction is for development or non-development purposes and, if part of an activity/ project, the activity/project to which it relates
3. Fund	8	Identifies the fund in which a transaction is recorded (Consolidated Fund, Public Account) and, for those transactions within the Consolidated Fund, identifies whether the Government, a foreign grant or a foreign loan funds the transaction
4. Economic	7	Identifies the economic nature of the transaction (tax or non-tax receipts, salaries, goods and services, grants, etc.)
Posted Additional Information Segments (Users to enter limited data as required in iBAS)		
Segment	Digits	Purpose
5. Mode of Payment	1	Identifies whether a transaction is reimbursable project expenditure or direct project assistance
6. Location	8	Identifies the location to which a transaction should be attributed
Derived Segments (Pre-defined in iBAS)		
Segment	Digits	Purpose
7. Authorisation	1	Identifies whether an expenditure transaction is voted or charged expenditure
8. Function (COFOG)	4	Identifies the purpose of a transaction according to the Classification of Functions of Government (COFOG)
9. Budget Sector	4	Identifies the budgetary sector to which a transaction should be attributed

298) A diagram of the classification that includes code segments, coding requirements and the precise nature of the connection between these segments is given below.

299) This diagram shows the major classification segments and the coding space (digits are shown in parenthesis) assigned to each BACS segment. This structure will amply accommodate fund, legal, organization, function, project, recipient, location and economic data.

300) The mutually exclusive nature of the segments means that the various components of the BACS regime are standardized. Each financial transaction will be classified only once in the system and is identified with a unique code.



If we want to link up the classification to generic version, we get the following:

Generic Head Name	Equivalent Position in BACS	Layer Name
Revenue	Economic Segment	Type (1- for Receipt, 3-for Revenue Expenditure)
Capital	Economic Segment	Type (2- for Receipt, 4-for Capital Expenditure)
Debt	Economic Segment	Type-8, Category-1 and Subcategory-1 for Liability or Debt
Remittance	Economic Segment	Type-8, Category-1 and Subcategory-7 for Remittance)

Appendix-2: Pro-forma Accounts of Army Ordnance

301) To arrive at the cost of production of articles manufactured in the Ordnance Factories, and for the preparation of the Revenue Trading Account of those factories, a set of pro-forma Journal and Ledger—called the Principal Journal and the Principal Ledger is maintained by the Controller.

302) All charges, direct and indirect, in connection with the manufacture, incurred during the year, are collected- under the head " Production Cost Account " through the various subsidiary heads, and all receipts—other than the value of articles manufactured are credited to this account also through subsidiary heads. The value of semi-manufactures (including finished but unissued products), at the commencement of the year, is also debited to this head, and the value of the semi-manufactures (including finished but unissued products) at the end of the year credited to it The net amount standing at debit of the head "Production Cost Account" therefore represents the actual cost of production of articles issued to the Army, non-military departments, M. E. S. and private bodies, as also those manufactured and brought on to Capital and Stock Accounts of the factories. This amount is reconciled with the figures given in the Production Statements compiled by the Controller.

303) Except in the case of stores manufactured on Capital Account, or Stock Account of the same factory, which are priced at actual cost of production. The value of all issues or services rendered is credited to the head "Production Services Account" through its various subsidiary heads. The difference between the amount at credit of this head and that at debit of the head "Production Cost Account" represents the profit or loss on the working of the Factories.

304) The Revenue Trading Account, which is prepared for each factory separately, combines in it the transactions pertaining to Production and Store Accounts. The opening and closing balances of stores in stock and semi-manufactures (including finished but unissued products) are also shown in this account, and the profit or loss worked out for each factory. As the losses or gains on store account are debited or credited to Production Cost Account, the profit or loss as worked out in the Revenue Trading Account will tally with that mentioned in the preceding paragraph.

305) To the indirect charges compiled for each factory separately, a portion of the charges of the offices of the Master General of Supply and the headquarters office of the Controller is added to arrive at the total indirect charges. The charges on account of the offices of the Master

General of Supply are distributed amongst the several factories in proportion to the total labour charges incurred.

306) The indirect charges on manufacture are divided into three classes—(i) Shop Charges—(a) Power and Machinery (P & M) and (b) Other shop charges (ii) Store-keeping charges and (iii) General Charges. Indirect charges pertaining to the custody of stores. Store-keeping charges are levied as a percentage, which is fixed for the year on the basis of past actual, on the value of materials issued to the various work orders of the other indirect charges, such charges, as can be definitely allocated to a particular shop, are levied as shop charges as a percentage on the value of direct labor expended on the work orders; these percentages are fixed on the basis of past actual but revised if considered necessary. Indirect charges, which cannot be allocated either for storekeeping or to individual shops, are levied as General charges as a percentage on the value of direct labour as in the case of shop charges; this percentage is also fixed for the year but if it is found that the fixed rate varies considerably from the actual, the rate may be revised.

307) An Annual Account of the Ordnance Factories is prepared and issued by the Controller soon after the Production Accounts of the year have been closed. The annual account consists of the following sections: -

- I. Report on the main features of the working of the Factories.
- II. Revenue Trading Account.
- III. Statement of Assets and Liabilities.
- IV. Capital Account.
- V. Indirect Expenditure Account.
- VI. Production Statements.

308) The Production Statements published with the Annual Accounts show articles, etc., manufactured for or services rendered to the Army, non-Military. Departments, etc., and private bodies, and do not include articles manufactured on account of Capital, Stock or for other Ordnance Factories.

309) Separate Block Registers for the Capital Assets Buildings, Machinery, etc., are maintained by the Controller, in which the several items of Capital Assets are shown separately and in which the value of each item, after allowing for depreciation, is shown. The rates of depreciation for the various classes of Capital Assets are:-

Percent

Land	Nil	}	On the decreasing value of the assets
Roads	Nil		
Buildings	3		
(b) Railway Lines	3		
(b) Drains	3		
(b) Gas and Water Mains	3		
(b) Tramways	3		
(b) Reservoirs	3		
(b) Water-power	3		
*Plant	10		
(a) Meters and Mains	10		
*Sewing Machines	20		
*Furnaces	30		

310) The Revenue Trading Account and the Statement of Assets and Liabilities are prepared from the Principal Ledger and the Capital Account is prepared from the Principal Ledger and the Block Registers.

List of Abbreviations

BACS - Budget and Accounting Classification System

CGDF – Controller General Defence Finance

CGA – Controller General of Accounts

CMC – Central Manual Compilation

COFOG – Classification of Functions of Government

DFD – Defence Finance Department

EFT – Electronic Fund Transfer

IFMIS- Integrated Financial Management Information System

MES - Military Engineering Services

MOD – Ministry of Defence

JCGDF – Joint Controller General Defence Finance

DCGDF – Deputy Controller General Defence Finance

ACGDF – Assistant Controller General Defence Finance

GPF – General provident Fund

DDO – Drawing Disbursing Officer

PWD – Public Works Department

PAO – Principal Accounting Officer

CAG – Comptroller and Auditor General

CF – Consolidated Fund

DH – Debt Heads

DO – Disbursing Officer

DSA – Defence Services Accounts

DAO – Defence Accounts Officer

FPO – Field Pay Office

SFC – Senior Finance Controller

FC - Finance Controller

ACCDF – Additional Chief Controller of Defence Finance

CCDF - Chief Controller of Defence Finance

CMC – Central Manual Compilation

MOF – Ministry of Finance

AFA – Annual Finance Accounts

DEA – Defence Exchange Accounts

EH – Expenditure Heads

RH – Receipt Head

CA – capital Account

DSOP – Defence Service Officer Provident Fund

DSPF - Defence Service Provident Fund

DSCO –Defence Services Capital Outlay

RR – Refunds of Revenue

CPF – Contributory Provident Fund

NDA – National Defence Academy

TIF – Trust Interest Fund

DRF – Depreciation Reserve Fund

MD – Miscellaneous Deposits

DPD – Deferred Pay Deposits

FR – Financial Regulations

UA – Unit Accountant

GE – Garrison Engineer

IRLA – Individual Running Ledger Accounts

OC – Officer-in-Charge

L.P.C – Last Pay Certificates

DP – Defence Purchase

TE – Transfer Entries

PM – Punching Media

DDR – Debt, Deposit, Remittance

L.A.O – Local Audit Office