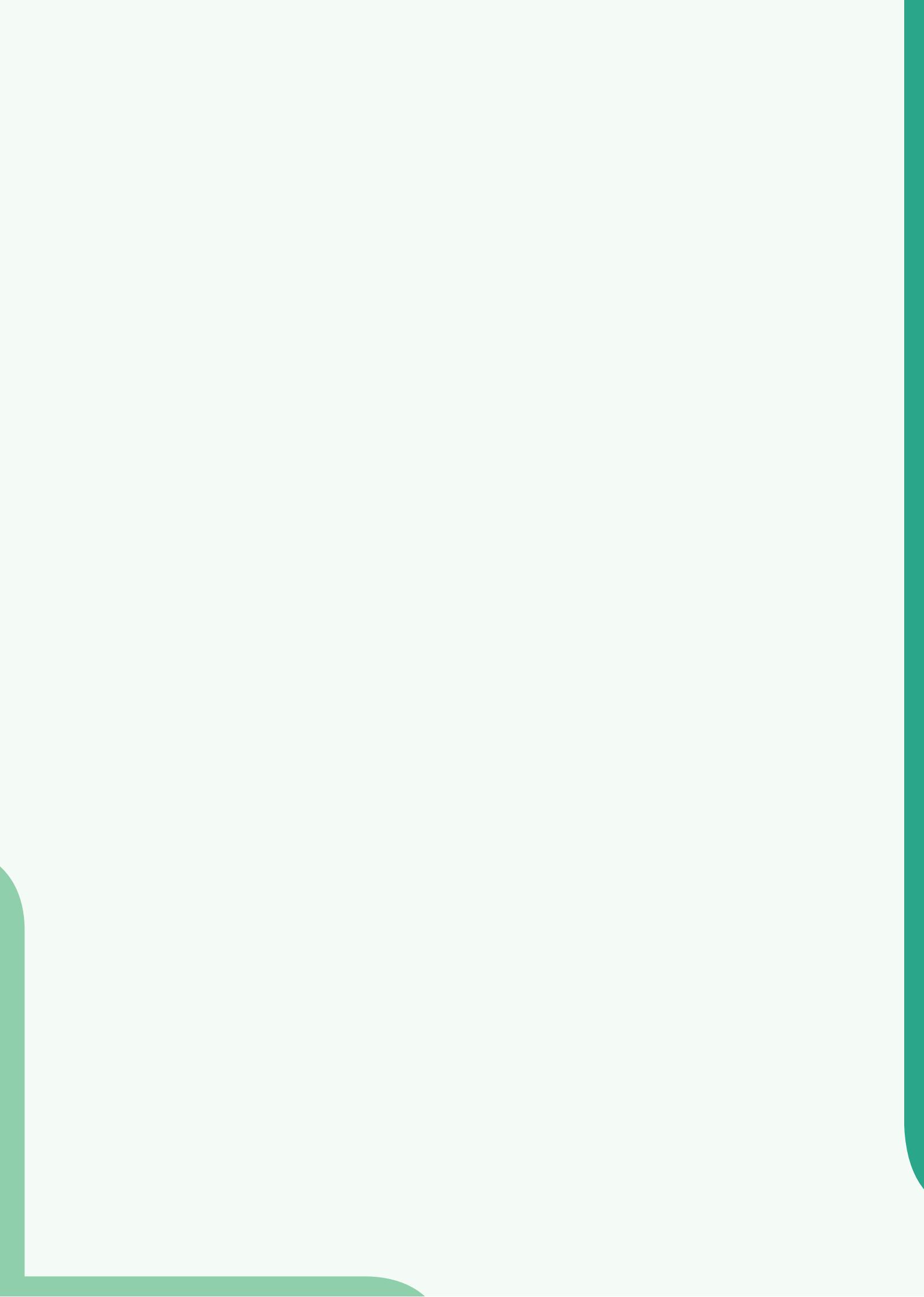


# BUDGET MANUAL



**FINANCE DEPARTMENT  
GOVERNMENT OF SINDH**







# Budget Manual

May 2023

Finance Department

Government of Sindh

<https://finance.gos.pk/>



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## Message Chief Minister Sindh



It is widely recognized that the budget is a key policy document that sets out the Government's revenues and expenditure plans for a given period. A well-defined budgetary framework allows the Government to define its fiscal objectives, maintain effective financial control, and allocate resources to its strategic priorities. Therefore, improvement in the budgetary processes and introduction of innovative financial management techniques are extremely important to bring a meaningful change in the public financial management (PFM) architecture. With growing pressures for bringing improvements in service delivery and a continuous demand of citizens for better value of their tax payments, improvements in budgetary practices, a sharper focus on results, and updating of the regulatory framework including the development of a key policy document like 'Budget Manual' is of paramount importance. I am glad the Finance Department has fulfilled the long-standing need to bring this 'Budget Manual'. Budget Manual essentially outlines the constitutional provisions relating to financial management and budgeting. The manual sets out the principles and standards underpinning the budgeting system in the government. It also explains in detail the relevant statutory framework for budgeting which serves as a guide for strategic planning, budget preparation, resource forecasting, and public financial management.

The manual is expected to serve as a reference guide and tool not only for those involved in budget-making in the Government but also for other users and stakeholders interested in public finance. I am sure that this manual will prove to be a valuable document for understanding the processes and nuances relating to public sector budgeting in the province.

I express my gratitude to all those involved in the process of the formulation of the Budget Manual and congratulate the Secretary Finance and the entire team of the Finance Department, Government of Sindh for producing a comprehensive and useful document. In this regard, the technical assistance provided by the EUD exports of funded Public Financial Management Support Programme II (PFM II) and efforts by Economic Reform Unit, FD also merit due recognition and appreciation.

**Syed Murad Ali Shah**

## Preface



Budgeting is one of the most important functions of the Government, which spells out the anticipated expenditures and projected revenues over the next financial year along with medium term projections both for revenues and expenditures for that period. To regulate these affairs, in the Province of Sindh, a budget manual was originally introduced in 1955. However, since then, several advancements and developments have taken place in the realm of public financial management especially relating to the principles, approaches, and types of budgeting in the public sector. In this backdrop, development of a 'Budget Manual' was imperative which essentially captures the various dimensions of modern PFM practices including the new techniques of budgeting.

The purpose of the Budget Manual is to elaborate the principles, policies, legal provisions, procedures, and methods of budgeting along with forms and formats to be used in the preparation, approval, authorization, and execution of budget estimates of the Government of Sindh. It would serve as a uniform and standardized guidebook for the administration of the budgeting procedures and practices in the Government including the line departments and their subordinate offices.

Budget Manual in hand is a compendium of general provisions and procedures relating to budget making, approval, control, and execution to be followed by various officers and staff in the Provincial Government who are involved in the matters relating to budget. This manual also unravels the detailed processes in the entire gamut of budget preparation. Besides serving as a guide for budget making, it is also expected to bring about greater levels of transparency and consistency on the subject.

The revision of the budget manual would not have been possible without the dedicated support and review by Mr. Shahab Qamar Ansari, SSF (Budget & Expenditure), Mr. Asad Zamin (SSF Resources), Mr. Abid Ali (AS Development) and Mr. Muhamad Afzal Channa, (Director/Senior Programmer Officer, ERU, FD). I am also grateful for the technical assistance provided by the team of experts deployed by the EUD funded Public Financial Management Support Programme (PFM II) for the formulation of the Budget Manual.

May, 2023

**Sajid Jamal Abro**  
Secretary Finance

# INTRODUCTION TO THE BUDGET MANUAL

## Introduction

Budget making is a time-bound annual exercise mandated by the Constitution. For the said purpose, Article 120 of the Constitution of the Islamic Republic of Pakistan requires the preparation of a statement of estimated receipts and expenditures of the Provincial Government for each financial year i.e., the 'Annual Budget Statement'. This statement which is popularly known as the "Annual Budget", is required to be laid before the Provincial Assembly for consideration and approval. As the budget making in the public sector is going through several changes including the adoption of new budgetary techniques, a need was felt to develop a budget manual that provides the necessary guidance about the various aspects of budgeting.

## Purpose of the Budget Manual

The purpose of the Budget Manual is to elaborate the principles, policies, legal provisions, procedures, and methods of budgeting along with forms and formats to be used in the preparation, approval, authorization, and execution of budget estimates of the Government of Sindh. This manual explains in detail the relevant statutory framework for budgeting which serves as a guide for strategic planning, budget preparation, resource forecasting, and public financial management. Budget Manual also includes a section that elaborates the key features of new modes of budgeting including performance-based budgeting which aim to improve the efficiency and effectiveness of the public financial management system in the province.

## Structure of Budget Manual

This Budget Manual is structured according to the major public financial management activities of the Provincial Government. The Manual is divided into various chapters each covering the framework, the concept or approach in budgeting, accounting, and cash management.

This manual includes the following chapters: -

- Chapter 1      Definitions and Key Terminologies
- Chapter 2      Principles and Approaches of Budgeting

Chapter 3 Statutory Framework for Budgeting  
Chapter 4 Framework and Classification of Budgeting & Accounting  
Chapter 5 Budget Cycle and its Phases  
Chapter 6 Strategic Planning  
Chapter 7 Budget Publications, Structure & Processes  
Chapter 8 Role & Responsibilities of different Institutions in the Budget Process  
Chapter 9 Estimate of Receipts  
Chapter 10 Estimate of Expenditures  
Chapter 11 Budget Execution  
Chapter 12 Budget Oversight, review, and Accountability of Funds  
Chapter 13 Constitutional scheme for the powers of Taxation and Fiscal Transfer under National Finance Commission (NFC) Award

# **CHAPTER 1**

## **Definitions and Key Terminologies**

**Accounts Officer** means the head of an office of accounts responsible for the compilation and consolidation of accounts of the District/Province and includes the Accountant General, District Accounts Officer/ Treasury Officer, and head of an Accounts office of an entity whose accounts stand departmentalized.

**Accounts or actuals** of a year are the receipts, or expenditures relating to a financial year and are the figures of actual receipt, or expenditure, respectively, for that financial year, as recorded in the civil accounts.

**Accrual Accounting** is a method of accounting that recognizes expenses when economic benefits have been consumed and recognizes revenues when economic benefits have been generated even if cash is not paid or received.

**Accounting Element** is a single alpha character sub-element and defines the accounting element to which a transaction will be classified. The accounting elements are as follows;

- A 0000 Expenditure
- B 0000 Tax receipts
- C 0000 Non-tax receipts
- E 0000 Capital receipts
- F 0000 Assets
- G 0000 Liabilities
- H 0000 Equity

**Account Number** is a five numeric character sub-element. This sub-element defines the detailed "natural" accounts to which transactions will be classified (e.g. salaries, utilities, etc.). The account number contains a further internal structure as shown below;

- Major object
- Minor object
- Detailed object

**Actual Receipt / Expenditure** denotes the actuals of receipt, or expenditure relating to a financial year and is the figures of actual receipts, or expenditures, respectively, for that financial year, as recorded in the accounts by the Accountant General.

**Administrative Approval** is a formal acceptance by the department concerned of a proposal to incur expenditure connected with the requirements of that Department as and when funds are made available for expenditure.

In the case of works executed by the Public Works Department, it is in effect an order for that department to execute a certain specified work at a stated cost to meet the administrative and or public needs of the department requiring the work.

**Annual Budget Statement (ABS)** for a financial year, means the statement of the estimated receipts and expenditures of the Provincial Government for that year referred to as the Annual Budget Statement under Article 120 of the Constitution.

**Annual Development Programme (ADP)** means the budget estimates of the ongoing and new development schemes of the provincial government for a financial year. At times, it is also referred as Public Sector Development Program (PSDP).

**Appropriation** means the assignment to meet the specified expenditure of funds placed at the disposal of the assigning authority. It is the amount provided in the budget estimates under a detailed object or part of that amount, placed at the disposal of a Drawing and Disbursing Officer, to meet the expenditure on a specified object or item.

**Appropriation Account** is an account showing the actual expenditures against the respective budget allocations separately for each grant/demand for that financial year prepared and published annually by the Accountant General of the Province.

**Assignment Account** is a special purpose account in favor of the Government entities opened in a branch of the National Bank of Pakistan acting as the agent of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956.

**Auditor-General** means the Auditor General of Pakistan appointed by the President of Pakistan under Article 168(1) of the Constitution of Pakistan.

**Asset** is any resource owned or controlled by an individual, business, or entity for future economic benefit. Financial assets are defined as cash or any other cash equivalents which are readily convertible to cash.

**Budget** is the annual financial plan of the Government comprising an estimate of income and expense for a specific period i.e., one year.

**Budget Deficit** is the amount by which spending of the Government exceeds its income in a fiscal year.

**Budget Estimates** relating to a financial year mean, in relation to expenditure, the expenditure proposed for the financial year, and, in relation to receipts, the

receipts expected to be realized during that financial year.

**Budget Call Circular** is an official notice issued by Finance Department to the line departments inviting them to prepare and submit budget estimates for the ensuing financial year. This also includes budget forms, instructions, and guidelines for preparing budget estimates and a calendar of activities and their final presentation to the Provincial Assembly.

**Budget Execution Report (BER)** refers to a report prepared by the Finance Department which gives the progressive actual revenue and expenditure for a particular period of the fiscal year (i.e., quarter/half-year) and gives comparisons to the budgeted receipts and expenditure.

**Budget Strategy Paper (BSP)** is a document that sets out the medium-term budgetary strategy of the Government. The paper indicates the strategic priorities of the Government's revenue and spending policies including indicative ceilings of spending in various categories. In BSP, quantified projections are presented for the financial year commencing the first day of July and for at least two years following that financial year. BSP guides Finance and Planning & Development Departments in indicating the expected level of budget ceilings to the administrative departments, while at the level of the administrative department, it helps them in prioritizing their current and development spending within the indicated resources.

**Budget Publications** are the Annual Budget Statement, and other supporting publications, mentioned in Chapter 7 of this manual.

**Budget Surplus** is the amount by which the government's income exceeds its spending in a fiscal year.

**Capital Expenditure** is the expenditure incurred for the purpose of acquiring, constructing, or enhancing the physical assets or the schemes of capital outlay, as given by the object code in the Chart of Accounts (CoA).

**Capital Receipts** refer to receipts obtained from sources other than revenue receipts. Examples include the sale of assets, loans, advances, grants, etc.

**Charged Expenditure** means such items of expenditure as are enumerated in Article 121 of the Constitution and are not submitted to the vote of the Provincial Assembly, under Article 122 (1) of the Constitution.

**Cash Basis** of Accounting refers to an accounting method wherein the revenue and expenses are recorded when the cash is received and paid respectively.

**Chart of Accounts** is a listing of codes by which accounting transactions are

classified to provide meaningful financial information.

**Controlling Officer** means an officer entrusted with the responsibility of the supervision of expenditure and/or collection of revenue under a given function of account by the Administrative Department with the prior approval of the Finance Department.

**Constitution** means the Constitution of the Islamic Republic of Pakistan, 1973.

**Contingent Expenditure** means all incidental and other expenditures including expenditures on store/s which are incurred for the management of office, for the working of the technical establishment like a laboratory, a workshop or store depot, or a farm but does not include any expenditure which has been specifically classified under some other head of expenditure provided under Chart of Accounts (CoA) like works, machinery & equipment, etc.

**Contingent Liability** is a financial liability that may occur in the future depending upon the outcome of an uncertain future event.

**Debt Servicing** is the amount of money budgeted to meet the payments of interest and principal on outstanding debts/loans for a given period.

**Demand for Grant** is a proposal made to the Provincial Assembly, on the recommendations of the Government, for withdrawal of a certain sum out of the Provincial Consolidated Fund for expenditure which is granted, or deemed to have been granted, under Article 122 of the Constitution.

**Department** means a self-contained administrative unit in the Secretariat responsible for the conduct of the business of the Government in a distinct and specified sphere or service and declared as such under Sindh Government's Rules of Business, 1986 (amended from time to time).

**Departmental Estimate** is the estimate of receipts and expenditures for the next financial year of a department submitted as such to the Finance Department for consideration and approval by the competent authority.

**Development Project/Scheme** refers to a proposal to acquire, build or improve physical assets or to develop human resources and is provided within the development expenditure grant of the Annual Development Programme (ADP) of the Provincial Government. Development projects usually have a finite life and a specific source of funding.

**Detailed estimate** is a term applied to the estimate of a work wherein the sanctioned amount of the expenditure on the given work does not exceed Rs. 100,000/- or any other limit that may be fixed by the competent authority. This

term is also applied, for the sake of convenience, to the work itself.

**Detailed Object** is a subdivision of a minor object as provided in the Chart of Accounts (CoA), which is allotted to a prescribed sub-division of the object.

**Drawing and Disbursing Officer (DDO)** relating to the expenditure under a major, minor or detailed object of a function is the officer designated as such by the Administrative Department with the prior approval of the Finance Department.

**DDO Code** is the six-digit unique code allotted to each spending unit and is published in Budget Books against the names of spending units/projects. It is also called cost center code or DDO code.

**Divisible Pool of Taxes** under the National Finance Commission (NFC) Award, comprises seven different taxes and duties collected by the Federal Board of Revenue i.e.:

1. Income Tax
  2. Wealth Tax
  3. Capital Value Tax (CVT)
  4. Taxes on sales of goods & purchase of goods imported, exported, produced, manufactured, and consumed
  5. Export duties on cotton
  6. Customs duties
  7. Federal Excise Duties excluding the excise duty on gas charged at well heads.
- The Divisible Pool Taxes are divided among the Federal Government and Provincial Governments under a formula specified in NFC Award.

**Estimating Officer** means a Drawing and Disbursing Officer, Revenue Collecting Officer, Controlling Officer, Regional Head, or Head of Department, who is responsible for preparing departmental estimates of receipts and expenditures.

**Employee-Related Expense** includes the expenditure of the Government under pay and allowances. Pay can include basic and special pay etc., while there can be a range of different Allowances, e.g. House Rent Allowance, Conveyance Allowance, etc. Allowances are generally grouped under Regular and Other Allowances.

**Excess Budget Statement** relating to a financial year is the statement under Article 124 of the Constitution, to be laid before the Provincial Assembly, showing the amount of expenditure incurred on a service, in excess of the amount authorized to be expended on that service, during that financial year.

**Excess Grant** relating to a financial year means a sum granted or deemed to have been granted by the Provincial Assembly, to meet the expenditure which, after the close of that year, was found, through the Appropriation Accounts, to have

been incurred in excess of the authorized expenditure of that year, under a grant.

**Entity** is an organizational unit of the Government. This term can be applied to specific types of organizational units, depending upon the context (i.e., centralized entity, self-accounting entity, spending entity).

**Federal Grants** constitute grants other than the Straight Transfers and Divisible Pool Transfers from the Federal Government. These mainly comprise the grants from Federal Government for Public Sector Development Programs (PSDP). The federal PSDP grants are only pass-through items as these are released to the executing agencies for implementation of federally funded development projects.

**Federal Transfers** are the payments made by the Federal Government to the Provinces either out of the Federal Divisible Pool or as a part of Straight Transfers. Money forming part of the straight transfers is collected by the Federal Government on behalf of provinces and is transferred to the respective province as per the sharing formula provided in the Constitution or other such agreed arrangements.

**Finance Bill** is a legal document that gives effect to the financial proposals of the Provincial Government for a particular financial year. The bill becomes a law once debated, amended, and approved by members of the Provincial Assembly. Finance Bill is tabled every year in the Provincial Assembly at the time of presentation of the annual budget estimates.

**Financial year** means the year commencing on the 1st of July of a calendar year and ending on the 30th of June of the next calendar year.

**Fiscal Transfers** refer to the share of the local councils established under the Sindh Local Government Act, 2013 in accordance with the Award of the Provincial Finance Commission and transferred to the local councils on the basis of actual monthly receipts of the Provincial Government on the first day of each month.

**Foreign Project Assistance** is an external resource available to a Federal/Provincial Government mainly comprising of loans and credits from friendly countries, specialized international agencies, and grants assistance under country-specific programs. Foreign Project Assistance (Loans, Credits, and Grants) is broadly categorized as project and commodity aid. Project aid/assistance generally takes the shape of foreign loans and grants. The purpose of obtaining assistance is to supplement the domestic resources for achieving accelerated growth in the selected priority areas.

**Function Code** is the element used in the Chart of Accounts (CoA) to capture and provide financial information on a particular activity or function in conformity with the Classification of the Functions of the Government (COFOG). Examples of such

functions include Law and Order, Health Services, Education, Agriculture, etc. Each function has some sub-functions such as primary and secondary education which are also assigned sub-codes for ease of recording of budget and expenditure.

**Fund Element** is one alpha character and identifies the fund as the Consolidated Fund or Public Account. The Fund element further consists of the following six sub-elements:

- Voted Current Expenditure
- Voted Development expenditure
- Voted Capital Expenditure
- Charged Current Expenditure
- Charged Development Expenditure
- Charged Capital Expenditure

**Financial Rules** mean the Sindh Delegation of Financial Powers and Financial Control Rules, Sindh Financial Rules Vol-I and II, Sindh Treasury Rules, or any other rules framed under the Sindh Public Finance Administration Act 2020.

**Grant** means the amount granted, or deemed to have been granted, by the Provincial Assembly, in respect of a demand for a grant.

**Grant Number** is a three numeric character sub-element, which identifies the relevant Consolidated Fund Grant or Public Account.

**Inputs** are the resources required to undertake activities that contribute to output. These include physical, financial, and human resources. For example, equipment, personnel, and vehicles.

**Internal Audit** means an internal but independent and objective assurance to help an organization to accomplish its objectives by adopting a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**Key Performance Indicator (KPI)** is a variable used to measure service delivery. Targets are set for each KPI against each output. For example, the number of dengue virus cases reported, the number of master trainers trained, etc.

**Major Object** is an element of object classification indicating the receipt and/or expenditure in the accounts of the Government.

**Major Estimate** is a term applied to the estimate for a work when the sanctioned amount of expenditure exceeds Rs. 100,000 or any other limit which may be fixed by the competent authority. This term is also applied for the sake of convenience to the work itself.

**Modified Grant** means the grant, as it stands on that date after it has been modified by re-appropriation or supplementary grants.

**Medium Term Budgetary Framework (MTBF)** is an institutional arrangement that allows the extension of the fiscal policy-making horizon beyond the annual budgetary calendar. Unlike the annual budget, the MTBF is a multi-year approach to budgeting that links the spending plans of the government to its policy objectives.

**Modified Cash Accounting** is a method of accounting in which all cash payments and receipts are recorded, along with certain assets and liabilities/commitments. Pakistan currently follows the modified cash bases of accounting system.

**National Finance Commission (NFC)** is the commission constituted by the President under Article 160 of the Constitution consisting of the Minister of Finance of the Federal Government, Ministers of Finance of Provincial Governments, and such other persons as may be appointed by the President as member of the commission after consultations with the Governors of the Provinces. Its main objective is to set a revenue-sharing formula of the divisible pool taxes between the federation and provinces (vertical distribution) and among the provinces (horizontal distribution).

**Non-recurring Expenditure** means the expenditure of occasional character.

**Note:** - Sanction of any item of expenditure which is of a fixed recurring nature and does not vary periodically and is chargeable to contingencies or to the pay of establishment and which does not extend beyond the financial year or beyond six months within the financial year is deemed to be a sanction for non-recurring expenditure.

**Non-tax Revenue** means the income, other than tax levied through a statute, accrued against the service provided by the government, as user charges.

**Object Element** enables the classification of transactions into expenditures and receipts and facilitates the recording of financial information relating to assets, liabilities, and equity.

**Outcome** refers to the intended results (or impact) on a target population of a particular service (output) being delivered. For example, a reduction in the burden of a particular disease because of the expenditure incurred on a particular activity by a provincial department/attached department.

**Output** is the product or service delivered to the target population. For example, detection of dengue cases, improved disease surveillance, etc. Outputs may be the result of a set of activities funded through the re-current budget, the development budget, or both.

**Principal Accounting Officer (PAO)** means the Secretary or any officer to be designated as Principal Accounting Officer, responsible for managing one or more grants or charged expenditures.

**PC Forms** Planning Commission, Government of Pakistan, has prescribed five proforma costs (PCs) for development projects/schemes. Project Concept -I (PC-I) proforma is a detailed project document used for initiation of the development project, PC-II is for assessing the feasibility of a project, PC-III is prepared for submission of monthly/annual monitoring/progress report of the project, PC-IV is used as a template for preparation of project completion report, while PC-V is used for the annual performance of the project in terms of its finances and operations /key targets.

**Provincial Finance Commission (PFC)** means the Commission constituted by the Government in terms of Section 112 of the Sindh Local Government Act 2013.

**Provincial Allocable Amount** means the share of local councils out of the Provincial Consolidated Fund (PCF) to the Local Councils under the Provincial Finance Commission (PFC) Award as stipulated under Section 113 of the Sindh Local Government Act, 2013.

**Provincial Retained Amount** means the remaining balance in the Provincial Consolidated Fund after subtraction from the Provincial Allocable Amount under the Provincial Finance Commission (PFC) Award as stipulated under Section 113 of the Sindh Local Government Act 2013.

**Propriety** means the expenditure and receipts that must be dealt under the laws, rules, or regulations and declared intentions of the Provincial Assembly and, in particular, those expressed through its Public Accounts Committee.

**Provincial Assembly** means the Assembly of the Province of Sindh.

**Provincial Consolidated Fund (PCF)** means the fund as defined in Article 118 (1) of the constitution of the Islamic Republic of Pakistan.

**Public Account** means the fund as defined in Article 118 (2) of the Constitution of the Islamic Republic of Pakistan.

**Public Accounts Committee (PAC)** is a committee of the Provincial Assembly with the principal function to examine the Appropriation Accounts and Audit Reports

of the Government by the Auditor General of Pakistan and such other matters as the Provincial Assembly or Speaker or Finance Minister may refer to it. PAC functions under the rules of procedures of the Provincial Assembly.

**Public Property** means the resources owned by the Government or in the custody of the Government or entity, and acquired and established through public money, including donations.

**Public - Private Partnership** means a partnership carried out under a Public Private Partnership Agreement between the public sector represented by an agency and a private party for the provision of an infrastructure facility, management functions, and/or service with a clear allocation of risks between the two parties.

**Re-appropriation** means the transfer of funds from one head of account to another such head of account.

**Re-Current Expenditure** means the expenditure on goods and services consumed usually in the current period or typically within a financial year. Examples of such expenditures include the employee's related expenses, operating expenses, utilities, repair & maintenance, etc.

**Regularity** means the requirement for all items of expenditure and receipts to be dealt with by the legislation authorizing them, including the act and any applicable delegated authority, regulations, directives, and instructions issued under the Act.

**Revenue Collecting Officer (RCO)** in respect of a major, minor, or detailed object relating to receipts, is the officer designated as such, by the concerned Administrative Department, with the prior approval of the Finance Department, which is responsible for the realization of receipts, from the area of his jurisdiction, creditable to such major, minor, or detailed head of receipts.

**Revised Estimate** is an estimate of the probable receipts or expenditure for a financial year, framed in that year, concerning the transactions either recorded earlier or in anticipation of the remainder of the year.

**Revenue Account** is the account of income derived from taxes and duties, fees for services rendered, land revenue from government estates, fines, penalties, other miscellaneous items, and the expenditure met therefrom.

**Savings and Surrenders**- Saving is the amount unutilized against the budget allocation for a particular purpose and a period. Relinquishment or return of allocated funds by a spending unit/department is called 'Surrender'. This generally happens when either the allocated funds are not likely to be spent by a spending unit/department in a fiscal year or they are not required to be

re-appropriated or cannot be re-appropriated to other expenditure heads.

**Schedule of New Expenditure (SNE)** about a financial year means the items of expenditure which are neither contemplated in the Schedule of Authorized Expenditure for that year nor in a Supplementary Budget Statement, for that financial year. For example, procurement of new vehicles and creation of new vacancies in departments. Separate proforma is used by the provincial government departments for the preparation of the SNE budget.

**Schedule of Authorized Expenditure** means the schedule prepared, under Article 123 of the constitution following the consideration of the same by the Provincial Assembly of the Annual or Supplementary or Excess Budget Statement in respect of a financial year and authenticated by the Chief Minister under his signatures.

**State Trading** are the operations of the provincial government relating to procurement and the sale of food grains, especially wheat. Transactions pertaining to state trading are kept separately and their receipts and expenditures are credited and debited to the provincial government's food account i.e., Account No. 2 with the State Bank of Pakistan. It is carried out with borrowing from commercial banks as per cash credit facility extended by these banks.

**Source** denotes the source of funds: Capital or Revenue. Revenue means all receipts raised by the government through levies, taxes, etc. All other receipts such as Loans, Debt, and Sale of Assets etc. are Capital Receipts.

**Straight Transfers** are the transfers mentioned under Article 161 of the Constitution and include the transfers to the provinces (a) net proceeds of the Federal Excise Duty (FED) on natural gas; and (b) net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

**Sub Fund** is one numeric character, which divides the Consolidated Fund between Current, Development, and Capital under the headings of voted and charged expenditure. The Public Account is divided between Trust Accounts and Special Deposit Accounts.

**Supplementary Grant** for a financial year refers to the additional funds not provided in the original budget. It means the budget grant as defined under Article 124 of the Constitution wherein the Provincial Government has been vested with such powers to authorize and sanction an additional amount if it is found that the amount authorized to be expended for a particular service for the current financial year is insufficient or that the need has arisen for expenditure for some new service not included in the Annual Budget Statement of that year.

**Supplementary Demands for Grants** means the statement of supplementary demands laid before the Provincial Assembly showing the estimated amount of

expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Budget Statement for that year. The demand for supplementary grants may be token, technical, or regular.

**Supplementary Schedule of Authorized Expenditure** means the schedule authenticated by the Chief Minister with reference to a supplementary statement of expenditure presented to the Provincial Legislature.

**Supplementary Budget Statement** relating to a financial year means the statement to be laid before the Provincial Assembly under Article 124 of the Constitution, showing the amount of the additional expenditure estimated to be required during that financial year, over and above the expenditure already authorized, for that year.

**Technical Sanction** is the name given to the order of a competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Public Works Department or an entity or the organization vested with the powers for execution of public works. Ordinarily, such sanction is an ante factum action accorded by the Administrative Department or by such authorities of the Department to whom the power has been delegated. Sanction accorded to a work by any other department of Government is regarded merely as an administrative approval of the work.

**Tax Expenditure** is the revenue expenditure that the Government forgoes through the provisions of tax laws that allow deductions, exclusions, or exceptions from the taxpayer's expenditure income or investment, deferral of tax liability, or preferential tax rates.

**Tax-Revenue** comprises the Government Revenue from General Sales Tax on Services, Property Tax, etc. whereas non-tax revenue is the revenue that is generally realized from the services rendered to the public. For example, examination fees received by Boards of Education, consultation fees/lab test charges received by government hospitals, water charges collected by the Irrigation Department, etc.

**Token Demand** is a demand presented in a financial year, to the Provincial Assembly, for a nominal sum for a new purpose, the expenditure on which is proposed to be met by re-appropriation from savings within the grant.

**Token Grant** in a financial year means a nominal amount included in the Schedule of Authorized Expenditure relating to a Supplementary Budget Statement of that year for a new purpose or service, the expenditure on which is proposed to be met (savings within the grant) by re-appropriation.

**Treasury Single Account (TSA)** is a banking arrangement for the consolidation of government's financial resources in one bank account or multiple bank accounts

linked to one main account through which the government transects all its receipts and payments.

**Voted Expenditure** means such expenditure which is required to be submitted to the vote of the Provincial Assembly, as referred to in Article 122 (2) of the Constitution.

**Votes on Account** means a grant made in advance by the Provincial Assembly, in respect of the estimated expenditure for a part of the new financial year not exceeding a period of three months, pending the completion of the procedure relating to the voting of the demand for grants prescribed in Article 122 of the Constitution and Authentication of the Schedule of Authorized expenditure in accordance with provisions of the article 123 of the Constitution in relation to the expenditure.

**Viability Gap Fund** means the funds or any other assets from the Government which are made available to the private party to support the project including funds for covering revenue shortfalls through grants, subsidies, guarantees, or any other mode approved by the Board constituted under Section 4 of the Sindh Public- Private Partnership Act, 2010.

**Works** mean any construction work, including electrical and mechanical work, consisting of erection, assembly, repair, renovation, or demolition of a building or structure or part thereof, such as site preparation, excavation, installation of equipment or materials and decoration, finishing and include incidental services such as a drilling, mapping, satellite photography, seismic investigations, and similar activities, if the value of those services does not exceed that of the works themselves.

# **CHAPTER 2**

## **Principles and Approaches of Budgeting**

## 2.1. PUBLIC SECTOR BUDGETING

Budgeting lies at the intersection between different disciplines and professions, but its multifaceted nature has largely been ignored. It plays a central role in public organizations for effective financial management and is used as a tool for advance planning and accurate estimation of their projected revenues and anticipated expenditures.

The English word 'budget' stems from the French word 'bougette' which means a leather bag or a large-sized purse. In European Governments, the French Revolution is considered a starting point where the demand was to move the power of budget authorization to a legislative body. In 1803, France adopted the English word budget and expanded on the English technical capabilities to obtain greater control over expenditures, both military and non-military. Thereafter, budgeting practices largely evolved in the 19th (Nineteenth) Century when Napoleon Bonaparte, the French army general, and the emperor, aimed to streamline military spending by establishing the budgetary control institution like the Office of the Auditor General. By the 1860s, France had developed a uniform accounting system consisting of conventions, a standard fiscal year, requirements, procedures, reporting, and auditing systems. Consequently, the budget became one of the major policy documents of the Government.

In the Indian subcontinent, 1st budget was presented on February 18, 1860, by James Wilson, a Scottish businessman appointed as a Finance Member of the Indian Council. He was also the founder of the famous magazine 'Economist' and was described by Karl Marx as an 'economical Mandarin of high standing'.

In the USA, public sector budgeting is in use since the early 20th century. The 20th Century also witnessed new dimensions and roles of budgeting focusing more on linking public sector spending with national/sub-national government policies. The introduction of the Medium-Term Budgetary Framework (MTBF) is an example in this regard. For Governments, the budget is a financial plan of its proposed revenues and estimated expenditures for a particular financial year. The budget can be related to line items, organizational entities, and programs. The budget is prepared by the executive, discussed, and approved by the legislature. It is executed after authentication by the Chief Minister of the Province. Nowadays, budgets are regarded as an important tool to allocate resources; assign targets, and control organizations' expenditures.

The budget describes the resources which the government raises through different means during a year and the expenditures incurred by the government through 'Demands for Grants'. A budget serves as a vehicle through which the actions of the different parts of an organization can be brought together and translated into a common plan. The budget communicates the government's targets and expectations to the various levels of management and aims to observe certain standards and limits while discharging their duties.

In accordance with Article 120 of the Constitution of Pakistan, 1973, after the consideration and approval by the Provincial Cabinet, budget estimates – consisting of the Annual Budget Statement and other supporting budget

documents – are laid before the Provincial Assembly for scrutiny, debate, and voting.

Once the Annual Budget Statement is approved by the legislature and authenticated thereafter by the Chief Minister as required under Article 123 of the Constitution, authorization is communicated by the Finance Department to administrative departments for the incurrence of the expenditures against the budgetary allocations approved therein. This phase also includes the release of funds both for the recurrent and development budget, budget revisions (including supplementary grants), excess demands, and surrenders of the unutilized amounts. Actual revenue collection and expenditures take place throughout the year from July to June. Finance Department has the responsibility of monitoring such receipts and expenditures throughout the year. Principal Accounting Officers (PAOs) and their subordinate offices also have specific roles and responsibilities, as DDOs and controlling officers both in terms of realization of the revenue receipts and incurrence of expenditures against the allocated resources.

## 2.2. KEY CHARACTERISTICS OF BUDGETING SYSTEM

There are three key characteristics of the budgeting systems which include annularity, unity, and universality, and are briefly described below: -

**Annularity:** Public sector budget is prepared every year, covering only one financial year; voted by the parliament; and executed over the year from **1st July** of a calendar year to **30th June** of the next calendar year. However, while maintaining the core principle of annual authorization as stipulated in the constitution, at the budget preparation stage, the Provincial Government also approves a 'Budget Strategy Paper' each year containing the quantified macroeconomic and fiscal projections for the medium-term outlining the aggregate revenues and expenditure envelop over the next three financial years.

**Unity:** Public revenues, expenditures, and financing are considered together to determine the annual budget targets. The budget covers all government agencies and other institutions that would either be a recipient of public resources or would be generating revenues for the Government. As such, the budget presents a consolidated picture of the fiscal operations of the Provincial Government.

**Universality:** All resources form part of a common pool (Provincial Account # 1 Non-Food) which comprises both the Consolidated Fund and Public Account of the Province. Funds are allocated and used for expenditure out of this common pool, according to policy choices and priorities of the Provincial Government as laid down in the Annual Budget.

## 2.3. IMPORTANT FEATURES OF BUDGET

Some of the important features of a 'good' budget are as follows:

**i. Credible** - Credible budgets are the ones that are implemented as intended. Budget credibility hinges on the realistic nature of the budget estimates. More realistic are the budget estimates, and less pronounced will be the variations.

**ii. Predictable** - Predictability implies the planning and implementation of a budget in an organized and orderly fashion. As such, a good budget needs to be predictable.

**iii. Comprehensive** - A budget should consider the entire nature of the operations of the Government including the estimates of its total income and expenditure along with its entities e.g., autonomous bodies, special institutions, corporate entities etc. Comprehensiveness enables the government to have better oversight of the fiscal risks.

**iv. Transparent**- Transparency is the cornerstone of good governance. It refers to the accessibility of fiscal and budget information to the public. This also requires the publication of several documents at different stages of the budget cycle. Similarly, the nature of transparency demands that standard classification is used for the formulation, approval, execution, and reporting of the budget. For the said purpose, in terms of the powers vested under Article 170 of the Constitution, the Auditor General of Pakistan has prescribed a comprehensive Chart of Accounts (CoA) under New Accounting Model (NAM) allocating codes to various types of income/expenditure in conformity with the International Public Sector Accounting Standards (IPSAS).

**v. Policy Based**- A budget reflects the policy of the Government. It should be prepared with due regard to the policy of the government.

**vi. Stewardship and Control**- In the use of public funds, a good budget serves as an instrument of stewardship and control for the Government.

**vii. Balanced**- Balancing the budget is the key requisite of fiscal sustainability. In certain circumstances though, the Government may be compelled to have a budget deficit which may be met from an accumulated surplus or by borrowing. To control the budget deficits at a sustainable level, the budget also serves as a balancing act between the competing demands on a resource envelope especially in the resource-constrained environment as is the case in most of the developing countries. Nevertheless, balancing the budget does not necessarily mean foregoing the essential expenditures by inflating the projected incomes. To make balanced budgets, it is also important to estimate the anticipated deficits in advance and explore realistic and cost-effective avenues of financing such deficits.

**viii. Realistic**- A good budget needs to be as realistic as possible. It must be based on accurate estimates of income and expenditure. Otherwise, the budget will lose its credibility.

In addition to the above-mentioned features, it is important that all appropriations granted/ authorized by the Government in the budget lapse at the end of the term of budget i.e. at the close of a financial year.

## **2.4. TYPES OF BUDGETS**

Budgets can be divided into several different types depending on the methodology of budget formulation. Some of the important types are explained briefly in the following paragraphs:

### **2.4.1. Incremental Budgeting-**

This budgeting approach is based on the premise of making a small change to the existing budget estimates for arriving at the budget for the next financial year. Increments are allowed to offset the annual increase in pay and allowances and to some extent absorb the impact of inflation in the new budget for non-salary budget heads. The budget utilized for the current fiscal year also becomes a basis for working out the next year's budgetary outlay. This methodology assumes that all departments/organizations/ offices will continue to operate at their current level of service delivery and cases where any additional amount is required will be added separately to arrive at the budget estimates for the next financial year. Cases where expenditure is less than the budgetary allocations may result in a reduction of the budget allocation for the next year in comparison to the allocations of the current financial year.

### **2.4.2. Zero-Based Budgeting-**

In this form of budgeting, all demands of resource allocation must be justified afresh for each new period. It is a budgeting methodology in which each year's budget is prepared from scratch i.e., taking the base as zero. The old and the new activities of the Government are ranked according to their importance and resources are allocated to each activity without considering the past budget or achievements. This methodology helps in identifying the redundancies in the departments developed over time and are being ignored under an incremental form of budgeting. However, due to capacity constraints, the involvement of several steps and processes, and other allied issues, this approach of budgeting becomes a time-consuming and costly exercise. As a result, very few governments use this methodology. Despite these limitations, the efficacy of this approach is recommended to be tested at least once every five to ten years to avoid redundant allocations in the budget.

### **2.4.3 Performance-Based Budgeting (PBB) -**

Performance-based budgets use the statement of mission, goals, and objectives to explain why money is being spent. It comprises an annual, integrated performance plan, indicating the relationship between the levels of funding and the anticipated outcomes. It refers to a single or a set of performance target(s) which must be achieved at a given expenditure level. PBB relates the appropriations or expenditure targets with the performance targets. In this method, an effort is made to transform the funding into results, by outlining a general chain of cause-and-effect relationship. It is a way to allocate resources to achieve specific objectives based on program goals and measured results. Focusing on the expected outcomes against the anticipated expenditures, and then comparing the actual outcomes against the plans, also ensures better financial discipline besides bringing efficiency in such expenditures.

A performance based budget has the following key characteristics: -

- It presents the major purpose for which funds are allocated and sets measurable objectives;
- It tends to focus on changes in funding rather than the base (the amount appropriated for the previous budget cycle);
- It identifies the programs and agencies that are seeking similar outcomes, thereby drawing such inter-relationships to the legislature's attention; and
- It offers agencies the flexibility to reallocate money when the conditions merit such considerations rewarding achievement and considering punishments for poor performance.

### **2.4.4 Output-Based Budgeting (OBB) -**

Output-based budgeting framework enables the preparation of a budget by linking the inputs (resources) with outputs (services) and outcomes (impact) of an organization. This method of budgeting supports the strategic prioritization of resources and the linkage of financial information to the policy objectives of the government. This approach is preferred in the public sector to enhance the efficiency of budgetary allocations by establishing linkages between the operational plans based on the service (output) delivery targets with the corresponding fiscal resources. OBB provides a key foundation for moving towards performance-based budgeting. The difference, however, lies in setting the operational service delivery targets rather than the performance benchmarks. In a nutshell, OBB estimates are usually prepared for three years and are linked to the organization's policy objectives.

# **CHAPTER 3**

## **Statutory Framework For Budgeting**

### 3.1. CONSTITUTIONAL PROVISIONS

Public Financial Management (PFM) system in Pakistan is structured around the principles of fiscal federalism, with specific financial management provisions contained in the Constitution of the Islamic Republic of Pakistan. Similarly, the collection and distribution of revenues of divisible pool taxes between the federal and provincial governments is governed by National Finance Commission (NFC) Award, under the basic principles laid down in Article 160 of the Constitution. The Constitution also specifies the relationship between the executive and legislature. In the provincial context, the power to formulate fiscal laws, budget approvals, and changes in the approved budget is vested with the Provincial Assembly. The executive is responsible for formulating budget proposals and seeking approval from the legislature. The Constitution also contains provisions relating to financial management and control by the provinces. Accordingly, budgetary controls are exercised as set out in the relevant provisions of the Constitution, acts/rules promulgated under the Constitution, and procedures prescribed by the provincial government/ provincial assembly.

Table 1 below sets out the constitutional provisions relating to budget preparation, management, and control in the provinces.

**Table 1 Constitutional provision relating to Financial Procedure for Provincial Finances**

ARTICLE NUMBER	TITLE
118	Provincial Consolidated Fund and Public Account
119	Custody etc. of Provincial Consolidated Fund and Public Account
120	Annual Budget Statement
121	Expenditure charged upon Provincial Consolidated Fund
122	Procedure relating to Annual Budget Statement
123	Authentication of the Schedule of Authorised Expenditure
124	Supplementary and Excess Grant
125	Votes on account
126	Powers to authorise expenditures when assembly stands dissolved

In addition to the constitutional provisions given above, the Government of Sindh has also enacted the Sindh Public Finance Administration Act 2020 (enacted and notified on 24th May 2021) to regulate the financial management affairs in the province. The Constitutional provisions governing the Provincial Budget and conduct of business by the Provincial Government are discussed as under: -

**Article 118. Provincial Consolidated Fund and Public Account: -**

(1) All revenues received by the Provincial Government, all loans raised by that Government, and all money received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.

(2) All other money.

- (a) received by or on behalf of the Provincial Government; or
- (b) received by or deposited with the High Court of any other Court established under the authority of the province; shall be credited to the Public Account of the Province.

**Article 119. Custody etc. of Provincial Consolidated Fund and Public Account: -**

The custody of the Provincial Consolidated Fund, the payment of money into that Fund, the withdrawal of money therefrom, the custody of other money received by or on behalf of the Provincial Government, their payment into, and withdrawal from, the Public Account of the Province, and all matter connected with or ancillary to the matters aforesaid, shall be regulated by the Act of the Provincial Assembly or, until provision in that behalf is so made, by the rules made by the Governor.

**Article 120. Annual Budget Statement: -**

(1) The Provincial Government shall, in respect of every financial year, cause to be laid before the Provincial Assembly a statement of the estimated receipts and expenditure of the Provincial Government for that year, referred to as the Annual Budget Statement.

(2) The Annual Budget Statement shall show separately-

- (a) The sums required to meet the expenditure described by the Constitution as expenditure charged upon the Provincial Consolidated Fund; and
- (b) The sums required to meet other expenditures proposed to be made from the Provincial Consolidated Fund; and shall distinguish expenditure on revenue account from other expenditure.

(b) the administrative expenses, including the remuneration payable to officers and servants, of the High Court and the Secretariat of the Provincial Assembly;

(c) all debt charges for which the Provincial Government is liable, including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the service and redemption of debt on the security of the Provincial Consolidation Fund;

(d) any sums required to satisfy any judgment, decree, or award against the Province by any Court or tribunal; and

(e) any other sums declared by the Constitution or by the Act of the Provincial Assembly to be so charged.

### **Article 122. Procedure Relating to Annual Budget Statement**

(1) So much of the Annual Budget Statement as relates to expenditure charged upon the Provincial Consolidated Fund may be discussed in, but shall not be submitted to the vote of, the Provincial Assembly.

(2) So much of the Annual Budget Statement as relates to other expenditure shall be submitted to the Provincial Assembly in the form of demands for grants, and that Assembly shall have the power to assent to, or to refuse to assent to, any demand, or to assent to any demand subject to a reduction of the amount specified therein:

Provided that, for a period of ten years from the commencing day or the holding of the second general election to the Provincial Assembly, whichever occurs later, a demand shall be deemed to have been assented to unless, by the votes of a majority of the total membership of the Assembly, it is refused or assented to subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the Provincial Government.

### **Article 123. Authentication of schedule of authorized expenditure**

(1) The Chief Minister shall authenticate by his signature a schedule specifying: -

(a) the grants made or deemed to have been made by the Provincial Assembly under Article 122 and

(b) the several sums required to meet the expenditure charged upon the Provincial Consolidated Fund but not exceeding, in the case of any sum, the sum shown in the statement previously laid before the Assembly.

(2) The schedule so authenticated shall be laid before the Provincial Assembly but shall not be open to discussion or vote thereon.

(3) Subject to the Constitution, no expenditure from the Provincial Consolidated Fund shall be deemed to be duly authorized unless it is specified in the schedule so authenticated and such schedule is laid before the Provincial Assembly as required by clause (2).

### **Article 124. Supplementary and Excess Grant**

If in respect of any financial year it is found:-

(a) that the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget Statement for that year; or

(b) that any money has been spent on any service during a financial year over the amount granted for that service for that year;

the Provincial Government shall have the power to authorize expenditure from the Provincial Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the Provincial Assembly a Supplementary Budget Statement or, as the case may be, an Excess Budget Statement, setting out the amount of that expenditure and the provisions of Articles 120 to 123 shall apply to those statements as they apply to the Annual Budget Statement.

### **Article 125. Votes on account**

Notwithstanding anything contained in the foregoing provisions relating to financial matters, the Provincial Assembly shall have the power to make any grant in advance in respect of the estimated expenditure for a part of any financial year, not exceeding three months, pending completion of the procedure prescribed in Article 122 for the voting of such grant and the authentication of the schedule of expenditure by the provisions of Article 123 about the expenditure.

### **Article 126. Power to authorize expenditure when Assembly stands dissolved**

Notwithstanding anything contained in the foregoing provisions relating to financial matters, at any time when the Provincial Assembly stands dissolved, the Provincial Government may authorize expenditure from the Provincial Consolidated Fund in respect of the estimated expenditure for a period not exceeding four months in any financial year, pending completion of the procedure

prescribed in Article 122 for the voting of grants and the authentication of the schedule of authorized expenditure by the provisions of Article 123 about the expenditure.

Similarly, some other constitutional provisions relating to the exercise of authority in the province and regulating the affairs of the Government in the province are as follows: -

### **Article 129. Exercise of Executive Authority of the Province**

The executive authority of the province shall vest in the Governor and shall be exercised by him, either directly or through an officer subordinate to him, by the Constitution.

### **Article 139. Conduct of Business of Provincial Government**

(1) All executive actions of the Provincial Government shall be expressed to be taken in the name of the Governor;

(2) The Governor shall by rules specify the manner in which orders and other instruments made and executed in his name shall be authenticated, and the validity of any order or instrument so authenticated shall not be questioned in any Court on the ground that it was not made or executed by the Governor;

(3) The Provincial Government shall also make rules for the allocation and transaction of the business of the Provincial Government.

## **3.2. REGULATORY FRAMEWORK**

In terms of Article 119 of the Constitution of Pakistan 1973, all matters connected to holding money on behalf of the Government, receipts, and payments from Provincial Consolidated Funds and Public Accounts, and other ancillary matters are to be regulated by the Act of the Provincial Assembly or, until provision in that behalf is so made, by rules made by the Governor.

In accordance with the said Article, and to provide for efficient and transparent management of the Provincial Consolidated Fund and Public Account of the Province, and proper accountability of transactions and in relation thereto, the Sindh Public Finance Administration Act 2020 has been enacted and notified on 24th May 2021. The act inter-alia provides a legal and regulatory framework for budget management, expenditure control, cash management, banking arrangements of the Government, financial reporting, inter-governmental fiscal co-ordination, classification, and management of public entities along with elaboration of the role and responsibilities of Finance and Planning and Development Department of the Government of Sindh.

Similarly, the following rules and regulations have either been issued or are under revision to make them consistent with the relevant provisions of the Constitution and the Sindh Public Finance Administration Act, 2020: -

i. The Sindh Delegation of Financial Powers and Financial Control Rules 2019 (under the Sindh Financial Management and Accountability Act, 2011 as the Sindh Public Finance Administration Act 2020 was not yet enacted)

ii. The Sindh Financial Rules Vol I & II

iii. The Sindh Treasury Rules

The following table provides a broad list of topics covered under each of the above-mentioned financial rules/ handbooks.

**Table 2 – List of Financial Rules/ Handbooks**

<p>The Sindh Financial Rules (SFR) Vol I &amp; II</p>	<ul style="list-style-type: none"> <li>- General system of financial management - Methods of withdrawal of money from the treasury and ancillary matters</li> <li>- Revenue receipts and their checks - Control over accounts</li> <li>- Pay, allowances, and pension - Claims on the accounting office - Contingencies - Inventory/store management - Works - Public Buildings - Grant in Aid - Loans and advances - Deposits - Power to sanction expenditures - Special Rules for Treasuries and Accounts offices - Local Funds - Budget - Services and other funds</li> </ul>
<p>The Sindh Treasury Rules</p>	<ul style="list-style-type: none"> <li>- Locations of the Money standing in the Consolidated Fund and Public Account of the Province - General system of control over Accounts Offices and Treasuries - Extent of the responsibility of the State Bank of Pakistan in connection with the business of the Government - Special instructions for particular departments - Withdrawal of money from the Provincial Consolidated Fund or Public Account of the Province - Pay and Allowances- General Rules</li> <li>- Bills for Contingent Charges or Miscellaneous Expenditure - Judicial and non-judicial stamps - Departmental payments - Loans and advances - Deposits - Accounts of Government Servants etc. - Accounting records</li> </ul>
<p>The Sindh Delegation of Financial Powers and Financial Control Rules 2019</p>	<ul style="list-style-type: none"> <li>- Powers common to all Departments - Special Powers to certain departments - Financial Controls</li> </ul>

There are different financial management arrangements and institutions enunciated in the Constitution to oversee the fiscal and economic affairs of the Government. Some of the most important ones are narrated below.

### **Article 153- Council of Common Interests (CCI) -**

There shall be a Council of Common Interests (CCI) to be appointed by the President. CCI consists of the Prime Minister, Chief Ministers of the provinces and an equal number of members from the Federal Government to be nominated by the Prime Minister from time to time. The Council shall formulate and regulate policies about matters in part II of the Federal Legislative List and shall exercise supervision and control over related institutions. The list mainly includes oil and natural gas, industries, electricity, water, regulatory authorities, national planning, national economic coordination, supervision and management of public debt, and inter-provincial matters.

### **Article 156- National Economic Council (NEC) -**

The National Economic Council (NEC) is constituted by the President and shall consist of the Prime Minister as the Chairman; Chief Ministers of Provinces and one member from each Province to be nominated by the Chief Minister; and four other members as Prime Minister may nominate from time to time. NEC is responsible for reviewing the economic condition of the country advising Federal and Provincial Governments to formulate plans in respect of financial, commercial, social, and economic policies; and it shall, amongst other factors ensure balanced development and regional equity and shall also be guided by formulating such plans, by the 'Principles of Policy' set out in the constitution.

### **Article 160- National Finance Commission (NFC) -**

Within six months of the commencing day and thereafter, at intervals not exceeding five years, the President shall constitute a National Finance Commission (NFC) consisting of the Minister of Finance of the Federal Government, the Ministers of Finance of the Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the provinces.

It shall be the duty of the National Finance Commission to make recommendations to the President regarding: -

- The distribution between the Federation and the Provinces of the net proceeds of the divisible pool taxes;
- Making of grants-in-aid by the Federal Government to the Provincial Governments;
- The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
- Any other matter relating to finance referred to the Commission by the President.

## **The Sindh Government Rules of Business, 1986-**

By invoking the provisions of Article 139 (3) of the Constitution of the Islamic Republic of Pakistan, the Government of Sindh has formulated the Sindh Government Rules of Business 1986 (as amended from time to time) to transact Government business. The rules of business, besides explaining the duties and responsibilities of the Governor, Chief Minister, Minister, and Secretaries also prescribe the scope and function/service of each department of the Government. These rules are updated on the creation of a new department, or changes/addition or deletion in the scope of services of various departments. The rules of business also specify the Administrative Units (Department, attached department, autonomous bodies, special institutions, etc.) of the Government and the officers responsible for carrying out the respective functions of the Department/s.

## **Rules of Procedure of the Provincial Assembly-**

In pursuance of clause (1) of Article 87 read with Article 127 of the Constitution of the Islamic Republic of Pakistan, the Provincial Assembly of Sindh in its sitting from time to time and held lastly on Thursday, 31st October 2013 adopted the Rules of Procedure of the Provincial Assembly of Sindh, 2013. These rules inter-alia prescribe the procedures for summoning and prorogation of the assembly, powers, duties, and responsibilities of the Speaker and Deputy Speaker, legislation, ordinances, and resolutions on matters of general interest. It also contains the prescriptions on the resolutions mentioned in the constitution, reports to be laid before the Provincial Assembly, pre-budget and post-budget discussions, procedures in the financial matters, committees of the Provincial Assembly along with accompanying schedules to administer and regulate these affairs.

## **Public Accounts Committee (PAC) –**

The Provincial Assembly through the Public Accounts Committee (PAC) plays a pivotal role in ensuring the parliamentary oversight of the public exchequer by examining the Appropriation Accounts of the Government, Auditor General's reports relating to the accounts of the province, and other such matters as the Assembly or the Speaker or the Finance Minister may refer to the Committee. The PAC in Sindh consists of seven (7) elected members with the Minister of Finance as its ex-officio member. Matters relating to PAC are dealt with under Rules 189-194 of the Rules of Procedure of the Provincial Assembly of Sindh.

Key Responsibilities of the PAC about the accounts of the province and the review of the audit reports by the Auditor General of Pakistan are as follows: -

(1) In scrutinising the Appropriation Accounts of the Government and the report of

the Auditor-General thereon, it shall be the duty of the Committee to satisfy themselves that–

(a) the money shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

(b) the expenditure conforms to the authority which governs it; and

(c) every re-appropriation had been made by such rules as may be prescribed by Government.

(2) It shall also be the duty of the Committee to–

(a) examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns, and projects together with the balance sheets and statements of profit and loss accounts which the Governor may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, a trading concern or project, and the report of the Auditor-General thereon;

(b) examine the statements of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Auditor-General under the directions of the Governor or any law; and

(c) consider the report of the Auditor-General in the case where the Governor may have required him to conduct the audit of any receipts or to examine the accounts of stores and stocks.

(3) If any money has been spent on any service during a financial year over the amount granted by the Assembly for that purpose, the Committee shall examine concerning the facts of each case, the circumstances leading to such an excess and make such recommendations as it may deem fit.

**CHAPTER 4**  
**Framework &**  
**Classification for**  
**Budgeting and Accounting**

## **4.1. FINANCIAL ACCOUNTING AND BUDGETING SYSTEM (FABS) AND NEW ACCOUNTING MODEL (NAM)**

The Auditor General of Pakistan is responsible to set out the conceptual framework of accounting for the public sector entities in the country. Under Article 170 of the Constitution of Pakistan, on the recommendation of the Auditor-General of Pakistan, the President of the Islamic Republic of Pakistan approved the accounting system known as New Accounting Model (NAM) in the year 2000. New Accounting Model (NAM) was developed under an overarching framework of the Financial Accounting and Budgeting System (FABS). FABS comprises New Accounting Model (NAM) and SAP-ERP-based Information Technology platform. Key objectives of FABS (i.e., NAM, along with the SAP-based IT platform) include effective budgetary management, financial control, cash forecasting, fiscal administration, and debt management to enable effective accountability and better financial governance.

Under this framework, most of the business processes of the Government relating to accounting, budgeting, and HR have been revamped. NAM which conforms to international best practices, comprises seven volumes of books/manuals as mentioned below: -

- Accounting Policies & Procedures Manual
- Manual of Accounting Principles
- Chart of Accounts
- Book of Forms
- Accounting Code for Self-Accounting Entities
- Financial Reporting Manual
- Handbook of Accounting Guidelines

NAM is based on the modified cash basis of accounting wherein besides following the concepts of cash basis of accounting, the following additional concepts were also introduced; -

- Commitment Accounting
- Physical and Financial Asset Accounting
- Liability Accounting
- Double entry bookkeeping.

## **4.2. INTERNATIONAL ACCOUNTING AND REPORTING STANDARDS REQUIREMENTS**

Budget follows the Accounts and accounts follow the budget. New Accounting Model (NAM) integrated the following features along with other requirements: -

(a) **Elementary Accounting:** Most of the countries in the world are shifting from the legacy systems of cash receipts, payments, and four divisions of accounts towards accounting based on five key elements of accounts. In Pakistan since 2000, the classification based on four divisions of accounts has been changed to an internationally accepted classification of business transactions known as Elements of Accounts (Revenue, Expenditure, Assets, Liabilities, and Equity).

(b) **Responsibility Accounting:** Some of the features of responsibility accounting like reporting on Cost Centre, Fund Centre, and Profit Centre have been included in the current accounting framework. The financial reports include the departmental fiscal performance reports as prescribed under the INTOSAI Reporting Framework.

(c) **International Public Sector Accounting Standards (IPSAS)- Cash basis:** The basis for recording the economic events has been selected mainly on a cash basis (except few transactions under Public Account). However, the format of Cash-basis IPSAS has been adopted for the preparation of financial statements. The financial statements focus on reporting the budgetary activity of the Government for a financial year as laid out in the financial procedure of the Constitution.

(d) **IPSAS-Accrual basis:** For reporting the statement of cash flows, the format of Accrual-basis IPSAS-2 has been adopted.

### **4.3. ADMINISTRATIVE AND ACCOUNTING REQUIREMENTS**

In our financial management system, the heads of Administrative Departments, Attached Departments, and other Government functionaries are required to keep themselves abreast with the physical and financial progress of the organizations and projects under them. Moreover, it is the responsibility of the Principal Accounting Officer (PAO) to monitor the budget, and trends of the expenditures against the budget allocation, and present himself before the PAC for accountability of the resources consumed. For the said purpose, the monthly expenditure reports against the demands for grants are made available to the respective PAOs by the account's office regularly for review and reconciliation. The Accountant General of the Province also shares the Monthly Civil Accounts of the Government with the Finance Department and Annual Appropriation Accounts of the Province after the end of a particular financial year. Alongside all these reports, Finance Department also regularly prepares the Quarterly and Annual Budget Execution Reports (BERs) of the Government. In terms of Sections 35 and 36 of the Sindh Public Finance Administration Act 2020 (enacted and notified on 24th May 2021), preparation of these reports and their submission to the Provincial Assembly Sindh is now a statutory requirement. All these administrative, accounting, and financial reporting requirements need a robust and comprehensive budgeting and accounting system catering to the diverse range of stakeholders.

## 4.4. TYPES OF TRANSACTIONS

There are generally two categories of transactions:

1. **Monetary Transactions** – In this category, a large number of transactions are classified which involve money.
2. **Other Transactions** - Some transactions do not involve money. These represent mostly the accounting provisions, adjustments, corrections for error, etc. by accounting concepts/conventions.

Since every money-related transaction involves an 'inflow' and 'outflow' of resources (e.g., goods 'received' and cash 'paid'), it implies that a transaction always has two parts: the one that relates to the receipt of goods (or provision of services) and the other part that relates to payment of money. Similarly, from another person's perspective, it is the delivery of goods (or services) and receipt of money.

## 4.5. ACCOUNTING ELEMENTS

The whole accounting framework is based on five accounting elements as given below:-

1. Equity
2. Liability
3. Asset
4. Revenue
5. Expense

Any accounting transaction involves at least two of the above elements. These elements change due to the relevant transactions taking place within a business entity. The changes take place as in a dual nature of an accounting entry, at least two of the accounting elements are involved. These two sides are commonly known as Debit and Credit.

### Rules of Debit & Credit

The universal rules for debit and credit are summarized on the next page :

Accounting Element	Increase (+)	Decrease (-)
Expenses	Debit	Credit
Assets	Debit	Credit
Income/Revenue	Credit	Debit
Liabilities	Credit	Debit
Equity/Capital	Credit	Debit

## 4.6. ACCOUNTING ENTRY

Recording of a transaction in books of account is done with the help of an accounting 'entry'. Accounting entry has two parts: a debit part and a credit part. No entry is complete unless both parts are identified and recorded.

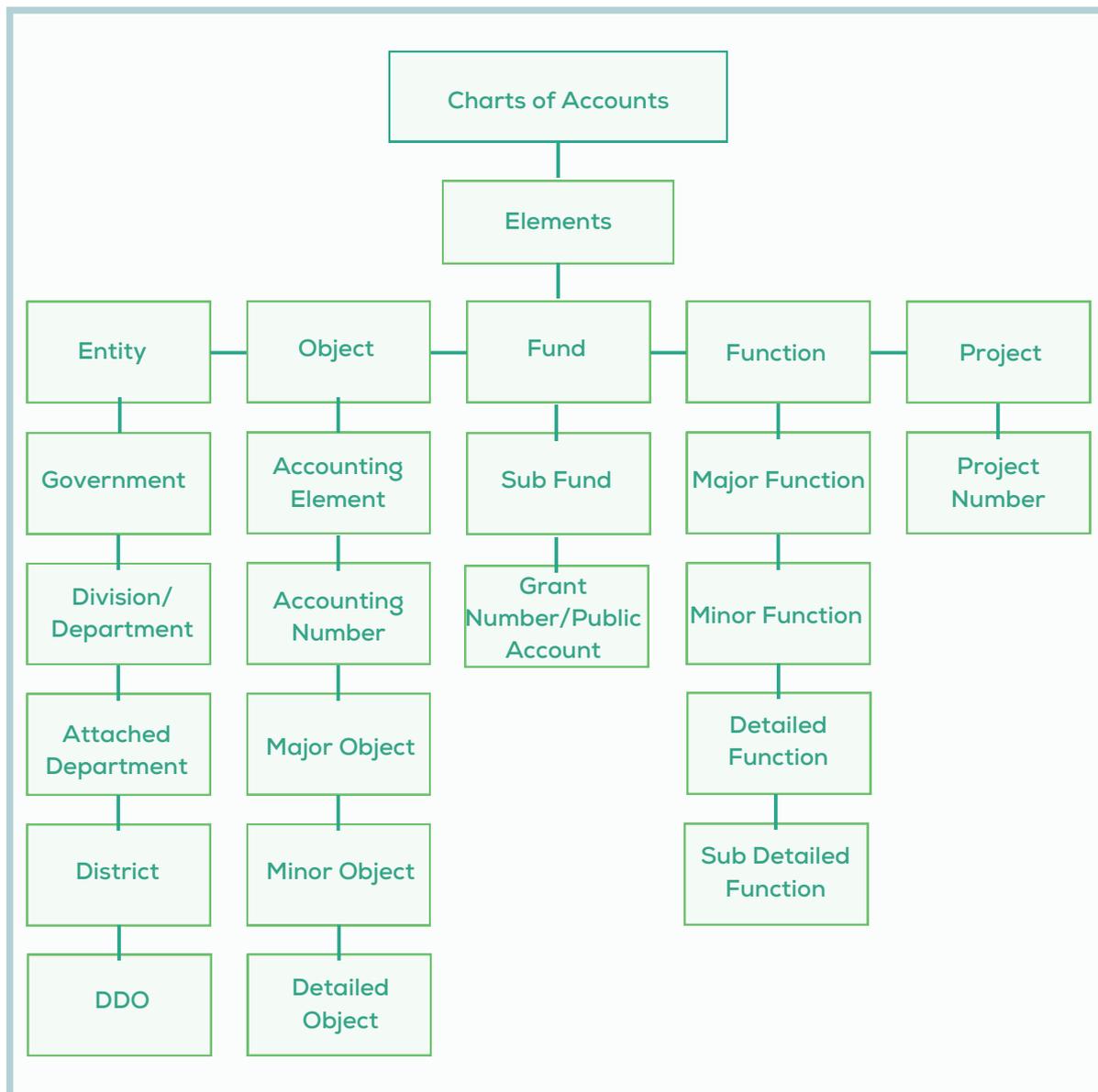
## 4.7. CLASSIFICATION OF TRANSACTIONS

Classification of transactions is the first step in developing a chart of accounts. In its simplest form, a transaction is a 'deal between two people to exchange goods or services for money'. For example, a hospital purchases a CT scan machine from an equipment supplier and makes payment by cheque. A school pays the electricity bill. A college purchases a staff car. Accounting entry enables the recording of events/transactions with the help of accounting elements. The accounting elements are the original form of a 'Chart of Accounts' since these provide the basic classification of various 'accounts' that any entity deals with at the time of making transactions. These elements can further be classified up to a detailed level. For example, expenses can have details like Pay, Allowances, Utilities, Repair & Maintenance, while Assets can further be classified into items like Furniture, Vehicle, Computer, etc. Similarly, income can refer to Grants, Dividends, Rent and Liabilities can be further subdivided into various types of obligations, for example, loans, salary payables, etc. The last Element 'Equity' can be classified into Reserves and Funds.

## 4.8. CHART OF ACCOUNTS (COA) - MULTIDIMENSIONAL CODE & BUDGET CLASSIFICATION

Chart of Accounts (CoA) provides a framework for organizing accounting transactions by capturing their various attributes and presenting the same according to a structure provided by elements contained in the CoA.

The overall structure of CoA looks as follows: -



#### 4.8.1. Key Features of Government's Chart of Accounts

The government's chart of accounts is more complex as it involves many codes to identify transactions concerning their type, purpose, originating department, and source of funding. It provides a framework for organizing accounting transactions to cover several aspects of these transactions. These views are provided by the elements contained in the CoA. Each element provides both a summary and a detailed view of accounting transactions. The elements consist of several characters including both the alpha and numeric characters. All the above features help in providing different views of accounting information required for reporting.

## 4.8.2. Chart of Accounts Elements

As per the New Accounting Model, the expenditure is classified into the following five elements;

1. **The entity** element means the organizational structure or unit which creates the transactions. The organizational highest level is the Government & lowest level is the Drawing & Disbursing Officer (DDO) / Collecting Officer (CO).

i. **The Government** sub-element is the Federal or Provincial Government and represents the highest level at which entity information can be aggregated. Each Government is represented by a **single alpha** character.

ii. **Ministry** refers to Provincial Ministry / Department. Each Ministry/ department is identified by **two numeric** characters.

iii. **Division / Department** is a subset of the Federal Government, while in the case of the Provincial Government, Department is a subset of the Government and reflects the responsibilities of the departmental organization. Each division/department is identified by **one numeric** character.

iv. **The attached Department** is a subset of a division, that is relevant both to the Federal Government and Provincial Government. This sub-element defines the highest level at which operational responsibilities are assigned and at which operating entities can logically be reported and aggregated. The attached department is identified by **four numeric** characters.

v. **The district** is the location in which the concerned DDOs of the Division / Department and/or attached department are located. The district also represents the District Accounting Office (DAO). Each DAO will be identified by a separate code. Each district is identified by **two alpha** characters.

vi. **Drawing and Disbursing Officer (DDO)** is the lowest organizational level at which budgetary control occurs and organization information is collected and reported. It is an example of a cost center. Each DDO is identified by **four numeric** characters. DDOs are ordinarily responsible for expenditures for one entity (e.g., a school or a single project). However, in circumstances where the DDO is responsible for more than one entity, one DDO code will be assigned for each entity.

### Example:

In the Chart of Accounts, Sindh Government is denoted by one alpha character 'S'. Each of its Departments has been assigned two numeric characters. So, Provincial Health Department is identified as S44; Finance Department has been

assigned S31; Education Department is represented by S40, etc. For the Government of Sindh, the Entity codes range from S25 to S99. Complete entity codes can be seen in the Chart of Accounts.

**2. The Function** element relates to the provision of a particular service, activity, or Government program. The function code is directly related to the International Monetary Fund's (IMF's) public sector reporting requirements. The function element provides reporting of transactions by economic function and program. The function code is mandatory for transactions relating to expenditure and revenue. The function element consists of four sub-elements, major function, minor function, detailed function, and sub-detailed function (program sub-element will only be used by computerized entities if the Federal and Provincial Governments decide to introduce program accounting).

**i. Major Function** describes the principal economic function to which a transaction should belong. The major functions included in the Chart of Accounts are those provided by the Organization of Economic Development (OECD) in its publication "Classification of Functions of the Government (COFOG)". The major function is identified by two numeric characters.

**ii. Minor Function:** The second sub-element is a minor function, which provides the lowest level of economic function to which a transaction will be classified. The minor functions included in the Chart of Accounts are those provided by the Organization of Economic Development (OECD) in its publication "Classification of the Functions of Government (COFOG)" as modified wherever it is necessary to do so. The minor function is identified by a single numeric character.

**iii. Detailed Function** provides an additional level of detail and analysis and will be uniquely applied to each major/minor function combination. The detailed function sub-element will be revised (with input from all stakeholders) before the issuance of the proposed CoA. The detailed function is identified by one numeric character.

**iv. Sub-detailed Function** is the lowest level of additional information and is represented by two numeric characters.

**v. Program** is used to identify the government programs whenever any such program is introduced by the Federal and Provincial Governments etc. Although the Government has yet to adopt the program budgeting and reporting, however, there is every likelihood that this classification will be developed and adopted in the future. For this to occur, a provision has been made in the Chart of Accounts to capture the financial transaction data by program. Although a program is included in the function, it is a separate identifier that may have several relationships with the function (i.e., one program may occur across several functions). The program is identified by three numeric characters.

## Function element structure - Example

An example of a functional element with the assigned code is shown below:

MajorFunction	01	General Public Service
Minor Function	011	Executive and Legislative Organs, Financial and Fiscal Affairs, External Affairs
Detailed Function	0114	Foreign Debt Management
Sub Detailed Function	011401	Interest on Foreign Debt
Programme	LO0180000001	Family Planning Programme

While assigning the codes for the 'Function' element, the officers/officials would be required to consult the Chart of Accounts.

The **Object** element describes an item of expenditure, receipt, asset, or liability. Each accounting classification is further subdivided into a hierarchy, down to the level of detailed object head. The use of the object element is mandatory for all accounting transactions. The object element consists of two sub-elements, the **accounting element**, and the **account number**.

### Accounting Element

The accounting element is a single alpha character sub-element and defines the accounting element to which a transaction will be classified. The accounting elements are as follows:

- A00000 Expenditure
- B00000 Tax receipts
- C00000 Non-tax receipts
- E00000 Capital receipts
- F00000 Assets
- G00000 Liabilities
- H00000 Equity.

## Account Number

The account number is a five-numeric character sub-element. This sub-element defines the detailed “natural” accounts to which transactions will be classified (e.g., salaries, utilities, etc.). The account number contains a further internal structure. This structure is as shown below:

- Major object
- Minor object
- Detailed object.

## Object Element Structure - Example

An example of the object element in terms of the actual code is shown below:

### Accounting Element-A Expenditure

Major Object	A01	Employee related expenses
Minor Object	A011	Pay
Detailed Object	A01101	Basic Pay of Officers

Like other elements, the complete codes for the ‘Object’ element may be seen in the Chart of Accounts to assign the appropriate classification for the allocations and releases.

**Fund** element is a pool of money from where the budgetary allocation is made (e.g., Consolidated Fund), and is further subdivided into grants demands (in the case of Consolidated Fund) or detailed heads for Public Account. The fund element enables the financial reporting by a fund either as Consolidated Fund or Public Account. The use of the fund element is mandatory for all accounting transactions. The fund element consists of four sub-elements, fund; source; sub-fund; and grant / public account number. The fund sub-element is **one alpha** character and identifies the fund either as Consolidated Fund or Public Account.

Source represents either the Capital or Revenue receipts and is identified by **one numeric** character.

## Fund Element

Fund		Source		Sub Fund		Budget Grant/Public Account	
No	Description	No	Description	No	Description	No	Description
C	Consolidated						
P	Public						

## Fund Element (Consolidated Fund)

Fund		Source		Sub Fund		Budget Grant/Public Account	
No	Description	No	Description	No	Description	No	Description
C	Consolidated	1	Capital	1	Voted Current Expenditure		Demand Grant Number would be allocated as per the codes provided in the Budget Book
				2	Voted Development Expenditure		
				3	Voted Capital Expenditure		
				4	Charged Current Expenditure		
				5	Charged Development Expenditure		
				6	Charged Capital Expenditure		

## Demand Number / Public Account

The demand number / public account number is a three numeric character sub-element, which identifies the relevant Consolidated Fund demand number or Public Account. The demand/grant number will facilitate capturing and reporting whether expenditure is met from capital and revenue via a grant/demand being distinctly revenue or capital in nature.

**The Project** element is indicated by 4 Numeric characters, allotted to each Development Project. The project element enables the transactions to be aggregated and reported at a project level. Each project will have a unique project number. The project element enables the transactions to be aggregated and reported at a project level (generally equivalent to the “sub-grant” level in the project development budget). The project code will be used for all development projects and the use of this code for all such projects will be mandatory.

The above description of the coding structure of the Chart of Accounts depicts that various elements are imperative to capture the budgetary details of the release of funds, issuance of a financial sanction, submission of claims, accounting of transactions, and consolidation of accounts.

### Explanation of the few expressions with examples-

#### What is the overall Entity?

It's a Provincial Government - Government of Sindh

#### What is the name of the administrative unit/entity responsible for collecting taxes?

Board of Revenue, Sindh Revenue Board, etc.

#### Will the tax receipt be a part of the Provincial Consolidated Fund or Public Account?

Provincial Consolidated Fund (all taxes are part of the Provincial Consolidated Fund)

### Exercise- Identifying Function and Object Elements of Chart of Accounts

In the following table, Functions and Objects are intermingled. Please mention either Object or Function against each item separately:

No	Description	Whether Object or Function
1	Repairs to Furniture & Fixtures	Object
2	General Hospital Services	Function
3	Basic Pay of Officers	Detailed Object
4	Computer Equipment	Object
5	Chemical Examiner and Laboratories	Function
6	Hot and Cold Weather Charges	Object
7	Drug Control	Function
8	Newspaper, Periodicals and Books	Object
9	Pension	Object
10	Postage & Telegraph	Object
11	Training	Object
12	P.O.L Charges-Planes, Helicopters, Staff Cars, Motorcycles	Object
13	Secondary Education	Function
14	Planning	Function
15	Human Resource Management	Function
16	Debt Management	Function
17	Pension-Civil	Function

### 4.8.3. Location (Geographical) Element:

This element helps in reporting information about the physical existence of economic activity/project/service delivery unit in a particular administrative locality. It also enables the planners the identification of regions, sectors, and sub-sectors. Geographic classification is mandatory for all transactions of expenditure (current or development). The same should be used for revenue transactions to the possible extent. The classification for 'location' indicates the region in which the expenditure took place and is divided into three sub-elements.

District sub-element identifies the administrative district as having two alphabetic characters. The tehsil sub-element identifies the sub-administrative area within a district designated as Tehsil / Ta'luka having two numeric characters. Union Council sub-element identifies the sub-administrative areas within a Tehsil/ Ta'luka having three numeric characters. For district codes, the sub-area code list no. 5 in the Chart of Accounts will be used. However, for Tehsil and Union council lists will be obtained from the Election Commission and Local Government Departments. The final lists with codes are available on the website of the CGA. For example, the structure of this element can be presented as under:

District		Taluka		Union Council/Urban Unit	
Code	Name of District	Code	Name of Taluka	Code	Name of UC/UU

In case the geographical location is across (multi-provinces) the provinces and not divisible then the District code will be 'PK', Tehsil code will be '90', and Union Council code '900'. In case the geographical location is across (multi-districts) districts and is not divisible, then the District code will be for Punjab 'PP', for Sindh 'SP', for Khyber Pakhtunkhwa 'NP', for Balochistan 'BP', for Azad Kashmir 'AK' and for Gilgit Baltistan 'GB'. The tehsil code in this case will be '91' and the Union Council code '901'. In the case of multi-tehsils, the code will be '92' and the Union Council code '902'. And finally, in the case of multi-Union Councils and not divisible, the code will be '903'. Otherwise, a sequentially unique identity code will be allotted to each Union Council starting from '001'.

Constituency-based information shall be generated through an additional mapped table available in the SAP – ERP system as under:

District		Federal Constituency		Provincial Constituency		Union Council/Urban Unit	
Code	Name of District	Code	Cont. No	Cont. No	Name of Takula	Code	Name of UC/UU

## 4.9. INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS)

For many years now, Sindh has been managing its PFM systems through the SAP-based Integrated Financial Management Information System (IFMIS) with the support of the Federal Government’s Project for Improvement of Financial Reporting and Auditing (PIFRA). Besides automation of the financial management processes, the system uses the Financial Accounting and Budgeting System (FABS) framework for budgeting and accounting on a uniform and comprehensive coding system given in the CoA under New Accounting Model (NAM). The management of budgets, payments, and accounting is executed through an IT-based integrated framework, with multiple linkages for intergovernmental financial flows, system-based reporting of government revenues and expenditures, with budget execution through budget controls and financial reports. The IFMIS is being used at more than 500 sites across the country. District Accounts Offices (DAOs) and other district-level offices, and provincial line departments are linked through Wide Area Network (WAN) to servers at the Accountant General Office and the Finance Department of the respective provinces. All provincial servers are linked through WAN to the federal server at the office of the Accountant General Pakistan Revenues (AGPR) in Islamabad, thereby creating a seamless and integrated system capable of providing real-time information on financial transactions taking place on the system across the country at the national and sub-national level.

## 4.10. IFMIS MODULES

IFMIS has helped in the integration of information systems across the government departments/organizations by creating one database linked

to all the applications. It is being used in a large number of government entities in the country to process (a) the monthly pay of more than 2.3 million government employees at federal, provincial, and district levels (b) the monthly pension of more than 0.5 million government employees (c) General Provident Fund payments of government employees (d) thousands of payment claims of government departments across the country on a daily basis (e) monthly and annual accounts of federal, provincial and district governments (f ) budgets of federal and provincial governments.

# **CHAPTER 5**

## **Budget Cycle and its Phases**

The budget cycle is spread over the entire financial year. It generally comprises the phases of budget planning, preparation, approval, execution, oversight, review, and accountability consisting of distinct activities performed both at the Central Departments (Finance Department and Planning & Development Department) and Line Departments (including their attached departments, controlling officers / DDOs). The process kicks off with the issuance of the Budget Call Circular by the Finance Department in the second quarter of a financial year. A brief introduction to different phases and essential processes of the budget cycle including the budget formulation is given below.

### **5.1. BUDGET CALL CIRCULAR (BCC):**

Budget Call Circular (BCC) is an official notice issued by the Finance Department to line departments inviting them to prepare and submit the budget proposals and estimates for the following year. This includes the transmission of budget forms, instructions, and guidelines to the Government entities/DDOs for preparing budget estimates by the schedule prescribed in the budget calendar leading to the final presentation of the budget in the Provincial Assembly. The activities in the budget calendar and their prescribed timelines are provided in the latter part of this chapter.

### **5.2. PHASE I POLICY SETTING AND STRATEGIC PLANNING:**

In this phase, early in the budget cycle, the Government determines its policy parameters not only for the next financial year but also for the two ensuing years as a part of its medium-term policy framework. In this phase, key policy documents like Medium Term Fiscal Framework (MTFF), and Budget Strategy Paper (BSP) are formulated and updated along with the estimation of the overall outlay including the Indicative Budget Ceilings (IBCs) for the next financial year. These policy pronouncements are normally based on a three-year rolling plan that sets out the policies and priorities of the government in the medium term. It also gives an insight into the fiscal performance of the government over the last two financial years and the current financial year. It projects the revenues and expenditures over the next three years and indicates the direction of the strategic resource allocations. The departments are required to prepare their budgets within the framework of this policy. Line departments use these ceilings and prepare their budget proposals to achieve their priority actions most efficiently and effectively.

### **5.3. PHASE II BUDGET FORMULATION:**

The budget formulation phase starts with the receipt of a Budget Call Circular (BCC) along with instructions and budget-making forms from the Finance Department. The heads of departments share BM forms with attached

departments/agencies, regional heads (where they exist), controlling officers, and drawing & disbursing officers (DDOs) for the preparation of budget estimates. These estimates are consolidated at the departmental level. After review and scrutiny by the administrative department, the estimates are shared with the Finance Department.

This phase covers the detailed procedures to be followed for preparing budget estimates for both the receipts and expenditures. The estimated receipts to be received in the Provincial Consolidated Fund (PCF) or outflow from the Provincial Consolidated Fund for a financial year either in the form of payments for general government functions or in the shape of repayments of loans are assessed and finalized by the Finance Department in consultation with:

- (i) Drawing and Disbursing Officers (DDOs) in case of expenditure, and Revenue Collecting Officers (RCOs) in case of Receipts;
- (ii) Controlling Officers;
- (iii) Regional Heads, where they exist, and Head of Attached Departments;
- (iv) Principal Accounting Officers / Administrative Department.

The estimates so aggregated are first bifurcated into the Provincial and Local Councils share as per recommendations of the Provincial Finance Commission approved by the Cabinet. These estimates, as approved by the Cabinet are, in fact, the budget proposals of the executive arm of the Provincial Government and are finally incorporated in the Annual Budget Statement and other budget publications, described in greater detail in Chapter 8 of this manual.

## **5.4. PHASE III REVIEW, ANALYSIS, AND FINALIZATION OF BUDGET ESTIMATES**

The budget estimates as submitted by the Administrative Departments / Principal Accounting Officers are scrutinized by the relevant officials / Officers of the budget wing of the Finance Department in consultation with the line departments. The estimates so aggregated with summarized details are submitted by the Finance Department to Provincial Cabinet for approval before laying these budget estimates in the Provincial Assembly. The budget estimates, as approved by the Cabinet, are budgetary proposals by the Executive, incorporated after approval by the Cabinet in the Annual Budget Statement and other budget publications. In terms of the provisions of the Sindh Government Rules of Business 1986 (as amended from time to time), all money matters are brought before the Provincial Cabinet for approval before laying them in the Provincial Assembly for consideration and vote.

## **5.5. PHASE IV AUTHORIZATION OF THE BUDGET BY THE PROVINCIAL ASSEMBLY**

After the Annual Budget Statement has been considered and the demands for grants are approved by the Provincial Assembly, the Finance Department prepares a statement, in the same form as the Annual Budget Statement, called the Schedule of Authorized Expenditure to be authenticated by the Chief Minister under his signature specifying: -

(i) the grants made or deemed to have been made by the Provincial Assembly under Article 122 of the Constitution; and

(ii) the several sums required to meet the expenditure charged upon the Provincial Consolidated Fund but not exceeding in the case of any sum, the sum shown in the statement previously laid before the Assembly. The schedule so authenticated shall be laid before the Provincial Assembly, but not open to discussion or vote thereon.

(iii) Subject to the Constitution, no expenditure from the Provincial Consolidated Fund shall be deemed to be duly authorized unless it is specified in the schedule so authenticated and such schedule is laid before the Provincial Assembly as required by sub-clause above.

## **5.6. PHASE V COMMUNICATION AND DISTRIBUTION OF THE APPROVED BUDGET ESTIMATES**

The budget allocated under demands for grants as approved in the Schedule of Authorised Expenditure is released/placed at the disposal of the concerned departments for further placement at the disposal of the DDOs / Executing Agencies by the Administrative Departments. Besides issuing release orders, the funds are also released online. The Administrative Departments are required to distribute these funds further and place them at the disposal of the DDOs / executing agencies. Actual incurrence of expenditure authorized under the Schedule of Authorized Expenditure, and the realization of the estimated receipts included in the Annual Budget Statement, are monitored, and controlled by the concerned authorities.

## **5.7. PHASE VI BUDGET EXECUTION**

Actual incurrence of expenditure authorized under the Schedule of Authorized Expenditure, and the realization of the estimated receipts included in the Annual Budget Statement is monitored and controlled by the concerned authorities including the accounting and financial reporting thereof, and are described separately in Chapter 11 of this Manual.

If in respect of any financial year, it is found;

(i) that the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service, not included in the Annual Budget Statement for that year, or;

(ii) that any money has been spent on any service, during a financial year, more than the amount granted for that service for that year, then;

(iii) the Provincial Government shall have the power to authorize expenditure from the Provincial Consolidated Fund whether the expenditure is charged by the Constitution upon that Fund or not and shall cause to be laid before the Provincial Assembly, a Supplementary Budget Statement, or, as the case may be, an Excess Budget Statement, setting out the amount of that expenditure. The provisions of Articles 120 to 123 of the Constitution apply to these statements, as they apply to the Annual Budget Statement. Besides, if the amount allowed to be spent during a financial year under the authority of the Schedule of Authorized Expenditure, relating to that financial year, is not expected to be spent completely, before the close of that financial year, the expected savings are required to be surrendered by the Head of Department concerned, through the Statement of Excesses and Surrenders.

## **5.8. PHASE VII OVERSIGHT & ACCOUNTABILITY**

The oversight of the budget is carried out by the Heads of Departments usually with two instruments i.e., consolidation of expenditure statements submitted by the lower formations in compliance with instructions issued from time to time and the monthly civil accounts prepared and submitted by the Accountant General. The information received from these sources provides the figures for expenditure against the budgetary allocation and matched with the strategic policies. The annual account compiled as June Supplementary (14th account) reflects the total

expenditure for the year against the total allocation. The June Supplementary Accounts, after certification by the Auditor General of Pakistan, are converted into Appropriation Accounts (reflecting excess and savings of expenditure against the Final Budget Estimates including Supplementary Grants). The Secretary of the line department, being the Head of the Department, is responsible for initiating the accountability process based on the information provided in Appropriation Accounts. Monitoring the monthly civil accounts also helps the Secretary/head of the department in adjusting allocations against savings.

## **5.9. PHASE VIII ANNUAL REVIEW OF THE EXECUTED BUDGET**

The last phase of the budget cycle relates to the review and evaluation of the Government's policies for the resources allocated in the Annual Budget Statement. The budget execution report (also termed a Year-End Report), based on the actual trends of expenditure vis-à-vis budgetary allocations serves the purpose of disseminating the results of expenditure vis-à-vis allocations and the achieved targets. Currently, policy reviews are not carried out as an integral phase of the budget cycle, but only on an ad-hoc basis using annual progress reviews for in-house consumption or reviews initiated by donor agencies. The modern system of budgeting also requires undertaking expenditure reviews in the medium term to determine the level of efficiency and effectiveness of expenditures. These reviews allow the government to realign policies and systems to enhance the efficiency & effectiveness of public expenditure.

At another level, after the close of the financial year, when an audit of the accounts for that year is completed, the Auditor General of Pakistan submits the following reports, relating to that year, to the Governor of the Province, for laying before the Provincial Assembly: -

- (i) Appropriation Accounts and the Audit Report thereon;
- (ii) Finance Accounts; and
- (iii) Commercial Accounts and the Audit Report thereon.

These reports indicate, among other things, how far the intent of the Provincial Assembly as reflected in the expenditure authorizations in the Schedule of Authorized Expenditure for a particular financial year has been realized, and what irregularities have been committed by the executive agencies in the management and control of the amounts placed at their disposal for expenditure. These reports are laid before the Provincial Assembly and examined and disposed of in the manner explained in Chapter 3 of this manual.

Phases-I, II, and III are completed before the commencement of the financial year to which the Annual Budget Statement relates. Phase IV is completed immediately after the Provincial Assembly completes its consideration of the Annual Budget Statement. Phase V is completed after the authentication of the Schedule of Authorized Expenditure by the Chief Minister. Phases VI is implemented during the financial year to which the Annual Budget Statement relates, and Phases VII and VIII are undertaken after the year, or years, after that financial year.

In terms of Rule 143 of the Rules of Procedure of the Provincial Assembly of Sindh, during the budget cycle, Pre Budget-Sessions of the Sindh Assembly are also required to be held during the months of January to March at least for five days. For the session, Finance Department prepares the necessary information for discussion during the pre-budget session. This normally includes:

- Overall utilization v/s allocations for the current financial year;
- Budget utilization in the key sectors e.g., health, education, agriculture, etc.
- Performance of mega programs/projects;
- Likely size of financial outlay for the ensuing financial year
- New initiatives planned.

## 5.10. BUDGET CALENDAR

No	Activities	Responsibility	Completion by (Approx.)
1	Issuance of Budget Call Circular	FD	15th October
2	Submission of the proposals for the Schedule of New Expenditure (SNE) for the next FY (form BM IV)	Administrative Departments	15th November

3	Issuance of the draft Budget Strategy Paper (BSP) and Indicative Budget Ceilings (IBCs) for recurrent and development budget	FD, P&DD	7th January
4	a. Submission of the estimates of regular receipts (BM I) b. Submission of MTBF receipt forecasts (BM I)	Administrative Departments MTBF Pilot ADs	8th February 8th February
5	Identification of the potential sectors for taxation and review of the existing taxes/ fees	ADs	8th February
6	Submission of regular estimates of expenditure (BM II & III)	ADs	8th February
7	Submission of MTBF expenditure forecasts (BM II, III & IX)	MTBF Pilot ADs	8th February
8	Submission of revised estimates /final list of excess and surrenders (BM VII)	ADs	8th February
9	Submission of 1st edition of proposed ADP by the AD to P&DD and FD (in triplicate soft and hard copies) (BM X)	ADs	15th February
10	Printed Copies of the 1st edition of ADP along with its soft copy	P&DD	1st March
11	Interdepartmental Priority Committee (IDPC) meetings for clearance of tentative Development Programme	P&DD	14-18 March

12	Review of the collection of receipts in consultation with ADs	FD and ADs	30th March
13	Communication of 2nd edition of ADP by P&DD to FD	P&DD	1st April
14	Supply of the tentative ADP print (2nd edition) Submission of material for budget speech	P&DD AD/P&DD	15th April
15	Last date for incorporation of any modification in the ADP for Annual Plan Co-ordination Committee	P&DD, FD	20th April
16	Finalisation of Revised estimates, budget estimates and Schedule of new expenditure (SNE) for recurrent budget	FD	31st March
17	Finalisation of MTBF expenditure forecasts	FD, ADs/MTBF Pilot ADs	31st March
18	Annual Plan Coordination Committee (APCC) meeting	P&DD, FD, ADs	4th week of April
19	Finalisation of new taxation proposals and review of the existing taxes/ fees	FD	30th April
20	National Economic Council (NEC) Meeting	P&DD, FD	1st week of May

21	Finalisation of the Annual Development Programme (ADP)	P&DD, FD	17th May
22	Placement of ADP before the Provincial Cabinet	P&DD	3rd/4th Week of May
23	Completion of all the budget documents, schedule and summaries for the Cabinet	FD	28th May
24	Presentation of the Budget to the Cabinet and the Provincial Assembly	FM	1st or 2nd Week of June
25	Submission of surrender of savings (BM VIII)	ADs	15th June

# **CHAPTER 6**

## **Strategic Planning**

Strategic planning is a process whereby the Government or the organizational leaders determine their vision for the future along with the identification of their goals and objectives to realize this vision. The process also includes establishing the sequence in which those goals are to be achieved to enable the organization to reach its stated vision.

While the strategic planning process has remained an essential part of the planning framework in the private sector, only in the last few years, the concept has gained traction in the public sector, especially in developing countries.

Organizations engaged in the strategic planning process generally look ahead over a time horizon of three to five years. Strategic plans are the starting point and the basic underpinning for a system of goal setting and performance measurement. A multi-year strategic plan articulates the fundamental mission (or missions) of an organization and lays out its long-term general goals for implementing that mission, including the resources needed to reach these goals.

## **6.1. WHY IS STRATEGIC PLANNING IMPORTANT?**

Strategic planning has many benefits. It enables the organizations to be aware of future opportunities and challenges. It also supports the organizations to understand what resources will be required to seize those opportunities or to overcome those challenges. Additionally, strategic planning gives individuals a sense of direction and gathers them around a common mission. It creates standards and accountability. Strategic planning also helps organizations to limit or avoid time spent on crisis management, where they are reacting to unexpected changes which either they did not anticipate or were not prepared to face it.

Different stages of the strategic planning process are: -

- Determining your strategic position;
- Prioritizing the objectives;
- Developing a strategic plan;
- Executing and managing the plan; and
- Reviewing and revising the plan where ever so warranted.

## **6.2. STRATEGIC PLANNING IN THE GOVERNMENT**

Conventionally, there has not been any specific strategic planning phase in the Provincial Budget Cycle except for the issuance of a budget call circular. However, for the last many years, there has now been an increasing focus on making the strategic planning process an integral part of the budget cycle. Several policy documents are now being developed and updated annually including the Medium-Term Fiscal Framework (MTFF) and Budget Strategy Paper (BSP) as a

part of the strategic planning process. These are aimed at guiding the Finance and P&D Departments to determine the anticipated expenditures, estimate the resource availability and develop the sectoral priorities at an early stage of the budget cycle. This also helps the Administrative Departments and their spending units /DDOs to prioritize their operational and development activities.

Development of the strategy document however is not an end in itself.

Simultaneously, it is also important that the Government strengthens the necessary linkages of its strategy with the annual budget to ensure that the strategy is implemented, and its objectives/goals are being achieved.

Some of the basic features of the key strategic policy documents are discussed below.

### **6.3. MEDIUM-TERM FISCAL FRAMEWORK**

#### **(MTFF)MEDIUM-TERM FISCAL FRAMEWORK (MTFF)**

The present system of forecasting revenues and expenditures, and identifying the fiscal risks are not very developed to put the annual budgets into a credible medium-term fiscal context. To overcome this weakness, each year the Finance Department prepares a Medium-Term Fiscal Framework (MTFF) for the Government that forecasts the government's expenditures, revenues (tax and non-tax revenue), debt, and other liabilities in the medium term. The document is prepared on a rolling basis i.e., each year's fiscal framework is prepared for the next three years. It is prepared at the outset of the budget cycle. MTFF also serves as a tool to achieve an aggregate fiscal discipline which means that government expenditure remains within the limit of its revenues.

MTFF broadly covers the following: -

- Overview of the fiscal situation in the province
- Projections of Federal Transfers
- Forecasts and measures of resource mobilization
- Identification of budget constraints and an account of forward budget estimates of Administrative Departments (Next FY+ two additional years)
- Priorities of the Government both under recurrent and development expenditure
- Expenditure forecasts

Apart from improving fiscal discipline, MTFF helps the government/departments to plan service delivery in the medium term based on the estimated resources available to them.

## **6.4. BUDGET STRATEGY PAPER (BSP)**

A robust budgeting framework essentially entails the linking of planning, policy, and budgeting, and that too at the front end of the budget cycle. For the said purpose, Budget Strategy Paper (BSP) is now being regularly developed as a key policy document setting the policies and priorities of the Government in the medium term. BSP offers insight into the fiscal performance of the Government over the last two years and the FY to which it relates. The document contains the broad parameters of the government's budget policy and priorities in the medium-term horizon along with an analysis of the associated risks in the implementation of these policies. Simultaneously, it sheds light on the measures which can remove the budgetary constraints and propose avenues to increase the fiscal space to finance the new budgetary needs. Based on MTFF, the BSP articulates how budget resources will be distributed amongst departments and the main results expected from these allocations. The BSP is prepared by the departments of Finance and P&D and endorsed/approved by the Cabinet in the period from February to April each year.

## **6.5. INDICATIVE BUDGET CEILINGS (IBCS)**

Issuance of budget ceilings is an important step in the budget cycle. Indicative Budget Ceilings (IBCs) essentially imply a probable total budget allocation that will be available to an administrative department/ spending agency during the next financial year. Indication of a likely resource for the next year enables the line departments to plan and prioritize their expenditure and service delivery needs and make necessary adjustments in their spending needs over the next financial year. After the communication of the Indicative Budget Ceilings (IBCs), the option of discussion and review is available for the Administrative Department either to make adjustments in the major objects while adhering to the overall ceiling or demand the upward revision of the IBCs with cogent reasons. However, due to the competing demands on a limited resource envelope, the accommodation of additional demands is rarely possible. In certain circumstances, based on the actual essential needs consistent with the overall policy framework and availability of the requisite fiscal space during that period, additional demands are accommodated. Nevertheless, in most of cases, after discussion and review by the FD, IBCs are converted into the agreed budget ceilings to be made part of the budget estimates to be placed before the Provincial Assembly for consideration and approval. Currently, IBCs are being issued separately both for the recurrent and development budget in the Province of Sindh.

## **6.6. STRATEGIC PLANNING AT ADMINISTRATIVE DEPARTMENTS**

Administrative Departments develop policies, devise strategies, and formulate plans in the areas of their respective jurisdiction. They are also required to translate their strategies and plans into spending priorities through the budgetary process. For doing so, the budgetary process will have to be spearheaded by senior management of the Administrative Departments who are supposed to provide the necessary strategic guidance for converting the departmental priorities into budgetary estimates. However, the practice of preparing strategic / spending plans has not been fully evolved in the Government and there are only a few Administrative Departments like Health and Education who have been able to prepare their plans, and that too with the support of the technical assistance provided by the development partners. Certainly, there is a need to develop the costed strategic plans which should serve as a guiding tool to integrate the budgetary processes with the departmental plans and priorities.

# **CHAPTER 7**

## **Budget Publications, Structure and Process**

## 7.1. BUDGET PUBLICATIONS

In this chapter, salient features of the annual budget publications relating to the proposed expenditures and forecasted revenues for the ensuing financial year called the Annual Budget Statement (ABS) along with other annual budget books and publications are explained as follows: -

**Volume I - Annual Budget Statement (ABS):** Article 120 of the constitution stipulates the preparation and laying of the Annual Budget Statement before the Provincial Assembly each year. The annual Budget Statement (ABS) is a statement of the estimated receipts and expenditures of the Provincial Government for that financial year. It shows separately:

- the sums required to meet the expenditure described by the constitution as the expenditure charged upon the Provincial Consolidated Fund; and
- the sums required to meet other expenditures proposed to be made from the Provincial Consolidated Fund;

and shall distinguish the expenditure on the revenue account from other expenditures.

Going into its details, the receipt portion of ABS provides the estimates of all budgetary receipts, e.g., Federal Transfers, General Revenue Receipts (tax and non-tax), Capital Receipts, External Receipts, and Public Account Receipts (net balances). Additional resources may also include the privatization proceeds etc. The expenditure portion is broken down into the estimates of recurrent and development expenditure and it reflects separately the Revenue Account and Capital Account.

Expenditure on Revenue Account provides the details of expenditure to be met from resources other than loans and grants, etc., whereas expenditure estimates of Capital Account refer to expenditure that is financed from loans, finances, credits, grants, and other borrowings. ABS also includes an 'object wise' summary of the Budget Estimates (e.g., showing Employee Related Expenses, Operating Expenses, Utilities, and Maintenance & Repair, etc.)

**Volume II- Estimates of Receipts:** This summarizes the receipts from various sources, i.e., transfers from the federal government, provincial taxes, non-tax receipts, borrowings, public account balances (receipts and disbursements), etc. This book is published in two parts (part 1 and 2)

**Volume III- Abstract for Current Expenditure:** This is a grant-wise abstract of the estimates of current expenditures of the Government. It provides the details of the budget estimates of the current expenditure of the next financial year for each Department with the demand number, identified through the DDO code and classified according to the relevant object and functional classification. Budget Estimates and Revised Estimates for the preceding financial year are also provided in this volume. At the start of the book, a summary of the budget estimates is also given at the major object level including the employees related, operating, and other service delivery budgetary objects.

**Volume IV-Demands for Grants (Development Expenditure):** This book provides the details of Development Expenditure for the next financial year. Information in this book is presented for each applicable department, identified through the DDO code, and classified according to the relevant object and functional classifications. Budget estimates and revised estimates for the preceding financial year are also given. At the start of the book, a summary of the budget estimates is given for all relevant departments that would be provided funds for their development needs.

**Volume V Public Sector Development Programme(PSDP):** The book on 'Development Budget' is a listing of development schemes and contains information on the ongoing and new development schemes to be managed/executed by each administrative department. Key information provided in this volume includes the name of schemes, total cost, proposed allocation, and future throw forward, etc.

**Volume VI New Expenditure Current/Development:** This book provides the details of new expenditures both for the current and development expenditure. Information in this book is presented for each applicable department, identified through the DDO code, and classified according to relevant object and functional classification for the next financial year. Budget estimates and revised estimates for the preceding financial year are also given. At the start of the book, a summary of the budget estimates is also given at the major object level including the employees related, operating, and other service delivery budgetary objects.

**Volume VII Explanatory Memorandum (Receipts & Expenditure):** This book gives a brief explanation and basis of estimation for major receipt and expenditure items. The information is presented separately for each of the following categories of receipts and expenditures:

- Current Revenue Expenditure
- Revenue Receipts

- Capital Receipts
- Current Capital Expenditure
- Development Capital Expenditure

**Salient Features of the Budget:** It gives a brief analysis of receipts and expenditures for each major function and compares the proposed allocations with the previous year's budget allocation.

**Budget Analysis:** It provides a detailed analysis of both receipts and expenditure sides of the budget. It also includes a comparison of budgeted numbers with actual collections/receipts and expenditures. This information only pertains to the current year.

**Foreign Project Assistance (FPA):** This book provides the details of loans and grants from external sources. These include bi-lateral / multi-lateral loans, project loans/aid, and financial assistance from other donors. The information in this book is provided for each relevant department and identified through the DDO and applicable object classifications (the presentation is like the one given in the detailed estimate of books).

**Supplementary Budget Demands:** This book includes the budget allocations provided to different administrative departments over and above their approved budget estimates in the outgoing fiscal year.

**Budget Speech:** Budget Speech is the government's budgetary policy statement for a financial year. Finance Minister reads the budget speech in the Assembly. A budget speech is a proposed account of the government's plan for expenditures and projected revenues and debt for the next financial year. The speech covers the measures planned to be taken for raising revenues, and proposed expenditure, along with other fiscal policy measures including the key modes of financing the budget deficit if any. The speech also highlights the prevailing macroeconomic situation including social indicators, budgetary performance, needs and measures for financial discipline, and key challenges which can impact the economy. It also includes major spending and tax proposals for the upcoming fiscal year.

**Budget at a Glance:** It gives a summary of the projected receipts by major classifications, e.g., Revenue Assignment from the Federal Government; Straight Transfers; Provincial Receipts (Tax and Non-Tax), etc. Similarly, estimates of expenditure are also shown by categories like Current Revenue Expenditure, Current Capital Expenditure, and Development Expenditure, etc. At the bottom of

the summary, the difference between the Receipts and Expenditures is shown as a Deficit or Surplus.

**Citizens' Budget:** - To engage the citizens in setting the budgetary priorities and to present complex budget information in a simple and lucid manner, the Government of Sindh has introduced Citizen's Budget. The aim of this initiative is to further strengthen the citizen's trust in their government. The citizen's budget is an evolving document that essentially contains the result of the feedback and survey from the citizens about the priority areas for resource allocation. The document provides information about the total outlay for the next financial year with figures of estimated expenditures and receipts mostly in a summary form. It also presents the major areas and sectors where the resources are to be allocated in a financial year both in respect of the current and development budget.

## **7.2. STRUCTURE OF RECEIPTS AND EXPENDITURE**

### **7.2.1. Consolidated Fund and Public Account**

Receipts of the Government of Sindh are classified under two broad categories, i.e., Consolidated Fund and Public Account Receipts. Similarly, expenditures/ outflows of money are also separately categorized as Expenditures either on the Consolidated Fund or Public Account. A brief description of each of the categories is given in the following paragraphs:

#### **7.2.1.1. Consolidated Fund**

Consolidated Fund represents the money for which the Government is at liberty to appropriate for the operations of the Government. Under Article 118 of the Constitution, the Provincial Consolidated Fund comprises:

- All revenues received by the Provincial Government;
- All loans raised by that Government;
- All money received by it in repayment of any loan; and
- All money other than those listed above is included in Public Account (discussed later in this chapter).

Article 119 of the Constitution empowers the Provincial Government to regulate the custody of the Provincial Consolidated Fund, the payment of money into that Fund, the withdrawal of money there and all the related matters to be regulated by the act of the Provincial Assembly or until provision in this behalf is so made by

the rules, made by the Governor. On 24th May 2021, the Sindh Public Finance Administration Act 2020 has been enacted and notified to regulate the custody and operation of both the Provincial Consolidated Fund and Public Account as envisioned under Article 119 of the constitution.

Article 121 of the Constitution specifies certain expenditures to be charged to Provincial Consolidated Fund. These include:

- remuneration payable to the Governor, the Judges of the High Court, and the Speaker and Deputy Speaker of the Provincial Assembly;
- administrative expenses, including the remuneration payable to officers and servants, of the High Court and the Secretariat of the Provincial Assembly;
- all debt charges for which the Provincial Government is liable, including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the service and redemption of debt on the security of the Provincial Consolidated Fund;
- any sums required to satisfy any judgment, decree, or award against the Province by any Court or Tribunal; and
- any other sums declared by the Constitution or by the Act of the Provincial Assembly to be so charged.

The above types of expenditure are termed "Charged" Expenditures while all others are called "Voted" Expenditures.

The Consolidated Fund is subdivided into several components of revenue and expenditure, to meet the constitutional requirements (e.g., requirement for voted and charged expenditures) and administrative requirements. The Annual Budget Statement follows this broad scheme of classification.

### **7.2.1.2 Public Account**

Article 118 of the Constitution characterizes the Public Account of the Province as all money that does not form part of the Provincial Consolidated Fund but is: (a) received by or on behalf of the Provincial Government; or (b) received by or deposited with the High Court or any other court established under the authority of the province. Public Account comprises those money, for which the Government has a fiduciary duty, but it is not at liberty to appropriate these amounts for general services of the Government. Public Account encapsulates trust accounts and special deposit accounts.

These are defined as: -

- **Trust Accounts**- legal entities, under the stewardship of the Government, are required to produce financial statements in their name. These trust accounts are normally established under an Act of Parliament or other legal instruments including the Presidential order or ordinances issued by the Government. Examples of trust accounts include provident and benevolent funds, employee's insurance funds, and trust accounts of certain departments (e.g., Railways)
- **Special deposit accounts**- these accounts include the Public Account money which is operated under the authority of the Finance Department/Accountant General, but there are no trustees, and they are not separate legal entities. Examples of special deposit accounts include relief funds, civil and criminal court deposits, welfare funds, and development funds.

- **Public Account Receipts** - Examples of public account receipts include: -

1. Trust Account – Funds
2. Trust Account – Others
3. Special Deposit – Investments
4. Special Deposit – Funds
5. Personal Ledger Accounts (PLAs)
6. A major component of these balances is generated on account of reserves/deposits in Trust Account Funds such as General Provident Funds (GPF) and Benevolent Funds, etc.

- **Disbursements**

1. These represent outflows from deposits/ Assets
2. Liability represents payouts from deposits and reserve accounts.

### **7.3. PRE-BUDGET SESSION OF THE SINDH ASSEMBLY**

In terms of Rule 143 of the Rules of Procedure of the Provincial Assembly, the pre-budget session of the Sindh Assembly is to be held every financial year. Assembly Rules also prescribe the procedure for holding this session. The purpose of the session is to apprise the Members of the Assembly on the likely outlay of the Provincial Budget for the upcoming financial year and to review the progress of the current financial year's budget with a focus on utilization of the current and development budget of the province. This Session is usually held either during the months of January and/or March/April of each financial year. Finance Department

prepares the necessary information to be presented for discussion during the Pre-budget Session. This normally includes:

- Overall utilization vs. allocations (provincial budget) for the current financial year;
- Budget utilization in the key sectors (health, education, agriculture, etc.);
- Performance of mega programs/projects.
- Likely size of resource envelope for the upcoming financial year;
- New initiatives planned.

Rule 144 of the Rules of Procedure of the Provincial Assembly of Sindh also provides for a post-budget discussion in the Assembly whereby the Assembly shall discuss the releases and utilization of the budget.

## **7.4. SUBMISSION OF THE BUDGET ESTIMATES TO THE CABINET FOR APPROVAL**

As provided under Article 122 (3) of the Constitution of Pakistan, 1973, "Demands for Grants" should not be presented to the Provincial Assembly, except on the recommendations of the Provincial Government. By this provision, the budgetary proposals of the Provincial Government, in a statement called the 'Annual Budget Statement' are first presented to the Cabinet before laying the same to the Provincial Assembly. The Cabinet, after satisfying themselves on the budget proposals laid before them for approval or making modifications by the policies of the Government, recommends the same for presentation before the Provincial Assembly. After the approval by the Cabinet, the Annual Budget Statement is laid before the Provincial Assembly on the same day on a date fixed for the purpose, which should be sufficiently earlier than the date of commencement of the financial year to which it relates. The whole process leading to the finalization of the Annual Budget Statement should, therefore, be worked based on the dates prescribed in the budget calendar given in the Budget Call circular. The budget is presented before the Assembly by the Provincial Finance Minister. The Rules of Procedure of Provincial Assembly Sindh contain similar considerations for budget-related matters. Specific guidance is given in Rules 145 to 160 which is explained below.

## **7.5. BUDGET-RELATED PROVISIONS OF RULES OF PROCEDURE OF THE PROVINCIAL ASSEMBLY, SINDH**

### **Rule 145 - Budget**

(1)The Budget shall be presented to the Assembly on such day and at such time as the Chief Minister may appoint;

(2)The Secretary shall cause the day and time appointed under sub-rule (1) to be notified in the Gazette;

(3)The demand for a grant shall be entertained only if it is certified to have been made on the recommendations of the Chief Minister; and

(4)The Budget shall not be referred to a Standing Committee or a Select Committee and no motion in respect thereof shall be made except as provided in this Chapter.

### **Rule 146 - Presentation of the Budget**

The Budget shall be presented by the Finance Minister or, in his absence, by any other Minister nominated by the Chief Minister.

### **Rule 147 - Budget not to be discussed on Presentation**

There shall be no discussion on the budget on the day on which it is presented to the Assembly.

### **Rule 148 - Stages of the Budget**

The Budget shall be dealt with by the Assembly in the following stages, namely:

- (a) general discussion on the budget as a whole;
- (b) discussion on expenditure charged upon the Provincial Consolidated Fund;
- (c) discussion and voting on demands for grants.

### **Rule 149 - Allotment of Days**

The Speaker shall allot days for different stages of the budget referred to in Rule 148:

Provided that not less than two days shall intervene between the day of the presentation of the budget and the first day allotted by the Speaker for general discussion; provided further that not less than five days shall be allotted for general discussion.

### **Rule 150 - General Discussion**

1. No motion shall be moved, nor shall the budget be submitted to the vote of the Assembly on the day allotted for general discussion;
2. Finance Minister or the Minister who has presented the budget shall have a general right of reply at the end of the discussion; and
3. The Speaker may prescribe a time limit for speeches.

### **Rule 151 - Completion of stages of Budget**

The Speaker shall, on the last day of the days allotted for any stage of the budget, just before the termination of the sitting, put every such question as is necessary to dispose of all the outstanding matters in connection with the completion of that stage.

### **Rule 152 - Cut Motions**

A member may move a cut motion to reduce the amount of demand in any of the following ways: -

(a) that the amount of the demand is reduced to Rs.1.00 representing the disapproval of the policy underlying the demand. Such a motion shall be known as "Disapproval of Policy Cut". A member giving notice of such a motion shall indicate in precise terms the particulars of the policy which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy;

(b) that the amount of demand is reduced by a specified amount representing the economy that can be affected. Such a specified amount may either be a lump sum reduction in the demand or an omission or reduction of an item in the demand. The motion shall be known as "Economy Cut". The notice shall indicate briefly and precisely the particular matter on which discussion is sought to be raised and speeches shall be confined to the discussion as to how the economy can be effected.

(c) that the amount of the demand is reduced by Rs.100.00 to ventilate a specific grievance that is within the sphere of the responsibility of the Government. Such a motion shall be known as "Token Cut" and the discussion thereon shall be confined to a particular grievance specified in the motion.

### **Rule 153 - Notice of Cut Motions**

Unless notice of a motion for reduction in a grant has been given two days before the day on which the demand is to be considered, any member may object to the moving of the motion, and thereupon such objection shall sustain; provided that the Speaker suspends this rule and allows the motion to be made.

### **Rule 154 - Cut Motions in Respect of Expenditure Other than New Expenditure**

If a motion under Rule 153 is carried, the Speaker shall inform the Government in writing of the fact and the Government shall communicate its decision thereupon to the Speaker for information of the Assembly.

### **Rule 155 - Conditions for Admissibility of Cut Motion**

So that a motion under Rule 153 may be admissible, it shall not –

- (a) relate to more than one demand;
- (b) extend beyond one specific matter which shall be stated precisely;
- (c) contain arguments, inferences, ironical expressions, imputations, epithets, or defamatory statements;
- (d) make suggestions for the amendment or repeal of all the existing laws;
- (e) refer to a matter which is not a concern of the Government;
- (f) relate to an expenditure charged upon the Provincial Consolidated Fund;
- (g) raise a question of privilege;
- (h) revive discussion on the matter which has been discussed in the same session and on which decision has been taken;
- (i) relate to a matter which is under adjudication by a court of law; and
- (j) anticipate a matter which has been previously fixed for consideration in the same session.

### **Rule 156 - Admissibility of cut motions**

The Speaker shall decide whether a cut motion is admissible under these rules and may disallow any cut motion if, in his opinion, it is an abuse of the right of moving cut motions or is calculated to obstruct or prejudicially affect the procedure of the Assembly or is in contravention of these rules.

### **Rule 157 - Discussion on cut Motions**

(1) A motion under the Rule 153 shall ordinarily be considered in order of the heads of the budget.

(2) The Speaker may put before the Assembly all motions for consideration and voting at a time.

### **Rule 158 - Voting on Demands for Grants**

(1) Each demand for grant referred to in sub-rule (c) of Rule 148 shall be discussed separately.

(2) Before a question is put in respect of a demand for a grant, all cut motions in respect of that demand shall be discussed and voted upon.

(3) When notices of several cut motions relating to the same demand are given, the motions shall be discussed in the order in which the heads to which they relate appear in the Budget.

(4) On the last day of the days allotted under Rule 149 for the stage referred to in sub-rule (c) of Rule 148 at the time when the sitting is to terminate, the Speaker shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.

### **Rule 159 - Vote on Account**

(1) A motion for a vote on account shall state the total sum required to be voted and the various amounts needed for each Department or item of expenditure which comprises that stated sum in a schedule appended to the motion.

(2) Before a question is put in respect of a demand for a grant, all cut motions in respect of that demand shall be discussed and voted upon.

(3) When notices of several cut motions relating to the same demand are given, the motions shall be discussed in the order in which the heads to which they relate appear in the Budget.

(4) On the last day of the days allotted under Rule 149 for the stage referred to in sub-rule (c) of Rule 148 at the time when the sitting is to terminate, the Speaker shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.

### **Rule 159 - Vote on Account**

(1) A motion for a vote on account shall state the total sum required to be voted

and the various amounts needed for each Department or item of expenditure which comprises that stated sum in a schedule appended to the motion.

(2) Amendment may be moved for the reduction of the whole demand for a grant or for the reduction or omission of the items of which the demand is composed.

(3) Discussion of a general character may be allowed on the motion, or any amendments moved thereto but the details of the grant shall not be discussed further than is necessary to develop the general points.

(4) In other respects, a motion for a vote on account shall be dealt with in the same way as if it were a demand for a grant.

(5) The schedule referred to in sub-rule (1) shall also separately specify the several sums required to meet the expenditure charged on the Provincial Consolidated Fund.

### **Rule 160 - Procedure for dealing with supplementary and excess demands**

The procedure for dealing with the supplementary statements of Expenditure & Excess demands shall, as far as possible, be the same as prescribed for the budget, except that if, on a demand for a supplementary grant, funds to meet the proposed expenditure on a new purpose are available by re-appropriation, a demand for the grant of a token sum may be submitted to the vote of the Assembly and if the Assembly assents to the demand, funds may be made available.

Provided that the Speaker may relax all or any of the provisions of Rules 146,147 and 149.

## **7.6. BUDGET AUTHORIZATION BY SINDH ASSEMBLY**

After the Annual Budget Statement is considered and the demands for grants are approved by the Provincial Assembly, the Finance Department prepares a Schedule of Authorized Expenditure (SAE), specifying:

(1) the grants made or deemed to have been made by the Provincial Assembly under Article 122 of the Constitution;

(2) the several sums required to meet the expenditure charged upon the Provincial Consolidated Fund, but not exceeding, in the case of any sum, the sum

shown in the statement previously laid before the Assembly;

(3) submits it to the Chief Minister for authentication. The schedule so authenticated by the Chief Minister is laid before the Provincial Assembly but is not open to discussion or vote thereon.

(4) Schedule of Authorised Expenditure is prepared under the requirements of Article 123 of the Constitution of Pakistan.

## **7.7. COMMUNICATION OF AUTHORIZED BUDGET ESTIMATES TO ADMINISTRATIVE DEPARTMENTS**

Finance Department communicates the Schedule of Authorized Expenditure (SAE) to the concerned Principal Accounting Officers/ Administrative Departments. The communication is in the form of a letter, which indicates the:

- expenditure charged upon the Provincial Consolidated Fund, and
- other expenditures voted by the Provincial Assembly.

The letter is accompanied by the pages of the budget estimates containing the complete details of the authorized expenditure. A copy of the letter along with its enclosures is also forwarded to the Accountant General and the Director General of Audit Sindh. Some expenditure items included in the grants, or provisions made for charged expenditure are not communicated to any administrative department but remain at the disposal of the Finance Department.

Examples of such expenditures include:-

- Interest on Debt and other Obligations
- Appropriation for Reduction or Avoidance of Debt
- Superannuation Allowances and Pensions
- Provincial Miscellaneous Investment
- Public Debt
- Loans and Advances
- Lumpsum provisions.

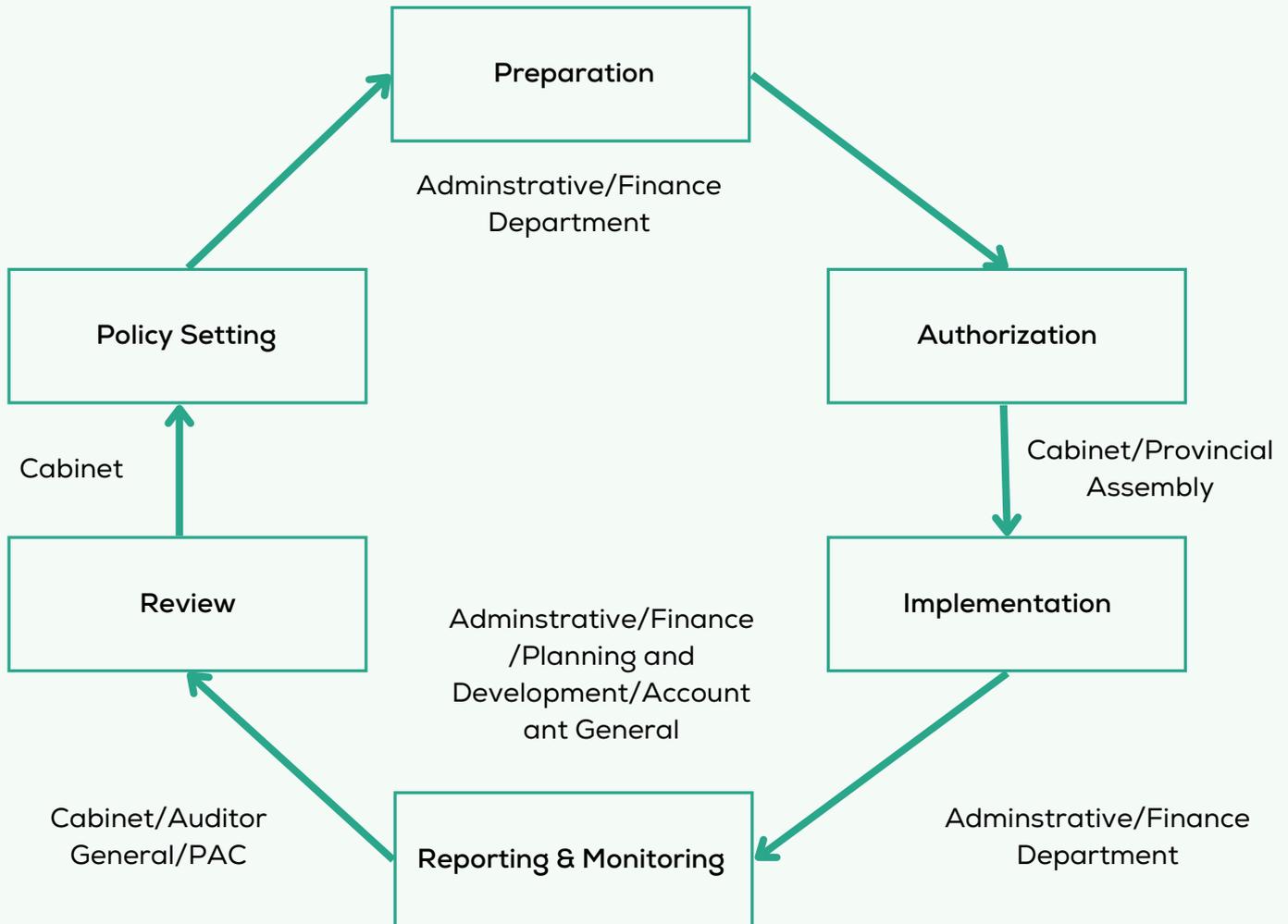
# **CHAPTER 8**

## **Roles and Responsibilities of Different Institutions in the Budget Process**

## 8.1. KEY STAKEHOLDERS

The following diagram shows the key stakeholders involved in the budgetary process at the provincial level:

### Overview of the Budgetary Cycle



As evident from the above diagram, the budgeting process can broadly be distributed amongst the following:

- (1) Executive
- (2) Legislature
- (3) Auditor General and its subordinate organizations in the Province (Accountant General/Accounts offices).

## **8.2. THE EXECUTIVE**

The executive essentially comprises the Chief Minister and his Cabinet and includes the Administrative Departments of the Government up to the lowest tier. As explained in the above diagram, the executive is responsible to set policy, assign priorities, prepare budget proposals, and submit it to the legislature for approval. The budget preparation is undertaken in accordance with the policy priorities set forth by the provincial Cabinet. The departments including Central Departments such as Finance Department, P&D Department, and Line Department prepare budget proposals in the light of such priorities. The cabinet approves these proposals before their submission to the legislature. The executive is also responsible to implement the budget in accordance with the objectives and purposes of the budget approved by the legislature. Finally, the executive reviews the implementation of the budget before deciding the priorities for the next budget cycle. Since the executive comprises different groups of stakeholders, therefore, a brief description of the functions assigned to each has been explained as follows:

### **8.2.1. Cabinet**

The Cabinet (and of course the Chief Minister) plays a very important role in budgeting. As explained above, the Cabinet provides policy direction and priorities for the budget and approves budgetary proposals before submission to the legislature. The cabinet is answerable to the legislature. Therefore, another important role of the Cabinet is to oversee the implementation of the budget by different departments of the government through respective Ministers. Finally, the Cabinet is responsible to review the implementation of the budget before deciding priorities for the next budget cycle.

### **8.2.2. Finance Department**

In terms of the powers vested under the Sindh Government Rules of Business 1986 (as amended from time to time), and Section 10 of the Sindh Public Finance Administration Act 2020, the Finance Department is inter alia responsible for the supervision and control of provincial finances and preparation of provincial budget. Some of the key functions of the Finance Department related to the financial management of the Provincial Government are summarized as follows: -

- Management, supervision, and control of all matters relating to the budget and financial affairs of the Government;

- Preparation and submission of the Annual Budget Statement, Excess Budget Statement, Revised Budget Statement, and Supplementary Budget Statement to the Provincial Assembly
- Business relating to National Finance Commission and Provincial Finance Commission
- Grant of sanctions beyond the powers delegated to the Administrative Departments, subordinate offices, and special institutions
- Floating and administration of loans
- Management and supervision of the Treasuries and Local Audit Department
- Ensuring that systems are established for planning and preparing the annual budget and medium-term budget framework, including the allocation of resources and costing of revenue and expenditure policies;
- Examination of the proposals relating to increase or reduction in taxes.

### **8.2.3. Planning and Development Department**

The Planning and Development Department is the custodian of the annual development plan and development budget. The department performs this function in close coordination with the Administrative Departments. It oversees the development activity in the province. It is responsible for the formulation and execution of the development portfolio of the Provincial Government. A summary of the key functions of the P&D department as mentioned in the Sindh Government Rules of Business, 1986 (as amended) and the Sindh Public Finance Administration Act 2020 is presented as follows:

- Establishing and maintaining a system of planning, public investment management, and management of the development budget;
- Preparing the Annual Development Program (ADP) in coordination with all Departments (especially Finance Department).
- Processing all development schemes, programs, and proposals submitted by other departments and making recommendations to the Government thereon.
- Developing guidelines and effective system for identification, appraisal, budgeting, monitoring, and evaluation of the development projects or schemes;
- Monitoring the implementation of development programs and projects.
- Determining policy for the approval of development schemes in the Provincial Government. As the Secretariat for the Provincial Development Working Party, it also acts as a clearing house for development schemes within the competence of the Federal Government (ECNEC/CDWP);
- Coordination of foreign technical assistance;
- Maintaining liaison with the National Planning Agencies;

- Coordinating the general statistics and all matters relating to the Bureau of Statistics.

#### **8.2.4. Line Departments (Heads of Departments)**

Line Departments play an important role in budget making and its execution. Line Departments are headed by the Administrative Secretaries. Financial management is an essential element included in the duties and responsibilities of the Secretaries / Heads of Departments. The Head of the Department is required to ensure that financial considerations are taken into account at all stages of framing policies and implementing decisions. Some of the general and common functions of the line departments especially concerning budget are summarized below: -

- The head of the Department is responsible not only for the efficient and economical conduct of the Departments but also continues to be personally answerable before the Public Accounts Committee
- Overall preparation and implementation of the budget
- Provision of strategic guidance on budget planning and prioritization
- Ensuring compliance with procedures concerning the preparation of receipts and expenditure estimates
- Communication and distribution of budget grants to all concerned in the Department
- Ensuring budget control
- Preparation and finalization of requirements for re-appropriation, supplementary grants, and surrenders of excess funds.
- Performance of the function of the procuring agency under the Sindh Public Procurement Rules, 2010.
- The Head of the Department has the power to delegate his functions to his sub-ordinate officers/officials of the department to act on his behalf. However, he will not be absolved of his primary responsibility of financial control and supervision despite this delegation of power.
- Depending upon the nature, type, and structure of an Administrative Department, the team of subordinate officers/officials may include;
  - Special Secretaries/ Additional Secretaries / Director General
  - Deputy Secretaries / Directors / Senior Planning Officer
  - Section officer / Budget and Accounts officer / Superintendent / Planning officer

### **8.2.5. Drawing and Disbursing Officer**

Drawing and Disbursing Officer (DDO) holds the primary responsibility for the preparation and execution of the budgetary process for their respective offices/entities. DDO is a government servant who draws bills, incurs expenditures to the extent specified, and makes payments on behalf of the Government. DDO is assisted by a team of officials comprising Assistants Budget Clerks etc. The key role and responsibilities of DDOs concerning the financial management of the office under their jurisdiction are as follows:

- Providing input for the development of operational plans.
- Preparation of budget estimates of expenditures.
- Preparation of budget estimates of receipts.
- Analysis of activities relating to the generation of receipts and incurrence of expenditures.
- Identification of organizational outputs (services) and co-relating with financial requirements.
- Assists heads of office in the matters relating to the control of expenditure.
- Preparation of revised and supplementary budget estimates.
- Timely submission of budget documents to the controlling officer or the Head of the Department.
- Reconciliation of expenditures with the accounting offices.
- Other activities in respect of audit, monitoring of expenditures, and receipts, if any.

### **8.2.6. Accountant-General**

Accountant-General is the head office of accounting offices in the province and performs the assigned duties in conjunction with the District Accounts Officers (DAOs) and Treasury Officers (TOs). Accountant General is answerable administratively to the Controller General of Accounts, the Government of Pakistan, and the Auditor General of Pakistan.

Accountant-General has a key role in the public financial management of the province. Key functions performed by the accountant-General inter-alia include:

- Keeping the accounting records of all centralized accounting entities of the province
- Performing the pre-audit (validation) function on the claims/payments out of Provincial Consolidated Fund
- Preparation and submission of civil accounts/appropriation accounts of the Provincial Government, in the form and manner prescribed by the

Auditor-General in terms of the Article 170 of the Constitution.

- Preparation and submission of annual accounts of the Provincial Government to the Controller-General
- Preparation of bank reconciliations
- Maintaining the HR data of the employees of the Provincial Government for salary and pension payments.

### **8.2.7. District Accounts Officer**

The DAOs are units of fiscal administration at the district level. The DAO performs functions similar to those of the Accountant General in their respective district. The DAOs maintain a record of payments and receipts, for Federal and Provincial transactions (in separate ledgers) of the district and submit consolidated monthly accounts to the AG.

### **8.2.8. Treasury Officer**

Under the Treasury Rules, every district has a separate treasury under the charge of a Treasury Officer (TO) / District Accounts Officer (DAO) who is appointed by the Finance Department.

Under the Rules, the government money standing in the public account must be deposited in State Bank / National Bank. Money can be received at a Treasury/DAO under different accounts.

Examples include:

- Receipts under civil, revenue, and criminal court cases
- Money received by notaries public
- Receipts of the Public Works Department
- Receipts from the Forest Department
- Receipts of the Railways
- Examination fees collected on behalf of examination boards

To effectively maintain necessary records, a Treasury/DAO usually has two departments: the Accounts Department under the charge of an Accountant, and the Cash Department under the charge of a Treasurer.

The key responsibilities of the TO/DAO are summarized as follows:

- Receiving money deposited by individuals/government departments on behalf of the government under various heads of account.

- Ensuring safe custody of cash and judicial / non-judicial stamps / postal stamps/service postage stamps etc., by putting in place effective physical, administrative, and institutional controls.
- Authorizing payments as permitted under the Financial Rules through pre-audited cheques.
- Depositing cheques drawn in favor of the government into the State Bank or National Bank of Pakistan.
- Permitting withdrawal of funds from the Treasury/DAO. This may be done for the following purposes:
  - To pay sums due by Government to the drawing officer
  - To pay the amounts due by Government to a private party
- Making payments against approved pension claims
- Making payments against approved refund claims
- Maintaining complete records of cash, cheques, and stamps of all kinds.
- Reporting to the Collector / Auditor General / DG Audit (Works) on a timely basis
- Ensuring compliance with Treasury Rules / Financial Rules of the Province at all times
- Monitoring/supervising the work of the Accountant and the Treasurer

### **8.2.9. Divisional Accounts Officer**

Divisional Accounts Officer is an employee posted at a Divisional level to carry out the pre-audit of transactions relating to Public Works Departments which are the departments of the Government in charge of public works i.e., civil works, irrigation, energy, embankment, drainage works, etc. These Departments include Works & Services, Housing and Town Planning, Public Health Engineering, Irrigation, and Energy Department, or any other department declared by the Government as a Public Works Department. The Divisional Accounts Officer (DAO) is a financial adviser to the Executive Engineers (XEN) of the above Departments. His duties and responsibilities inter-alia include ensuring compliance with the rules and regulations in respect of expenditures incurred by the XEN office, verification of the accuracy and completeness of third-party claims, and compilation of relevant accounts of the XEN offices every month. The Divisional Accounts Officer reports his findings to the Accountant General's Office. The Divisional Accounts Officer is the head of the Accounts branch of the Executive Engineer's office and is assisted by auditors and other subordinate staff in carrying out the assigned tasks.

## 8.3. LEGISLATURE

The legislature comprises the Provincial Assembly and the Public Accounts Committee. In the discharge of its responsibility, the Provincial Cabinet serves as a link between the executive arm and the Provincial Assembly. Most of the matters which are to be deliberated by the Provincial Assembly are first presented to the Cabinet for endorsement/approval. In respect of financial matters of the Provincial Government, the Cabinet functions as an interface for the Provincial Assembly. In this regard, most of the key financial matters (including budget estimates) are first presented to the Cabinet before their submission to the Provincial Assembly. On the recommendations of the Provincial cabinet, the budgetary proposals consolidated by the Finance Department are submitted to the Provincial Assembly for approval. For the issues relating to the budget, the Provincial Assembly is responsible for the following: -

- Approving/authorization of the budget estimates besides ensuring good governance and transparency in public spending.
- Provincial Assembly is directly answerable to the public over the performance of the Government. It is not only concerned with budget planning but also has the responsibility to ensure that the utilization of public funds is done transparently and efficiently.
- Given the complexity and volume of the business of the Provincial Assembly, it is a normal practice to delegate its powers and responsibilities to a sub-group of parliamentarians generally referred to as the 'Standing Committee'.

The Provincial Government is required to lay a statement of the estimated receipts and expenditures of the Government known as the 'Annual Budget Statement' for the next financial year before the Assembly. The Budget is presented to the Assembly on such day and at such time as the Chief Minister/ Governor may approve. The Finance Minister, or a Minister acting on his behalf, presents the Budget. The Assembly considers the Budget in two stages:

- (i) General discussion on the Budget as a whole; and
- (ii) Discussion and voting on demands for grants, including voting on motions for reduction, if any.

The Committee on Public Accounts is a Committee of the Provincial Assembly constituted in the manner as laid down in Rule 189 of Rules of Procedure of the Provincial Assembly Sindh, 2013. Its functions are given in Rule 190 of the said rules. The procedure for examining the reports, the sittings of PAC, its quorum, and other allied issues are stated in Rule 191 to Rule 194 of the said rules. In

addition to other business of the review of Audit Reports on the accounts of the Provincial Government by the Auditor General of Pakistan, Public Accounts Committee also examines the Appropriation Accounts, Finance Accounts, and Commercial Accounts referred by the Provincial Assembly to the Committee for consideration. Once the date for the meeting of the Public Accounts Committee (PAC) is fixed, the Secretary to the Provincial Assembly sends to the Members and concerned departments, the agenda, and connected papers, which generally consist of the following documents:

- (i) Appropriation Accounts, Commercial Accounts & the Audit Reports thereon;
- (ii) Review of the Auditor General on the Appropriation, Commercial Accounts, and the Audit Reports
- (iii) Finance Accounts.
- (iv) Report of the Committee for the previous year;
- (v) A statement showing the action taken on the recommendations of the Committee and the Provincial Assembly on the Appropriation and Commercial Accounts for the previous year.

The Secretary, Finance Department and the Audit Office concerned are invited to be present at every meeting of the Committee. In scrutinizing the Appropriation Accounts of the Provincial Government and the Audit Report thereon, the Committee must satisfy, itself:

- (i) that the money shown in the accounts as having been disbursed was legally available for and applicable to the service or purpose to which they have been applied or charged;
- (ii) That the expenditure conforms to the authority which governs it; and
- (iii) That every re-appropriation has been made by the principles prescribed for the purpose.

It is also the duty of the Committee on Public Accounts:

- (i) to examine the statements of Accounts showing the income and expenditure of State Corporations, Trading and Manufacturing Schemes, concerns, and projects together with the balance sheets and statements of profits and loss accounts which the Governor may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular Corporation, a trading concern or project, and the report of the Auditor General, made to the Governor, thereon;
- (ii) To examine the statements of Accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be

conducted by the Auditor General of Pakistan under the directions of the Governor or a statute; and

(iii) To consider the report of the Auditor General in cases where the Governor may have required him to conduct the audit of any receipts or to examine the accounts of stores and stocks.

The Public Accounts Committee is entitled to scrutinise criticisms and frame recommendations upon any matter discussed in the Appropriation Accounts and in the Auditor General's comments thereon, whether such matter concerns the accounts of expenditure authorized or charged or those of receipts. It has, however, no jurisdiction over matters relating to the salary and allowances of the Governor and other expenditures relating to his office. The Committee is not an executive body. It has no power, even after the detailed examination and on the clearest evidence, to disallow any item of expenditure or to issue an order. It can only call attention to an irregularity or failure to deal with it adequately and express its opinion thereon and record its findings and recommendations.

## **8.4. AUDITOR-GENERAL OF PAKISTAN**

In terms of its mandate given in the Constitution of Pakistan, the Auditor General of Pakistan (AGP) is responsible for ensuring public accountability and fiscal transparency in governmental operations. Reports produced by AGP are laid before the National and Provincial Assemblies and are considered in the Public Accounts Committee of the respective Assemblies. AGP also has a key role in strengthening legislative oversight by providing an independent and objective assessment of the process of governance both at the federal and provincial levels.

## **8.5. STATE BANK OF PAKISTAN**

In terms of the State Bank of Pakistan Act 1956, the State Bank of Pakistan (SBP) acts as the Government's bank both at the Federal and Provincial levels and the National Bank of Pakistan performs the banking/treasury function for the Government at the places where the branches of the SBP do not exist. Due to its independent legal status, it works independently of the Federal or Provincial Executive as may be the case.

Federal and Provincial Governments operate separate bank accounts with the State Bank of Pakistan and are separate accounting and reporting entities with the State Bank of Pakistan. The key functions of the State Bank of Pakistan regarding public finances are as follows:

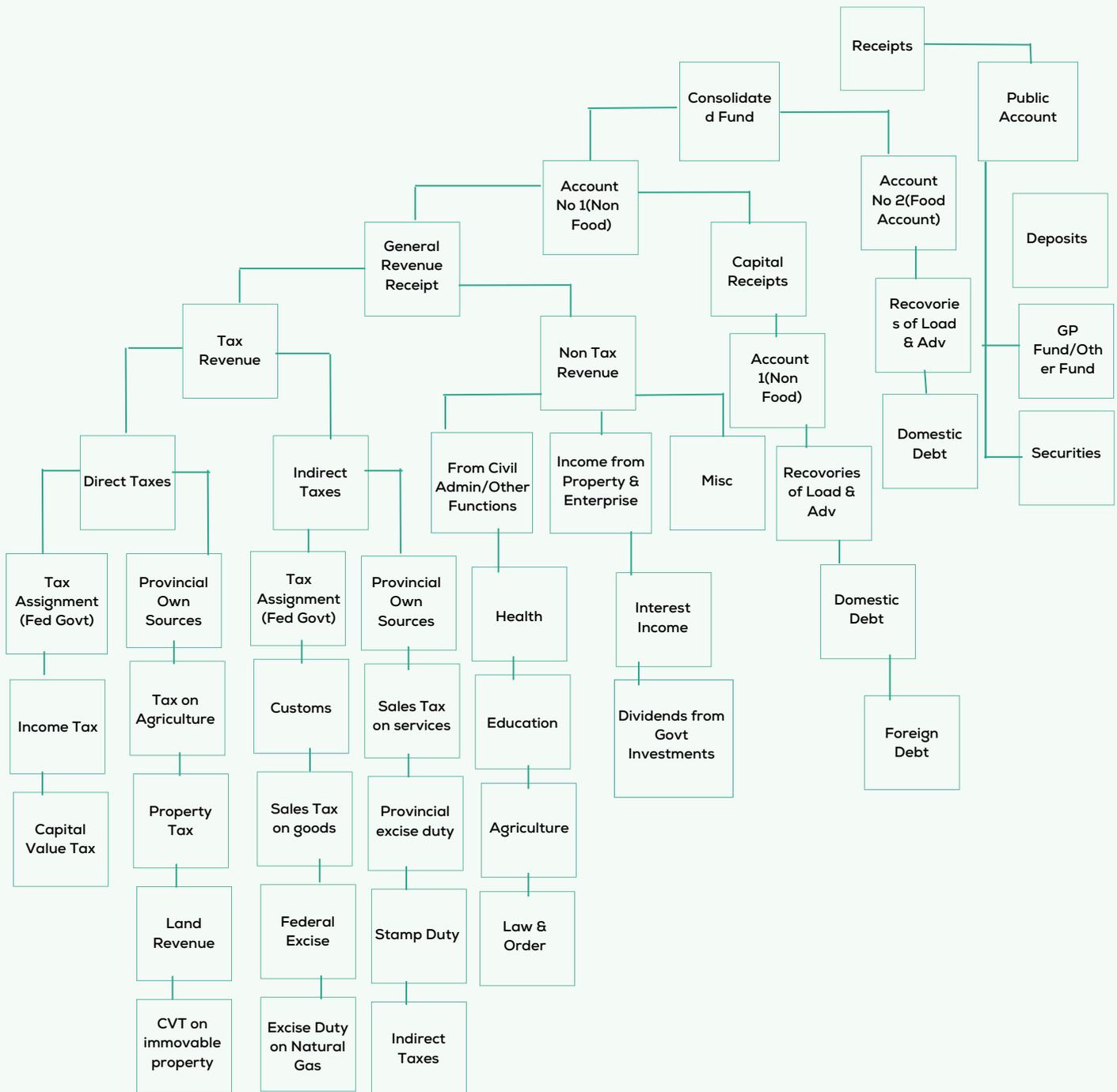
- Administering transactions relating to Consolidated Funds and Public Accounts of the Government
- Compiling and reporting receipts and disbursements from various saving and deposit schemes operated by the Government
- Making payments of authorized amounts from the accounts maintained with SBP / NBP
- Providing loans and advances to the Government
- Carrying out open market operations (including the sale and purchase of Treasury Bills) on behalf of the Government for raising and discharging loans for the Government
- Administering Assignment Accounts for the approved programs/projects of the government
- Managing Food Accounts of the Governments.

# **CHAPTER 9**

## **Estimate of Receipts**

## 9.1. CLASSIFICATION OF RECEIPTS

The overall structure of the Provincial Receipts is shown in the diagram.



### 9.1.1. Revenue Account- Revenue Receipts

These are the incomes that are received by the government from different sources in its ordinary course of governance. These receipts do not create a liability or lead to a reduction in an asset. Revenue receipts are further classified as tax revenue and non-tax revenue.

## A. Tax Revenue

Tax revenue consists of the income received from different taxes and other duties levied by the government. It is a major source of public revenue. Every citizen, by law, is bound to pay due taxes and different penalties under different tax laws. Tax Revenue comprises several taxes that are classified under two groups, i.e. Direct Taxes and Indirect Taxes.

**i. Direct Taxes-** Taxes levied on a person's or an organization's income are called Direct Taxes. Such taxes must be paid by the person/organization on whom they are levied, i.e., their burden cannot be shifted to someone else. There is no direct benefit to the taxpayer on payment of these taxes. Following are the examples of Direct Taxes:

- **Share of Direct Taxes received from the Federal Government** as part of Federal Transfers under the National Finance Commission (NFC) Award includes the following Taxes:
- **Personal Income Taxes:** Taxes levied on the incomes/salaries of individuals including the tax on profits of individual businesses. These also include all related penalties, surcharges, etc. collected from individual businesses, etc.
- **Corporate Income Taxes:** These include taxes on companies' profits and revenues. The corporate category includes all types of companies (public, private, listed, non-listed, etc.)
- **Provincial Own Revenue- Direct Taxes-** For this purpose, the Sindh Board of Revenue is the custodian of the rights of the landholders and is the highest revenue court in the province with Appellate Jurisdiction against orders of subordinate revenue officers/courts including the Collectors. The following types of direct taxes are collected by BOR, Sindh:

1. Agriculture Income tax
2. Capital Value Tax
3. Land Revenue

The above-mentioned taxes are being collected by the Board of Revenue, Sindh by administering various revenue laws in force in the province, as given below:-

- Sindh Board of Revenue Act 1957
- The Sindh Land Revenue Act 1967
- Sindh Land Revenue Rules 1968
- The Land Acquisition Act 1894
- The Sindh Agriculture Income Tax Ordinance 2000 and the rules framed therein
- Amendments in Registration Act 1908

In addition to the above, Excise, taxation, and narcotics control department also collects 'professional tax' as a direct tax.

**ii. Indirect Taxes-** Indirect taxes are those taxes that are levied on commodities and services and affect the income of a person through their consumption expenditure. Here the burden can be shifted to the user of the goods/services.

**a. Share of Indirect Taxes received from the Federal Government** as a part of Federal Transfers under the National Finance Commission (NFC) Award include the following taxes:

- **Customs Duties:** Goods imported into Pakistan are liable to customs duties at tariff rates specified in First Schedule to the Customs Act 1969. Every year, the government determines the expected level of receipts from this source and accordingly revises individuals' businesses, tax rates on all and/or certain goods imported into the country.
- **Sales Tax:** Sales tax is a tax on consumption levied on manufacturers, importers, wholesalers, distributors, dealers, and retailers. Sales tax on services has specifically been excluded from this regime and is being collected by the provinces.
- **Federal Excise Duty:** Federal excise duty is levied on such excisable goods produced or manufactured in Pakistan or imported into Pakistan as specified in the First Schedule of the Central Excise Act 1944. This source of receipt is being gradually phased out and largely replaced with sales tax. Excise revenue comes from five major sources, i.e. cigarettes, beverages, POL products, cement, and natural gas.
- **Indirect Taxes collected under own sources of the province:** Board of Revenue, Government of Sindh, Sindh Revenue Board (SRB), Excise, Taxation & Narcotic Control Department are the major revenue collecting agencies entrusted to collect various indirect taxes being administered in the province under

different laws. These are in the form of Sales tax on services, registration of property, stamp duty, motor vehicle tax, excise duty, entertainment duty, hotel tax, infrastructure cess, etc.

Previously under the admissible laws, property tax was being collected by the Excise, Taxation and Narcotics Control Department, Government of Sindh. However, property tax collection has now been devolved to the Local Governments in the Province.

## b. Provincial Own Source- Indirect Taxes

- **Sales Tax on Services** is the biggest proportion of the overall indirect taxes collected by provinces from their sources. In Sindh, this tax is collected by Sindh Revenue Board (SRB), which was established under the Sindh Revenue Board Act, 2010 to regulate the fiscal and related economic policies in the province. The SRB administers the Sales Tax on Services Act in the province and ensures compliance with the related rules and regulations. The role of the SRB also includes the administration, management, imposition, levy, and collection of taxes, duties, cess, and other levies. It is also required to provide stewardship for enforcing the tax system through the application of modern ICT-based techniques and the development of an automated system for the assessment and collection of tax and related matters in the province.
- **Sindh Excise, Taxation & Narcotic Control Department** has a leading role in resource mobilization for the Government of Sindh. The Department has been entrusted with two functions i.e., Tax collection and Narcotics Control. It has the exclusive authority of issuing & administering intoxicating liquor and other intoxicating licenses. The Sindh E, T & NC Department administers various laws for the collection of taxes, duties, and levies from taxpayers in the province. The taxes/levies are listed below:

1. Motor Vehicle Tax
2. Property Tax ( now devolved to Local Councils )
3. Entertainment Duty
4. Hotel Tax
5. Excise Duty
6. Cotton Fee
7. Infrastructure Cess

**B. Non-Tax Revenue** is collected as user charges instead of the services rendered by various departments/agencies, fines, and some other levy. Prominent in this category is the sale proceeds of government land,

interest income, fees/charges from education, health, works, police, irrigation, mines and minerals, and extraordinary and miscellaneous receipts. Some of these receipts are discussed below.

- **Receipts from civil administration and other functions-** These receipts are realized from several sources covering various organs of the state, e.g., health, education, economic regulation, civil defense, justice, jails, communication and works, forest institutions, fisheries, agriculture, printing, irrigation, etc.
- **Income from property and enterprise-** Income from property & enterprise comprises profits, interest receipts, and dividends from the government's investment in public corporations.
- **Dividends on Government Investments-** Dividends represent the return on the government's investment in the share capital of financial institutions and commercial enterprises. The receipt of dividends varies from year to year depending upon profits earned each year by these bodies and the declaration of dividends on share capital.
- **Interest Income-** Government advances loans to districts, local authorities, Public Sector Enterprises, and others to assist them in carrying out their development programs or other day-to-day operations. Interest on loans is chargeable by the terms and conditions of each loan.
- **Miscellaneous receipts-** These include receipts on account of economic services and other receipts.

### **9.1.2. Capital Account -**

Capital Account is maintained to record inflows from loans and advances from internal and external sources and outflows on account of repayments of loans and advances to the lenders. The items in Capital Account directly impact the asset and liability balances of the Government. Loans/debts are described in detail in the remaining part of this Chapter.

**Capital Receipts -** The receipts which normally create liability or result in the reduction of an asset are called capital receipts. However, other receipts which neither create a liability nor reduce assets (e.g., grants) are also part of the Capital Receipts. These consist of proceeds from borrowing, money received in repayment of loans, recoveries of advances/ investments, proceeds of saving schemes, and net receipts from transactions under deposits and reserves heads. The net capital receipts so realized by the government generally add to the

available resources for the financing of the Annual Development Programme (ADP). Capital Receipts include receipts both from internal and external sources.

**Current Capital Receipts** - Current Capital Receipts broadly fall under the following two categories: -

- Funds received on account of new loans
- Recoveries of loans extended to provincial autonomous bodies/agencies and employees of the Government

## **9.2. PROVINCIAL ACCOUNTS**

### **9.2.1. Account No. 1 - Non-Food Account**

Sindh Government maintains two accounts with the State Bank of Pakistan. Account No. 1 is called Non-Food Account and is used to record, besides revenue receipts and other transactions including those relating to loans. Receipts on account of new loans (foreign and domestic) obtained by the Government and recoveries against loans and advances extended by the Government are routed through Account No. 1. On the expenditure side, all outflows are also booked against Account No. 1.

### **9.2.2. Account No. 2 - Non-Food Account**

All receipts acquired by the Government under State Trading in food commodities and all repayments against these are channelized through Account No. 2. The Government obtains loans from commercial banks under a counter-finance arrangement with the SBP for financing operation of State Trading in food grains (wheat procurement). Once the procured wheat is released from public warehouses, the sale proceeds are directly deposited in Account No. 2 to retire the loan taken from the consortium of banks. Receipts under Food Account also form part of Current Capital Receipts.

## **9.3. ESTIMATE OF RECEIPTS**

### **9.3.1. General Principles and Policies for Estimating the Tax and Non-Tax Receipts**

(i) Identification of Statutory Framework

All budget proposals for the imposition or revision of an item of tax shall be supported by the relevant law. In case any deviation from the existing framework is expected, then the revision in the relevant law shall also be proposed in a manner to identify the existing text and the revised text of the law. This shall become part of the Finance Bill of the year to which it relates.

### (ii) Identification of the basis of Taxation

The budget provisions shall not be based on an intuitional or incremental basis. All budget proposals, by the PAOs/ Heads of the departments/ Controlling Officers, for the imposition or revision of an item of Tax shall principally be determined on a specified and justifiable 'Basis of Taxation'. The basis may be chosen from among 'Progressive Tax'; 'Regressive Tax'; 'Digressive Tax' or 'Proportional Tax' for direct taxes. Likewise, for indirect taxes it may be 'Specific Tax'; 'Advalorem Tax'; or 'Value-added Tax'. Most importantly, it should be in line with the budget strategy approved by the Cabinet.

### (iii) Certainty level about incurrence

While estimating revenue it shall be kept in mind that an item of revenue will be recognized for estimation when (a) it is probable that the increase of future economic benefits related to the increase in assets and/or decrease in liabilities will occur; (b) the increase in future economic benefits related to the increase in assets and/or decrease in liabilities can be measured reliably. All revenue will be accounted for on a received basis. Revenues will be recognized on a cash basis (i.e., as and when the entity gains control over the cash). In addition to this, where the future revenue of the Government can be estimated, this information will be disclosed in the accounts by way of a note. For example, a tax assessment is issued on 26th May and the payee makes the payment on 2nd June. In this example, the revenue would be recognized not upon the issue of the assessment on 26th May but upon the receipt of the cash from the payee on 2nd June.

### (iv) Principle of Conservatism

The revenue estimates should not be based only on incremental or trend basis. Simultaneously, if in the case of certain items, it is difficult to identify a logical and reliable basis for imposition, at the time of the preparation of budget estimates or revising the original estimates, a common approach for estimating the revenues based on the previous three year's average of actual revenue may be used. In the

meanwhile, however, if there is a change in the coverage, policy, or rate, the necessary adjustments to the impact of these changes may also be made to ensure the accuracy and reliability of these estimates.

#### **(v) Responsibility for the estimation of receipts**

Subject to any special arrangement that may be authorized by the competent authority for any particular class of receipt, the Departmental Controlling officers must see that all sums due to Government are regularly and promptly assessed, realized, and duly credited to the Government Account.

#### **(vi) Prompt and regular sharing of information with the Finance Department**

Heads of departments in charge of important sources of revenue should keep the Finance Department fully informed of the progress of the collection of revenue under their control and intimate all important variations in the collection of receipts in comparison with the Budget estimates with the reasons thereof of such variations.

#### **(vii) Use of Chart of Accounts prescribed by the Auditor General**

By the principles laid down in Article 170 of the constitution, all estimates of Receipts and Expenditures shall be classified as per the requirements of the Accounting Framework prescribed by the AGP in the approved Chart of Accounts (CoA). This typically is based on the Entity, Fund, Function, Object, Location, and Project Element.

### **9.3.2. Reporting on Tax Expenditure**

Tax expenditures are generally defined as a reduction in tax liabilities compared with a benchmark tax system. Tax expenditure means the revenue which the Government foregoes through the provisions of tax laws that allow deductions, exclusions, or exceptions from the taxpayer's taxable expenditure, income, or investment, deferral of tax liability, or preferential tax rates. They may take different forms, which can be temporary or permanent and can be included in tax laws or other laws, such as free economic zone laws, investment codes, and so on. In terms of Section 3 of the Sindh Public Finance Administration Act 2020, where an act of the Provincial Assembly for imposing a tax, rate, or levy confers powers on any person or authority to waive or vary a tax, rate, or levy imposed by such act, the authority or person so authorized shall report to Provincial Assembly on the exercise of those powers not less than annually. The same section also

requires that at the time of the presentation of the budget, Government shall present the estimates of the cost of tax expenditure arising from exceptions, broken down by revenue instrument. A few examples of tax expenditure are given below: -

- Exemptions: exclusion from the tax base
- Allowances: amounts deducted from the tax base before applying the tax rate(s)
- Credits: amounts deducted from tax liability
- Rate relief: reduced tax rate
- Tax deferral: a delay in paying the tax liability.

### **9.3.3. Estimation of tax /refund of revenue**

A revenue refund is a return of the previously recorded revenue to a government agency. While preparing the estimates of receipts, it should be ensured that the provision proposed for refunds of revenue, is not deducted from the gross estimates of revenue. The necessary provision for this account should be shown against the head "DeductRefunds". Refunds paid for a receipt previously recognized in the current financial year will be adjusted to reflect the correct level of revenue, that is, as a reduction in revenue.

## **9.4. FORMULATION OF THE ESTIMATE OF RECEIPTS**

The estimates of revenue receipts, capital receipts, and receipts under Public Account receipts are compiled in the budget publication titled "Volume-II- Estimates of Receipts". At the provincial level, resources are generated through a well-coordinated and concerted effort by the revenue-collecting entities and other administrative units. The money raised in this regard is deposited in the exchequer, precisely accounted for in the relevant head of account, and reported as per the principles of financial propriety. For compiling this publication, the following information is required in respect of each major, minor, and detailed object: -

- (i) Budget estimates of the ensuing financial year.
- (ii) Revised estimates of the current financial year.
- (iii) Budget estimates of the current financial year.
- (iv) Accounts of the financial year just closed.

The budget estimates for the current financial year are taken from the "Estimates of Receipts" for the current financial year. Only the other estimates and the

accounts mentioned above are prepared by the Finance Department based on the information furnished by the various estimating officers, namely Revenue Collecting Officers, Controlling Officers, Regional Heads, where they exist, and Heads of Departments. The Finance Department supplies relevant forms to the Revenue Collecting Officers, each year, in which their estimates of receipts for the coming financial year are to be prepared and submitted. Such forms should contain the columns arranged, as in Form BM-1, to show: -

- (i) Actuals of the year just closed;
- (ii) Original budget estimates of the current financial year;
- (iii) Revised estimates proposed for the current financial year; and
- (iv) Budget estimates proposed for the coming financial year.

The purpose of form BM 1 (BCC-I) is to prepare the Estimate of Receipts by Revenue Collecting Officer /Drawing and Disbursing Officer (DDO). These estimates are to be prepared at the detailed object level. Subtotals are required to be provided at the minor and major object code levels. Only MTBF Departments are instructed to prepare the forecast of receipts for two additional years in addition to the ensuing financial year.

Along with the forms for each DDO/ Collecting Officer, Administrative Department is required to submit a summary of the receipt forecasts in the prescribed form at the level of the attached department. While framing the estimate of receipts, the departments are required to justify in the shape of a detailed explanatory memo with adequate analytical details and supporting documents.

Detailed instructions on the subject are contained in the Budget Call Circular issued by the Finance Department each year in the second quarter of a financial year. The estimate of receipts should be framed as accurately as possible as overestimation besides compromising the credibility of such estimates will also lead to huge variance in the actual receipts against the forecasted revenue. Simultaneously, the underestimating of receipts will hurt the resource and ways and means the position of the Government putting it in greater fiscal distress. Therefore, the estimates submitted by the estimating officers should neither be inflated nor under-pitched. Similarly, the revised estimates for a financial year should also be assessed as accurately as possible.

In preparing the estimates of loans and advances likely to be acquired or paid, the authorities at the same time, should also forward an estimate of repayments or recoveries expected in the ensuing financial year, in respect of the category of loans for which they are responsible. Estimates of Loans to Government Servants

should, be prepared by the Finance Department without obtaining any material from Heads of Departments. The Accountant-General should, however, furnish the required data, and propose the estimates under the Minor Object C016- Interest on Loans and Advances to Government Servants. In case of the budgetary objects for which estimates are received from two or more Heads of Departments, the estimates relating to each Head of Department, as accepted by the Finance Department, should be incorporated in the above-mentioned statements, separately. These statements, and the notes written in the Finance Department on the estimates, should be printed, along with the notes, etc., of concerned Heads of Department, and supplied to: -

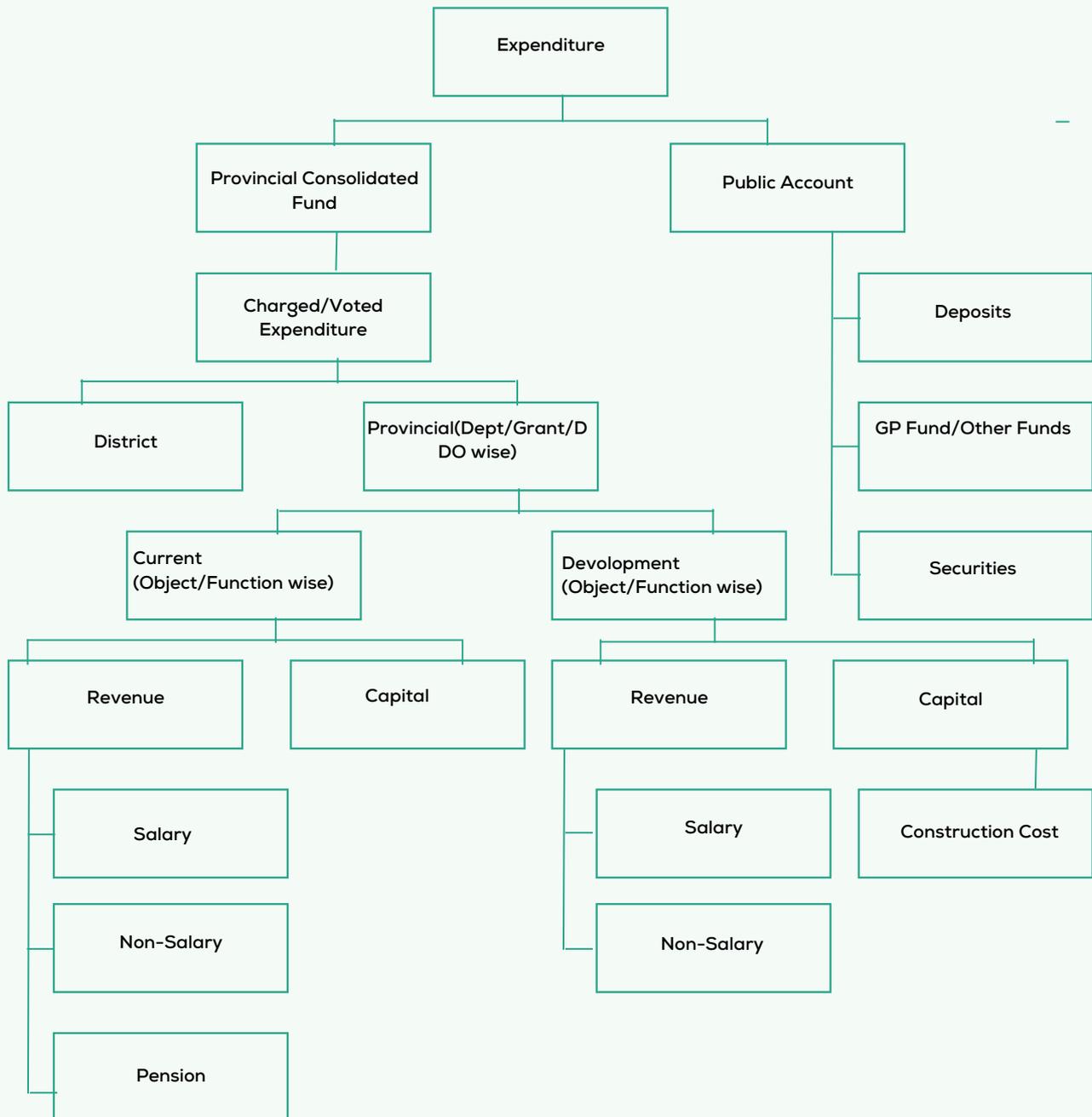
- (i) The concerned Head of the Department;
- (ii) The concerned Administrative Department if it is itself the Head of the Department.

# **CHAPTER 10**

## **Estimate of Expenditure**

## 10.1. CLASSIFICATION OF EXPENDITURE

Expenditure is the term commonly used to describe the consumption of economic resources by an entity. The overall structure and classification of the expenditure is shown below: -



## 10.2. TYPES OF EXPENDITURE

Article 121 of the Constitution of Pakistan specifies certain expenditures to be charged to the Provincial Consolidated Fund. These include:

- remuneration payable to the Governor, the Judges of the High Court, the Speaker and Deputy Speaker of the Provincial Assembly;
- administrative expenses, including the remuneration payable to officers and servants, of the High Court and the Secretariat of the Provincial Assembly;
- all debt charges for which the Provincial Government is liable including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the service and redemption of debt on the security of the Provincial Consolidated Fund;
- any sums required to satisfy any judgment, decree, or award against the Province by any Court or Tribunal; and
- any other sums declared by the Constitution or by the Act of the Provincial Assembly to be so charged.

The above types of expenditure are termed as **'charged'** expenditure while all other expenditures are called **'voted'** expenditure. Based on the nature of the expenditure met out of the Provincial Consolidated Fund (PCF), the expenditure types are divided into the 'recurrent' and 'development' expenditure' with a further bifurcation into the 'revenue' and 'capital' components. **Recurrent / Non-Development Expenditure** means the expenditures which are normally consumed in the current period or typically within a financial year. Examples of these types of expenditures include employee-related expenses, retirement benefits, operating expenses, repair and maintenance, subsidies, transfer payments, etc. **Development Expenditure** means the expenditure incurred to acquire, build, or improve physical assets or to develop human resources as provided in the development budget of a particular financial year.

The **'revenue'** component of non-development/ recurrent expenditure includes the payments of salaries-related expenses along with ancillary expenditures such as allowances, purchases, repairs and maintenance, interest payments, pension, general provident fund, utilities, and other operational expenses. The **'capital'** element of non-development expenditure comprises the outflows on account of investments, principal repayments, loans, and advances to government servants, local/autonomous bodies, etc. In the case of development expenditure, the **'revenue'** part constitutes the bulk of operational expenses such as salaries of project employees, consultants, purchases, etc. The **'capital'** component of development expenditure essentially entails expenditures on works/ brick and mortar.

In the Annual Budget Statement of the province, for development expenditure, the budget estimates are shown further into the **Provincial and District components**, i.e., Provincial and District ADP. The former indicates that the

the allocation would be utilized by Provincial departments/entities, while the latter refers to the allocation to district /local government entities to be utilized under the local government system.

### 10.3. ECONOMIC /OBJECT AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE

The New Accounting Model (NAM) has further classified the expenditure in two categories i.e., Economic/Object and Functional Classification. The functional classification has 10 major heads of account (01 to 10) provided as under: -

Code	Description
01	General Public Service
02	Defence Affairs & Services
03	Public Order and Safety Affairs
04	Economic Affairs
05	Environment Protection
06	Housing and Community Amenities
07	Health
08	Recreation, Culture and Religion
09	Education Affairs and Services
10	Social Protection

**Object classifications** are specified under the Government's Chart of Accounts (CoA) and broadly cover the following:-

Code	Description
A01	Employee Related Expenses
A02	Project Pre-investment Analysis
A03	Operating Expenses
A04	Employees Retirement Benefits
A05	Grants, Subsidies and Write-off of Loans/Advances/Others
A06	Transfers
A07	Interest Payment
A08	Loans and Advances
A09	Expenditure on Acquiring of Physical Assets
A10	Principal Repayments of Loans
A11	Investments
A12	Civil Works
A13	Repairs and Maintenance
A14	Suspense and clearing
A15	Miscellaneous Schemes

As a part of COFOG (classification of the Functions of the Government), the Functional classification of expenditure has been prescribed in IMF's Government Finance Statistics Manual 1986 (with some modifications) and is also included in the Government's Chart of Accounts. A brief description of each of classification is given below:

- **General Public Service:** This includes the expenditure for executive & legislative organs of the government, financial & fiscal affairs, external affairs, debt servicing, foreign debt, loan payment, domestic debt, pensions, etc.
- **Defence Affairs & Services:** Consists of Military defense and defense administration
- **Public Order and Safety Affairs:** This covers the expenditure for law courts, police, fire protection, prison administration, operation and administration of public order etc.
- **Economic Affairs:** It includes allocations for general economic, commercial, and labor affairs, agriculture, food, irrigation, forestry & fishing, fuel and energy, mining and manufacturing, construction and transport, communication, and other industries, etc.
- **Environmental Protection:** It covers the budget estimates for wastewater management, pollution abatement, R&D, environment, pollution abatement, R&D, environment, administration of environment protection, etc.
- **Housing and community amenities:** It includes allocations for the housing department, community development, and water supply.
- **Health Affairs:** This includes allocations for medical products, appliances, and equipment, hospital services, public health services, research and development in health and health administration.
- **Recreation, Culture, and Religion:** This includes budget estimates in respect of recreational and sporting services, cultural services, broadcasting and publishing, religious affairs, and administration of information, recreation, and culture.
- **Education affairs and services:** This covers the expenditures for Pre-primary / primary education affairs and services, secondary education affairs and services, Education Sector Reforms, tertiary education affairs, and services, education services, subsidiary services to education, administration, education affairs and services not classified elsewhere.
- **Social protection:** Includes allocations for administration and other functions for social welfare institutions of the government e.g., Bait-ul-Maal, child protection, etc.

**Capital Expenditure:** This refers to any projected expenditure which is incurred for creating an asset with a long life or repayment of the loan. Thus, expenditure on land, machines, equipment, irrigation projects, oil exploration, general economic/commercial / labor affairs, agriculture, food, forestry, and fishing, etc., and expenditure in the acquisition, and procurement of long-term physical or investments, e.g., financial assets are few of the examples of capital expenditure.

## **10.4. PRINCIPLES OF FINANCIAL PROPRIETY**

Financial Propriety while incurring expenditure and collecting government receipts means compliance with laws, rules, and regulations, maintaining a high standard of prudence, vigilance, and due diligence, and ensuring value for money. Each head of a department is responsible for enforcing financial discipline and a strict economy at every step. He/she is responsible for observance of all relevant financial rules and regulations both by his/her own office and by subordinate disbursing officers. In addition to this generality, the officers/officials are required to observe the principles of financial propriety as follows: -

- i. Every officer while authorizing the expenditure is expected to exercise the same level of vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money;
- ii. The expenditure should not prima facie be more than the demand of the occasion;
- iii. No authority should exercise its power of sanctioning expenditure to pass an order which will directly or indirectly be to its advantage;
- iv. Public Money should not be utilized for the benefit of a particular person or a section of the community unless (i) the amount of the expenditure involved is insignificant or (ii) the claim for the amount could be enforced in a court of law or (iii) the expenditure is in pursuance of a recognized policy/custom.
- v. The number of allowances such as traveling allowance, granted to meet the expenditure of a particular type, should be so regulated that the allowances are not on a whole a source of profit to the recipients.

## **10.5. ROLE AND RESPONSIBILITIES OF PRINCIPAL ACCOUNTING OFFICERS (PAOS)**

Principal Accounting Officer (PAO) is responsible for the overall financial management of all the offices under his administrative control and is the custodian and operator of financial resources. It is the duty and responsibility of

PAO to ensure that financial considerations are kept in view at all stages of the budget cycle including budget formulation, authorization, implementation, and review. The Principal Accounting Officer is responsible not only for the efficient and economical conduct of the departments/offices under his control but also continues to be personally answerable before the Public Accounts Committee (PAC). For all these issues, observance of the principles of economy (getting full value for money) and regularity (spending money for the purposes and in the manner prescribed by law and rules) is expected from PAOs. Simultaneously, while authorizing and incurring expenditure, the following general principles are emphasized in the financial rules: -

**(i) Propriety:** The expenditure is incurred with due regard to high standards of financial propriety.

**(ii) Purpose:** The funds allotted to a Department, Attached Departments, and Subordinate Offices are spent for the purpose for which they are allocated.

**(iii) Rules and Regulations:** The funds are spent by relevant rules and regulations.

**(iv) Limitation:** The actual expenditure does not exceed the budget allocation.

**(v) Prudence:** The expenditure is not, prima facie, more than the occasion demands, and every government servant exercises the same vigilance in respect of the expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

**(vi) Inevitable Payments:** It is important that the indisputably payable money should not, as far as possible, be left unpaid and that money paid should, under no circumstances, be kept out of accounts a day longer than necessary. It is not prudent and economical to postpone the inevitable payments and it is important to ascertain, provide for in the budget estimates, liquidate, and record the payment of all actual obligations at the earlier possible date. Similarly, Principal Accounting Officer (PAO) shall also ensure prompt payments to suppliers and contractors against their invoices or running bills within the time given in the conditions of the contract, which shall not exceed thirty (30) days.

### **10.5.1. Other Duties of Principal Accounting Officers:**

Other duties and responsibilities of the Principal Accounting Officers are as under: -

**(a) Proposals for Budgetary Allocations:** Principal Accounting Officer shall consider budgetary proposals submitted to him and shall, after scrutiny, forward

the proposals to the Finance Department.

**(b) Control over Expenditure:**

(i) The Principal Accounting Officer shall ensure that the funds allotted to a Department, Attached Departments, and Subordinate Offices are spent for the purpose for which these are allotted.

(ii) The Principal Accounting Officer shall also ensure that the expenditure falls within the ambit of a Grant, or an Appropriation duly authenticated by the competent authority and that the flow of expenditure does not give rise to demand for additional funds. Moreover, the expenditure over the amount of Grant or Appropriation as well as the expenditure not falling within the scope or intention of any Grant or Appropriation, unless regularized by a Supplementary Grant or a Technical Supplementary Grant, shall be treated as unauthorized. PAO is also responsible for any laxity in the matters of control over expenditure including that on the part of subordinates.

(iii) The Principal Accounting Officer shall ensure that neither he nor his subordinates disregard the instructions issued by the Government from time to time for proper utilization of funds placed at their disposal. The principle of personal answerability shall not, however, be applicable in a case where a Principal Accounting Officer has been overruled by his Minister on a matter of importance affecting the financial administration of his Department and is required to take a course of action that he regards as inconsistent with his duties as Principal Accounting Officer. In such cases, he should not hesitate to submit the case to the Minister explaining how a particular course of action is inconsistent with his duties as the Principal Accounting Officer.

**(c) Observance of Rules, Regulations & Instructions:** While sanctioning expenditure out of the funds placed at his disposal, or the disposal of Heads of Attached Departments and Sub-ordinate Offices, the Principal Accounting Officer shall ensure that the requirements of the relevant rules and regulations are fully met and that the approval of the Finance Department has been obtained in all the cases which are not covered by a standing authorization that may have been delegated.

**(d) Maintenance and Reconciliation of Accounts:** The Principal Accounting Officer shall ensure that payments are correctly classified under the appropriate heads of accounts and that the departmental accounts are regularly reconciled every month with the figures communicated by the Accountant General, Sindh or

District Accounts Officer, as the case may be. He shall, in addition, keep himself well informed not only of the actual expenditure but also of the liabilities which have been incurred and must ultimately be met. Any anticipated excesses and savings should be readjusted using re-appropriation to the extent the powers delegated to the Principal Accounting Officer (Administrative Department) and Officers in Category-I. Similarly, the Principal Accounting Officer shall ensure that the accounts of receipts are being maintained properly and reconciled every month.

**(e) Realization of Receipts:** In the matter of receipts about the Department, Attached Departments, and Subordinate Offices, the Principal Accounting Officer is expected to ensure that adequate machinery exists for due collection and bringing to account all receipts connected with the functions of the Departments, Attached Departments and Subordinate Offices under his control.

**(f) Public Accounts Committee and Departmental Accounts Committee:**

(i) Being personally accountable to the Public Accounts Committee, the Principal Accounting Officer shall attend all the meetings of the Public Accounts Committee.

(ii) The Principal Accounting Officer shall regularly hold meetings of the Departmental Accounts Committee as Chairperson, with the representatives of the Finance Department, Director General (Audit), and other co-opted persons, as members to watch the processing of Audit & Inspection Reports and to decide upon the appropriate measures to aid and accelerate the process of settlement or completion of the actions suggested by the Audit.

**(g) Coordination and Scrutiny of Budget:**

**(i) Expenditure and Receipts:** The Principal Accounting Officer shall undertake the coordination and internal scrutiny of budget estimates of expenditure, receipts, and Schedule of New Expenditure (SNE) proposals of the Department, its Attached Departments, and Subordinate Offices by the Budget Call Circular issued by the Finance Department and proposals for additional funds to be met out of Supplementary Grant.

**(ii) Consolidation of the Annual Development Programme:** The Principal Accounting Officer under his supervision shall be responsible for the consolidation of the Annual Development Programme (ADP) to ensure that the development schemes of the department are prepared by the prescribed procedure and

instructions issued on the subject.

**(h) Internal Control:** The Principal Accounting Officer shall be responsible for observance of internal controls in the Departments, Attached Departments, and sub-ordinate Offices for preventing irregularities, waste, and fraud, and shall exercise internal checks as follows:

(i) Rules on handling and custody of cash are properly understood and applied;

(ii) An effective system of internal checks exists for securing regularity and propriety in various transactions including receipt and issue of stores, if any; and

(iii) A satisfactory arrangement exists for systematic and proper maintenance of Accounting Books and other ancillary records concerned with the Initial Accounts.

**(i) Internal Audit:** The Principal Accounting Officer shall ensure the arrangements of Internal Audit by creating an office of Chief Internal Auditor or to least get the Annual Internal Audit of Departments, Attached Departments and Sub-ordinate Offices conducted and get the result of these inspections incorporated in the form of Internal Audit Report, for taking appropriate action.

### **10.5.1. Budgetary Procedure:**

The powers to sanction expenditure within the budget grants have been delegated to the Administrative Departments and Category of Officers mentioned in the First Schedule of the Sindh Delegation of Financial Powers and Financial Control 2019 for the purposes and to the extent mentioned in the Second Schedule to these rules. Yet, the finalization of the budget proposals continues to be the responsibility of the Finance Department. Once a provision for expenditure has been made in the budget and it has become effective, the Administrative Department and Category of Officers shall have the authority to sanction expenditure from within their sanctioned budget grants, subject to the powers delegated to them and the fulfillment of conditions laid down under these rules. The salient features of the budgetary procedure are as follows: -

**(i) Budgeting is a continuous process:** Since budgeting is a continuous and regular process, the preparation and formulation of the budget estimates along with the adjustments required in the approved budget estimates of the current financial year will start quite early in the year according to the prescribed timelines provided in the Budget Call Circular issued by FD each year in October.

**(ii) Estimates of Expenditure - Approval and Issuance of Budget Estimates and Schedule of New Expenditure (SNE):** All the proposals for employee-related expenditure, other types of expenditures, and Schedule of New Expenditure (SNE) proposal in the Budget Estimates shall be sent to Finance Department by the instructions contained in the Budget Call Circular.

**(iii) Estimates of Tax and Non-Tax Revenues:** The estimates of Tax Revenues, Non-Tax Revenues, and Capital Receipts shall be furnished to the Finance Department by the instructions contained in the Budget Call Circular.

**(iv) Lump Sum Provision under Recurrent Expenditure:** Lump-sum provision in the budget should not be proposed or made except in exceptional circumstances e.g., lump sum provision for late Schedule of New Expenditure (SNEs), late receipt of directive-based demands, etc. which shall be recorded. Where such a provision is made in the budget, releases shall be made by the Finance Department after examining its need and justification.

**(v) Block allocations in Public Sector Development Programme:** As a general policy, block allocations should not appear in the sector-wise allocation of the Public Sector Development Programme, except in exceptional circumstances, which shall invariably be recorded. In respect of such lump-sum provisions/block allocations, the sponsoring Department(s) or subordinate offices concerned shall invariably furnish a list of approved schemes indicating the bifurcation of this allocation against each scheme to the Finance Department and Planning and Development Department. The releases against block allocations shall be made by the Finance Department after the receipt of the advice from P&DD.

**(vi) Allocations in the Public Sector Development Programme for Unapproved Schemes or Projects:** Allocation in the Public Sector Development Programme for unapproved development schemes or projects shall be made in exceptional circumstances only, after anticipatory approval of such new schemes or projects by the competent authority has been issued. If it was inevitable to do this, immediately the process of the regular approval of these schemes will be completed.

**(vii) Cash Plan of Public Sector Development Programme and releases of funds:** Releases of the allocations provided in the Public Sector Development Programme for individual schemes, which have already been approved by the competent authority or have been given anticipatory approval by the competent authority, shall be made by the Finance Department by the Cash Plan of the projects in consultation with Planning and Development Department.

**(viii) Supplementary Grants:** There are three forms of Supplementary Grants (i) Token, (ii) Technical, and (iii) Regular, which are described as follows: -

- Token Supplementary Grant is sanctioned to open and operate a new budget head;
- Technical Supplementary Grant is sanctioned to transfer funds from a Grant or Demand to another demand or grant where there is an additional need or demand, and the amount is available due to anticipated saving; and
- Regular Supplementary Grant is sanctioned when saving is not available either through re-appropriation of funds from within the same grant or demand or technical supplementary grant from one grant/demand to another grant or demand. While the Technical Supplementary Grant does not imply any additionality to the sanctioned budget grant, the regular supplementary grant involves an upward change in the sanctioned budget grant.

**Note-1:** All Supplementary Grants are required to be presented to the Provincial Assembly for ex-post authorization. Moreover, in terms of Section 8(b) of the Sindh Public Finance Administration Act 2020, a request for a supplementary grant shall be laid before the Cabinet for approval before the incurrence of expenditure. Therefore, to minimize or eliminate the need for the supplementary grant, departments should anticipate the requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Department. Demands and requests for supplementary grants are viewed unfavorably by the Finance Department except in extraordinary circumstances. In such circumstances, the Finance Department would expect an explanation of the reasons not to foresee the need for additional resource requirements at the time of submission of budget proposals. The funds obtained through Supplementary Grants shall be expended for the purposes for which these have been sanctioned.

**Note-2:** Under recurrent expenditure, demands for supplementary grants or technical supplementary grants shall not be made, except in extraordinary circumstances for which full justifications shall have to be furnished to the Finance Department with a reason as to why the additional expenditure could not be foreseen at the time of submission of proposals for budget provision. In the case of technical supplementary grants in the recurrent expenditure, the procedure prescribed for the surrender of funds from one demand or grant and reallocation to another demand or grant shall have to be followed.

**Note-3:** Similarly, in development expenditure, while sanctioning the Technical

Supplementary Grants, the prescribed procedure for the surrender of savings shall have to be completed. Likewise, for the reallocation of funds from one development project to another because of a review of the Public Sector Development Programme, the prescribed procedure for the surrender of savings shall have to be completed. For this purpose, the Planning and Development Department shall indicate the matching savings which shall have to be surrendered before the allocation of additional funds to another project. This process shall be completed expeditiously to ensure that the release of funds to development schemes or projects is not unduly delayed.

**(ix) Foreign Exchange Budget in Public Sector Development Programme:** The foreign exchange budget shall be prepared by the instructions issued by the Finance Division (External Finance Wing) from time to time which are also circulated to the provinces.

**(x) Retroactive Financing in Foreign Project Assistance (FPA) Projects:** At times in emergencies, the request for retroactive financing against the foreign-funded emergent nature development projects/ schemes undergoing the process of approval from the competent forum duly recommended by Planning and Development Department are received in the Finance Department subject to the commitment of foreign development agency/ bank/donor with the indication of the source of funding. They may be entertained. However, after the completion of the approval process from the relevant forum, Administrative Approval is issued, and funds are released as per the allocation or through outside budget or the case may be. In the case of a non-ADP scheme, such matters are referred to the Sub-Committee of the Cabinet on financial matters for approval and provision of funds as extra budget or outside budget items.

## **10.6. ESTIMATES OF REGULAR EXPENDITURE AND MTBF ESTIMATES OF EXPENDITURE**

The process of formulation of budget estimates starts with the issuance of the Budget Call Circular (BCC) by the Finance Department normally in the 2nd/3rd week of October each year. Besides containing general guidelines and instructions to formulate different kinds of budget estimates, BCC also includes various forms for the completion of essential data required for budget formulation. BCC also prescribes the timeline for each activity connected with the budget-making and scrutiny at different levels.

As a part of the 'top down' budgetary framework, the preparation of a Budget Strategy Paper (BSP), and its presentation in the Cabinet is an important step in the budget formulation. The purpose of BSP is to provide a three-year rolling

framework and key directions of the Government for the preparation of the budget estimates in the medium term. BSP is prepared jointly by the Finance Department and Planning & Development Department, in consultation with relevant stakeholders. Based on the overall resource availability and Government priorities provided in the Budget Strategy Paper, the Finance Department firms up the Indicative Budget Ceilings (IBCs) and forwards them to the Administrative Departments.

Budget Call Circular (BCC) has integrated the formulation of the Recurrent (non-development) & Development budget and it is being issued by the Finance Department in consultation with the Planning & Development Department. For the development budget, Planning & Development Department have the lead role whereas the Finance Department is required to scrutinize in greater detail the proposals and estimates of the non-development budget. Nevertheless, consolidation of budget estimates, its presentation to the cabinet, subsequent submission, and approval of the budget by the Provincial Assembly remains the core responsibility of the Finance Department. All Administrative Departments are required to submit budgetary proposals on prescribed forms to the Finance Department and Planning & Development Department in detail, for scrutiny. In the instructions contained in the BCC, the Administrative Departments have been advised to prepare their proposals by the new Master Data which was revised during the fiscal year 2016-17 for the elements viz Demand, Entity, and Cost Centre.

In this regard, it would be relevant to mention that there is some specific information that is required to be provided by the pilot MTBF Departments (09 departments are currently under the ambit of MTBF) as per the instructions and forms contained in the BCC. For the said purpose, BM II, BM III, and BM IX (only for MTBF departments) are the key forms to be filled in by the MTBF departments. In these forms, the form BM II and BM III are for the regular budget estimates of MTBF departments and BM IX is the form which is related to performance indicators and targets for the MTBF pilot departments. The required information includes the receipts and expenditure forecasts for the next two years along with performance indicators with associated targets.

Administrative departments are advised to submit budget proposals for revenue and expenditure duly aligned to the Budget Strategy Paper (forms BM-I, BM-II & BM-III). The Administrative Departments are required to ensure that before forwarding the proposals of budget estimates, revised estimates, and SNE to Finance Department, due consideration and scrutiny are done by the "Priority Committee" in terms of the instructions contained in the letter of the Finance Department no.FD/B&E-I/Budget Circular / 2017-18, dated 27th September 2017. In this regard, recommendations of the Priority Committee duly approved by the respective Administrative Secretary are essentially required to be annexed

with these proposals.

The proposals shall be duly examined in the departments by conducting internal meetings and consultations with subordinated DDOs, taking into consideration the following steps:-

- Budget preparation forms shall be prepared by the Drawing and Disbursing Officers (DDOs), as per the instructions provided in the BCC.
- Administrative Departments must rationalize budget proposals of the attached Departments/subordinate offices and prioritize them before it is aggregated and forwarded to the Finance Department.
- Actual expenditure incurred for the current and past financial years as recorded in the Integrated Financial Management Information System (IFMIS) shall be reflected in the prescribed formats, instead of estimates.
- Administrative Departments must ensure that the departmental reconciliation takes the place of actual receipts and expenditures with the Accountant General Sindh/District Accounts Offices/ Treasury office, as the case may be.
- Entitlements/ceilings of officers for Vehicle, Telephone, etc. must be considered while provisioning for the budget allocations by their rank.
- Administrative Departments must conduct a detailed need assessment of their requirements (including utility bills) for the next financial year, instead of relying on supplementary or additional grants at the outset of the current financial year.
- Administrative Departments are advised to submit verified, separated (DDO-wise), and consolidated (for all the DDOs under their administrative control) budget proposals to the Finance Department.

The Finance Department shall make necessary budgetary allocations depending on the resource availability as well as in line with the policy and priority pronouncements of the Government. Finance Department may (i) reduce existing appropriations, (ii) delete an appropriation, and/or (iii) ignore late submissions if an Administrative Department does not meet the target dates as prescribed in the budget calendar or additional budget circulars and instructions.

## 10.7. Budget Calendar, Instructions, and Forms

The schedule prescribed in the Budget Calendar and the prescribed forms should strictly be followed. Timelines & forms are prescribed for Receipts, Expenditure (Non-Development & Development), and MTBF. The detailed timelines for Administrative Departments (both Regular and Pilot MTBF departments) and other stakeholders are reflected in the annexes of the BCC. Administrative Departments are advised to develop an internal work plan and specific instructions to disseminate this to subordinate entities to ensure the timely preparation and submission of the relevant documents by the required standards. The Administrative Departments must finalize the Revised Budget Estimates (Non-Development and Development), Budget Estimates (both recurrent and development) for the ensuing year, and medium-term forecasts beyond one financial year in respect of MTBF pilot departments of all Drawing and Disbursing Officers (DDOs) on the prescribed formats and forward the same in respect of: -

- i. Recurrent Budget (Non-Development) to the Secretary, the Government of Sindh, Finance Department; and
- ii. Development Budget (ADP/PSDP) to the Chairman Planning and Development Department Board, Government of Sindh within the timeline prescribed in the Budget Call Circular.

All forms shall be prepared in Microsoft Excel. For each form (i) one electronic version (MS-Excel file) and (ii) one duly signed printed version must be submitted.

## 10.8. SCHEDULE OF NEW EXPENDITURE (SNE)

Schedule of new expenditures (SNEs) are mainly required for creating and funding staff posts and purchasing physical assets. In the case of establishing new offices, administrative expenses including the operating expenses and funds for repair and maintenance are also provided through SNE. For the said purpose, the DDOs submit the SNEs under the recurrent budget to the section officer dealing with budget matters in the Administrative Department. For SNEs relating to the development budget, simultaneously the concurrence of the Planning and Development Department and review of PC IV if already submitted by the executing agencies is also required. Administrative departments prepare budget demands for expenditure on prescribed forms (discussed below). Administrative departments are required to submit SNE proposals (form BM-IV), to the Finance Department latest by 15th November each year. Before doing so, ADs are

required to conduct internal discussions and meetings on these proposals, especially looking into the following aspects: -

- Due reference to the relevant (approved) strategies and policy documents (budget strategy paper and sector plans wherever these are available).
- Details of the existing sanctioned strength and the posts created during the last three years with sufficient justification for enhancement of posts and financial implication.
- Details of vacant posts which are not required for the future against the demand for the creation of new posts, along with complete justification.
- Impact of completed development schemes or likely to be completed in the current fiscal year on Nondevelopment/ recurrent budget must be considered and the same may be communicated to Finance Department latest by 31st December each year along with concurrence/consent of Planning and Development Department and handing/taking over the certificate.
- Details of existing vehicles with year of purchase and those purchased during last three years from Development and Non-development Budgets as well as names/ designation of officers to whom such vehicles have been allotted.
- Condemnation Certificate from Motor Vehicle Inspector of the existing vehicles for purchase of new vehicles in replacement thereto.
- Details of existing Physical Assets (other than vehicles) such as Hardware, Machinery and Equipment, Furniture and Fixtures, etc. with year of purchase and those purchased during the last three years from the Development and Non-development Budget.
- The justification must be provided in the shape of a detailed 'explanatory memo' with adequate analytical details and supporting documents.

## **10.9. DEVELOPMENT EXPENDITURE**

Development expenditure refers to the scheme-wise (or project-wise) resource allocation for undertaking a development activity. Development projects are the projects undertaken to acquire, build or improve physical assets or develop human resources. The Planning Commission, Government of Pakistan, performs the functions of economic planning and overseeing development activity in the country. The Commission is responsible for setting development priorities on an annual and medium-term basis. For development planning and public investment management at the Provincial level, separate Planning & Development Departments (P&DD Boards in the case of Punjab & Sindh) in each province have been established with the responsibility to perform similar functions within their respective jurisdiction. These departments/ boards provide the overall leadership to the administrative departments for the creation, processing, approval,

implementation, and monitoring of development schemes in the province. The P&D Department also coordinates with the Federal Government / Planning Commission on the implementation of large development programs, foreign-funded projects, and federally-funded province-specific projects. The Federal development budget is also termed as Public Sector Development Programme (PSDP) which consists of budget allocations to Federal Ministries and Divisions for the upcoming fiscal year. Allocations made by Sindh Government for their development budget outlays are separately identified in the PSDP/ development budget document. The provincial development budget is also known as the “Annual Development Programme”.

### **10.9.1. Formulation of Development Budget (ADP / PSDP)**

Administrative departments prepare their Annual Development Program (ADP) in line with the economic policies, and strategies of the Provincial Government and, in the case of the Public Sector Development Programme (PSDP), broad guidelines given by the Federal Government on the preparation of PSDP.

Administrative departments are required to ensure that their projects/schemes in the approved portfolio fall within the parameters of the economic agenda of the Government and can also add new projects, which are implementable under Public Private Partnership (PPP) mode.

Administrative departments prepare their draft ADP by the ceilings given in the Budget. There is usually a separate planning & development section dedicated to the development budget in each Administrative Department. The section is responsible for initiating, preparing, and finalizing the development budget demands for the Administrative Department. The planning section, after receiving the Budget Call Circular (BCC) sends it to all concerned DDOs (including districts) for preparing budget proposals for development schemes. Specific guidelines for the formulation of ADP/PSDP as issued by the P&D Department are included in the Budget Call Circular (BCC). Separately, every year, Planning and Development Board issues broad guidelines for preparing the development budget along with the instructions issued by the Federal Government for the preparation of PSDP and these are explained in detail below: -

1. All Administrative Departments should scrutinize their projects in the approved portfolio and determine whether these fall within the parameters of the economic agenda of the Government. While undertaking this exercise, all departments may also identify those new projects, which could be implemented under Public Private Partnership (PPP) mode.

2. 1st edition of the ADP for the ensuing year may be prepared at the tentative size indicated against each department in the Budget Strategy Paper (BSP) relating to the development budget, which may vary depending on the availability of funds with the Finance Department, GoS and final approval of the Chief Minister, Sindh. Moreover, the size of the ADP of each department would be decided depending on the future demand, priority, and impact on the socio-economic and implementation capacity of the department.

3. The Administrative Department should develop its sectoral development strategies and annual plan and identify such new schemes in consultation with the relevant stakeholders to meet the expectations of people and create opportunities for socio-economic development.

4. Administrative Departments may consider the following broader development strategy while identifying new schemes;

- Providing infrastructure for educational institutions for increasing enrolment and better education;
- Improving and providing better healthcare facilities and managing available health institutions, nutrition security & population welfare;
- Increasing agricultural productivity and value chain;
- Conserving water for agriculture, industrial and municipal consumption;
- Providing clean drinking water and safe disposal of sewerage;
- Improving connectivity between major cities and towns of the province;
- Developing infrastructure for Mass Transit for urban centers;
- Creating resilient infrastructure while looking into the impact of climate change;
- Undertaking Safe City Projects;
- Aiming for social protection & poverty reduction by providing community infrastructure funds, income-generating grants, micro assets, and low-cost housing for equitable & sustainable growth;
- Youth & Skill development; and
- Digitalization in the government business, provision of timely and reliable data.

5. The new scheme should be arranged in order of priority within each sector / sub-sector to ensure the funding for priority schemes and to drop the least priority schemes in case of resource constraints.
6. All Administrative Departments/Executing Agencies to ensure that the ratio of allocation of ongoing and new unapproved schemes is maintained at 80:20 in Provincial and District ADPs.
7. Realistic estimated cost be mentioned and proper allocation for Revenue and Capital components may be given for each scheme.
8. Protect ongoing schemes, which have reached an advanced level for completion, and provide allocations as per financial phasing given in PC-Is to complete maximum numbers of schemes.
9. Any ongoing scheme having throw-forward up to Rs.50.00 million should be provided/ allocated 100% funds to complete the same in the next year ADP.
10. Only those new schemes will be considered which have been assigned a high priority and are of an emergency nature. Those new schemes should be arranged in the order of priority within each sector/sub-sector, so that, if resources fall short of requirements, the least priority schemes may be dropped.
11. Any new scheme costing up to Rs.100.00 million should be given financing in two years to complete the maximum number of schemes.
12. Approval process of new schemes included in the next year's development program is required to be initiated in advance before 31st March each year to allow the approval of the maximum number of schemes in due course of time.
13. The allocation for new schemes included in Provincial and district ADPs must not be less than 25% of the total cost. The cost and scope of new schemes included in ADP should not be changed at the time of preparation of PC-I; only a variation of up to 10% will be accepted. Moreover, New Schemes in the current year's ADP which have been approved and will continue in next year's ADP shall also be allocated at least 25% of the total cost in next year's ADP.

14. Allocation of new schemes be kept given the completion period of a maximum of 3 years. PC-Is of new schemes included in ADP are required to be furnished before 31st January each year. No new scheme will be continued in next year's ADP if not approved as per the given timeline. Schemes likely to be completed by June, of the ongoing financial year as per the commitment of the departments during ADP review meetings, should not be continued in next year's ADP.

15. Schemes carrying token allocation, zero utilization, and /or unapproved for the last two consecutive years shall not be proposed in next year's ADP.

16. Schemes, which have utilized more than 70% of the total cost must be allocated the remaining funds in next year's ADP for completion.

17. Schemes that were approved before the last 10 years and are still appearing in ADP, Administrative Departments are required either to complete these schemes within allocated funds or rationalize the scope and total cost through the relevant competent forum for approval of the revised scope of these schemes.

18. All Administrative Departments shall also include the goals and targets of Sustainable Development Goals (SDGs) and actions proposed in the Climate Change Policy Framework and the constituency number against each scheme.

19. The amount for the projects to be financed through foreign assistance should separately be mentioned in rupees, indicating the expenditure on the import of goods and services. This is necessary because under certain aid agreements, the Government of Pakistan/Sindh is required to first incur the expenditure in local currency and thereafter the amount is reimbursed by the Development Partner/Foreign Donors.

20. The counterpart funds required for Foreign Projects Assistance must be ensured to be kept in each year's ADP as per commitments made with International Development Partners.

21. All Administrative Departments/concerned agencies will formulate their programs after full deliberations with all concerned stakeholders and executing agencies so that requests for re-appropriation, immediately after the commencement of the fiscal year can be avoided. As a policy, the Planning and Development Department /Board would not entertain any request for re-appropriation during the period from July to December each year.

22. The Deputy Commissioners will have to identify new schemes for the respective Districts depending on the priority and need of those proposed schemes and incorporate them into its development portfolio.

23. While forwarding the demand for the next year's ADP, the department should also observe the 18th Amendment i.e., the Division of Subjects between the provinces and the federation.

24. A brief project profile and core objectives of the mega projects with a total cost exceeding Rs.500 million or as prescribed by the Government may be given separately.

i. All development projects should be based on feasibility studies. In the case of projects in the Infrastructure & production sectors costing Rs.500.00 million and above, the feasibility study would be mandatory. The project-oriented TORs should be prepared, and experienced and professional consultants should be engaged for preparing feasibility studies. In the case of projects costing less than Rs.500.00 million, it should be based on an in-house feasibility study (see also the guidelines on the subject in the planning manual). May also see the revised instructions on the subject in the newly approved Planning Manual for the Province of Sindh.

ii. No Block Allocation will be allowed in next year's ADP, all departments will have to bring such development initiatives in the scheme mode.

iii. The nomenclature of the schemes/projects must be correctly given along with the date of approval and completion to avoid discrepancies.

iv. Location of the schemes falling in more than one District or Sindh-based schemes may be avoided. The name of districts is given in the location column against each scheme, as such inclusion of umbrella schemes be avoided.

25. Administrative Departments to consider Multidimensional Poverty Index (MPI) and inequality while preparing Annual Development Programme (ADP).

26. Realistic estimated cost be mentioned and proper allocation for Revenue and Capital components may be given for each scheme.

27. District-based small schemes shall not be included in Provincial ADP as per policy approved by the Honourable Chief Minister, Sindh in 2014-15 i.e. "Small roads up to 3 KMs, Dispensaries, BHUs, C.C. Blocks / C.C. Flooring, Paver Blocks and Drains, Street Lights & Flood Lights, Compound Wall around Graveyards, Library, Press Club, Gymkhana, Entrance Gate, Religious Buildings such as Mosque, Dargah etc., Shopping Centre, Maternity Homes, Parks, Children Zoo / Garden, Play Ground, Community Centers, Waiting Sheds/Waiting Halls, Public Toilets, Water Tanks/Hand Pumps".

28. Administrative Departments should resolve the issues/bottlenecks being faced in the implementation of the schemes such as expiration of plan period, delay in issuance of Administrative Approval, an un-satisfactory report by the Monitoring & Evaluation Cell of P&DD, non-submission of DROs for revenue component and revision of PC-I in case of any change in the cost and scope of the schemes.

29. Administrative Departments will have to furnish a timeline with a bar chart for major projects/schemes, especially those ongoing projects which will be likely to be completed by the end of the year to which the ADP funding is being sought e.g. In FY 2022-23's ADP, such details will be required for the schemes likely to be completed by June 2023.

30. Any instructions or policy guidelines to be issued from time to time will also be adhered to.

31. **Medium-Term Budgetary Framework** : Presently, the following Administrative Departments are required to present Medium Term Forecasts (forms BM I, BM II, and BM III) and performance information (form BM IX) on a pilot basis in accordance with principles for medium-term planning as presented in the Annexes attached with these instructions: -

- a. Agriculture Supply & Prices Department
- b. College Education Department
- c. Department of Empowerment of Persons with Disabilities (DEPD)
- d. School Education & Literacy Department
- e. Energy Department
- f. Health Department
- g. Irrigation Department
- h. Livestock & Fisheries Department
- i. Social Welfare Department

## **10.9.2. District Annual Development Program**

Every year, the Government of Sindh allocates the budget for District ADP both for the ongoing and the new schemes. The share based on the Indicative ceiling/ benchmark of each district is communicated for the preparation and approval of District ADP Vol-V. Thereafter, funds are released to the respective Project Directors/ Deputy Commissioners to ensure the non-duplication of expenditure while preparing the PC-I and to ensure proper utilization of funds after the fulfillment of all codal formalities.

## **10.9.3 Revised/Modified Budget Estimates**

As a part of the budget formulation and finalization process, Administrative Departments are required to submit to the Finance Department the Revised Budget Estimates for a particular financial year using the respective form (Form BM-VII) by the prescribed date given in the BCC (normally around the first week of February each year). Administrative Departments will request the Finance Department for budget revisions, re-appropriations, and supplementary allocations using the respective forms (Form BM V and BM VI). Each request shall be duly explained and justified. Only those re-appropriation requests will be granted, which could not have been foreseen at the time of preparing the budget. Only in exceptional cases, Administrative Departments may request the Finance Department for a supplementary budget using the respective form (Form BM VI).

## **10.9.3. Re-appropriations and Revision of Development Budget**

Administrative Departments may request the Planning and Development Department for re-appropriations using the respective form (Form BM-XI). The Planning & Development Department will only entertain the request for re-appropriation during the period from January to May 15 each year. No re-appropriation proposal after 15th May will be entertained by the Finance Department.

## **10.10. BUDGET FORMS**

### **10.10.1 Expenditure Budget Forms**

- Regular Expenditure (Budget Form BM-II)- Regular Expenditure component of the current budget is prepared using the budget Form BCC-II "Estimates of Regular Expenditure".
- Pay & Allowances (Budget Form BM-III)- Details of employees' Pay & Allowances are budgeted on Form BCC-III "Details of Sanctioned Posts for Regular Expenditure Estimates".

- Schedule of New Expenditure (SNE) (Budget Form BM-IV)- Budget proposals for New Expenditure are prepared on another budget form BCC-IV titled "Proposal for Schedule of New Expenditure".
- Development Expenditure (Budget Form BM-X)- Estimates for the Development budget are prepared on Budget Form BCC-X "Estimates of Annual Development Programme".
- Pilot MTBF Departments (Budget Form BM-IX)- Additional Budget Form has been prescribed for Pilot MTBF Departments (9 departments are currently under the ambit of MTBF in Sindh) to provide information on their service delivery targets (outcomes/outputs). The information pertaining to their performance indicators and targets is prepared on Budget Form BM-IX "Performance Indicators and Targets".

All the above-mentioned budget forms are included in the Budget Call Circular (BCC) issued by the Finance Department, Government of Sindh issued each year and are also available in this edition of the Budget Manual in sequential order after the last chapter of this Manual from page 137 onwards.

### **10.10.2. Receipt Budget Form**

#### **Tax and Non-Tax Receipts (Budget Form BM-I)**

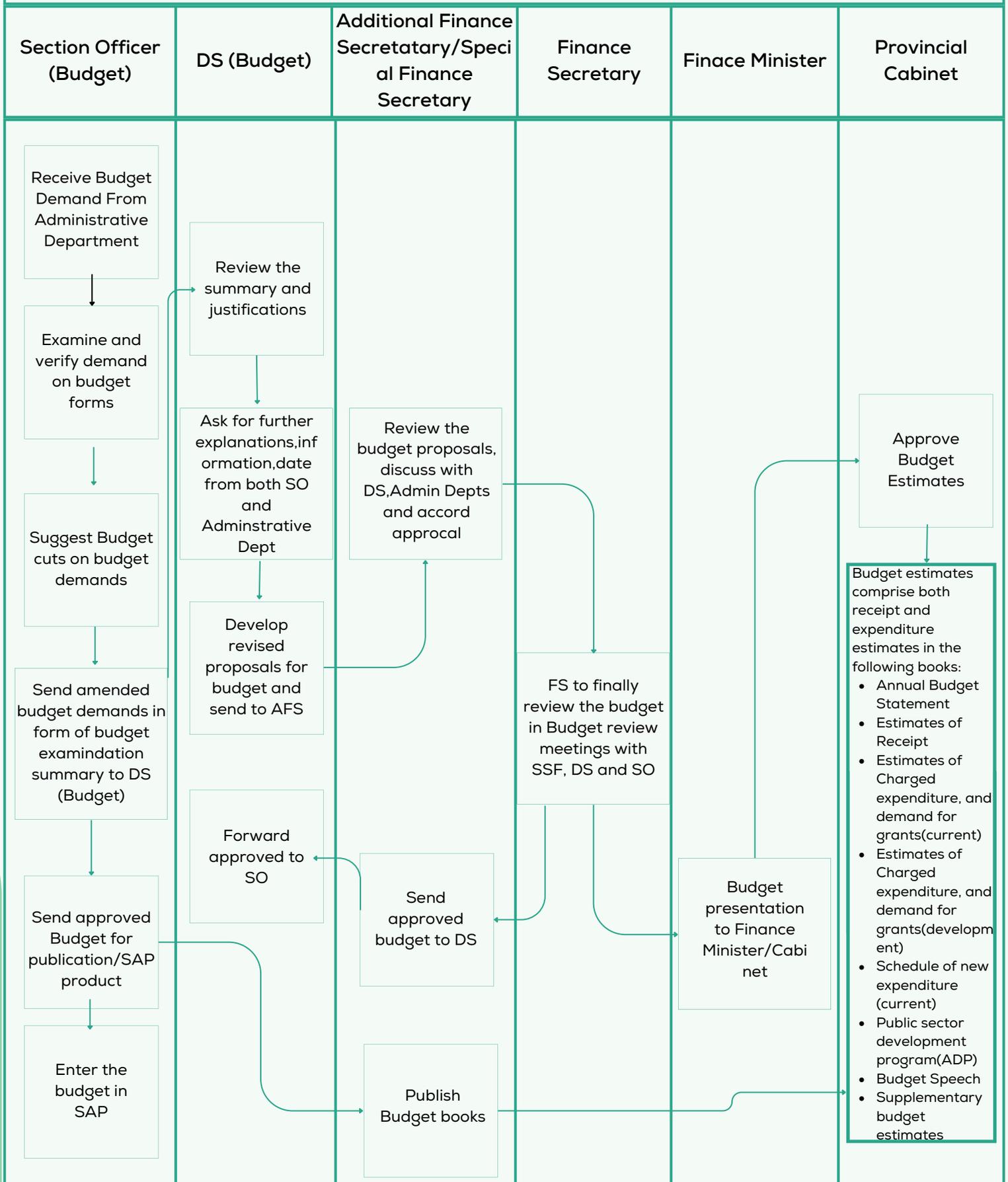
Tax and Non-Tax Receipt estimates are prepared using budget form BM-I - Estimates of Regular Receipts.

## **10.11. BUDGET REVIEW, ANALYSIS, AND FINALIZATION**

Budget submissions from the administrative departments are reviewed and analyzed by the Finance Department. Budget submissions are made separately for each DDO / cost center. The purpose of the review process is to determine accuracy, appreciate constraining fiscal boundaries, assess reasonableness, and ensure proper account coding according to the classification provided in the Chart of Accounts (CoAO). Budget demands for administrative departments are also reviewed considering the budget ceilings provided at the initial stages of the budget cycle. The budget review/analysis/recommendation functions are performed at various levels within the Finance Department.

In the flow chart on the next page, the summary of the review and finalization of the regular and SNE budget is given to explain the process.

## Review, Analysis and Approval of Regular SNE Budget (Sindh)



Legend: DS (Deputy Secretary); SO (Budget); Section Officer (Budget)

## 10.12. PC DOCUMENTS

Planning Commission, Government of Pakistan, has prescribed various forms for use at different stages of the project life cycle. The same conditions have been adopted by Provincial Planning & Development Departments in the Provincial Governments including the Government of Sindh. Names of the states are given below with their brief description in the succeeding paragraphs: -

- **PC-I:** Form for project preparation for production sectors /infrastructure sectors / social sectors
- **PC-II:** Form for survey and feasibility studies
- **PC-III A:** Form for physical targets based on PSDP allocations
- **PC-III B:** Form for monthly progress reporting
- **PC-IV:** Form for a project completion report
- **PC-V:** Annual performance report after project completion

### **PC-I Form - Project Preparation (for Production, Infrastructure, and Social Sectors)**

Separate PC-1 forms have been designed for different sectors. These include:

1. Production Sector
2. Infrastructure Sector
3. Social Sector

Essential contents of this form include the following:

- Project name and location
- Responsible authority and project stakeholders
- Project objectives
- Detailed description
- Capital cost estimates
- Recurrent cost estimates after project completion
- Demand and supply analysis
- Financing plan
- Project appraisal
- Project implementation schedule and management

### **PC-II Form - Survey and Feasibility Studies**

Key contents include:

- Name by which the survey/ feasibility will be identified
- Administrative authorities responsible for sponsoring and execution
- Details of survey/feasibility study showing:
  - General description and justification
  - Implementation period
  - Year-wise estimated cost
  - Manpower requirements
  - Financial plan
- The expected outcome of the survey feasibility study and details of projects likely to be submitted after the survey.
- Name, designation, and contact details of the official preparing the PC-II

### **PC-III (A) Form - Physical Targets based on PSDP/ADP/Project Allocations**

Essential contents of the form include:

- Project name
- Approved capital cost
- Expenditure to date
- Budget allocations for the current year
- Annual work plan with targets in quantitative terms and actual achievements
- Quarterly work plan with targets identified for each quarter of the financial year
- Cash requirements for each quarter separately
- Output indicators

### **PC-III(B) Form - Monthly Progress Reporting**

Essential contents of the form include:

- Project name
- Financial status with break up showing the budget allocations, financial requirements for the current quarter of the fiscal year, releases, and expenditures during the month
- Physical status, giving details on physical progress/stage of completion of the project
- Description of issues/problems in project implementation

### **PC-IV Form - Project Completion Report**

Essential contents of the form include:

- Project name and other relevant details (location, sector, executing agency, project approval date, etc.)
- Project implementation period including extensions if any
- Project cost (with the breakup of capital cost into local, foreign components and loan/grant portions)
- Actual expenditure incurred
- Original allocations and revised allocations
- Financing details: Federal/Provincial/Donor, etc.
- Project accounts (Assignment Account, Current / Saving accounts, etc.) including the status of these accounts (whether closed or still open)
- Details of financial phasing as per PC-I and actual expenditure
- Physical targets and achievements
- The breakup of the planned and actual expenditure
- Estimate of recurring cost after completion of the project
- Comments on achievement of objectives
- Estimate for year-wise income and revenue generation if any
- Detail of inputs/outputs/outcomes
- Names/designations of project directors (from start to end)
- Financial/economic analysis
- Issues faced during implementation
- Key lessons learned and suggestions for future planning and implementation of similar projects

### **PC-V Form - Annual Performance Report after project completion**

PC-V is used to document the actual achievement against the targets set in PC-I and to portray the recurring cost and impact of completed projects. Key contents of the form include:

- Project name
- Objectives & scope of the project as per approved PC-I and achievement of those objectives
- Planned and actual recurring cost of the project, with details
- Planned & actual manpower employed
- Planned and actual physical output of the project
- Planned and actual income of the project
- Planned and actual benefits to the economy
- Planned and actual social benefits
- Planned and actual cost per unit produced/sold
- Marketing mechanism
- Arrangement for maintenance of building & equipment

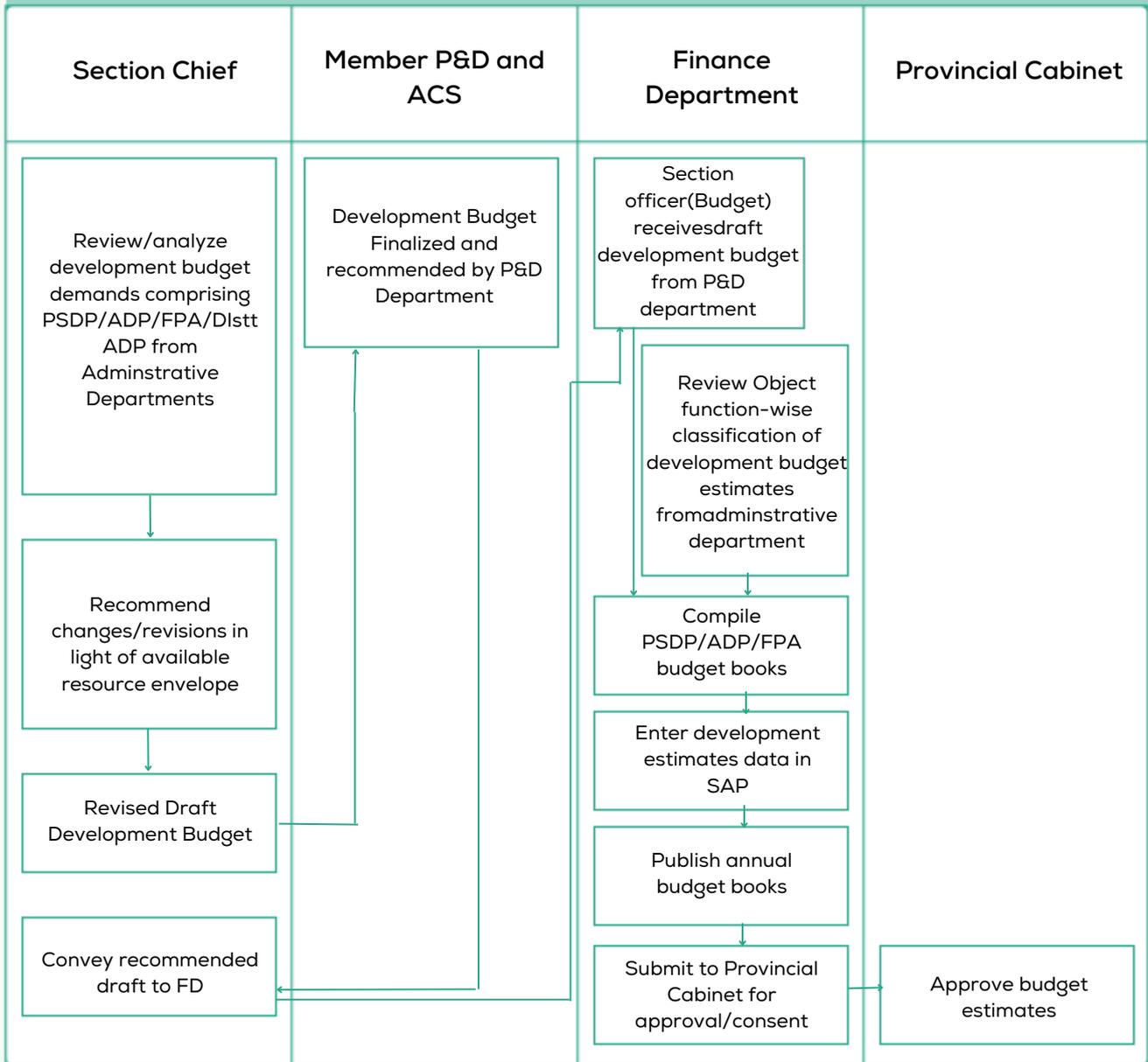
- Reasons for non-achievement of outputs/ targets as envisaged in the PC-I
- Lessons learned during the year in operation, maintenance, marketing, and management
- Changes in project management during the year
- Suggestions to improve projects performance

### **10.13. Analysis and Review of the Development Budget at the Planning & Development Department**

The Planning and Development Department is responsible for receiving development budget demands from the administrative departments. The Department is also responsible for consolidating, processing, finalizing, and recommending the budgets for approval by the competent authority (Cabinet/Provincial Assembly). The analysis and review of the proposals of the administrative departments are conducted considering the Provincial Government's vision, policies, and plans for the development activities over the medium term.

Processes relating to the review, analysis, and approval of the Development Budget are given in the flow diagram on the next page:

## Review, Analysis and Approval of Development Budget (Sindh)



## **10.14 BUDGET FINALIZATION AND APPROVAL**

The Finance Department and the Planning and Development Department complete their respective budget processes and perform an overall review of the whole Provincial budget. Budget demands are also assessed considering the projections made earlier under MTF / BSP. Both the FD and P&D Departments hold meetings to discuss the availability of resources for the development program. Budget estimates are finalized after a series of meetings held under the chairmanship of the Chief Minister. The estimates are approved by competent authorities at Finance Department and Planning and Development Department in respect of the current and development budget (ADP) respectively before their submission to the cabinet and placement before the Provincial Assembly for consideration and approval.

# **CHAPTER 11**

## **Budget Execution**

## 11.1. FUND RELEASE PROCESS

The process for the release of funds in respect of recurrent and development budgets is quite different with several steps involved in each case and these are briefly explained below.

### 11.1.1. Recurrent/Non-Development Budget

The budget co-ordination section of the Finance Department prepares a budget release policy for the first half of each financial year normally in the **1st week** of July. Amounts in specific heads, like pay & allowances, and a few other operational budgetary objects are fully released for **1st half** and are available for expenditure. Certain types of allocations like for contingencies, repairs, and maintenance, purchase of physical assets, financial grants, etc. are normally withheld and are dealt with on a case-to-case basis, according to the plan submitted by the administrative department, and policy for the release of funds for the financial year to which it relates. Additional grants, where no budget is allocated, or the allocated budget is short of the requirements are also approved and released on a case-to-case basis. This is then included in the schedule of supplementary expenditure if these are not met through re-appropriations.

The steps involved in this process are as follows;

- Request for release of funds is received in the Finance Department from the Administrative Department.
- In the Finance Department, Section Officer reviews the release request and submits it to the Deputy Secretary who reviews and recommends it to the Additional Finance Secretary (AFS). From AFS, the request is submitted to the Finance Secretary through Special Secretary.
- The Finance Secretary once approves a particular release, the relevant section prepares a copy of the release order and issues the copies to the concerned department (after embossing a seal on the release orders) and to the Accountant General.

Currently, in the Province of Sindh, releases for the re-current budget are made every quarter supported with the policy guidelines for the year. Nevertheless, this policy framework is subject to change wherever so warranted.

On receipt of the Schedule of Authorized Expenditure duly authenticated by the Chief Minister, the Finance Department communicates the sums authorized therein, to the extent of the recurrent budget after going through the steps

narrated above to the Heads of Departments. The communication is in the form of a letter, which separately indicates the following:

- (i) Appropriations charged upon the Provincial Consolidated Fund, and
- (ii) other appropriations voted by the Provincial Assembly.

The letter is accompanied by the relevant pages of the one-sided print of the budget estimates containing the complete details of the budget authorized to the department. A copy of the letter along with its enclosures is also forwarded to the Accountant General, Sindh. The Finance Department simultaneously posts the released amounts on the SAP System.

### **11.1.2 Development Budget**

In the case of the development budget, funds are released only for those development schemes which have been included in the Annual Development Programme of the year and are administratively approved. Advice for the release of funds is issued from the Planning and Development Department. Normally, the funds are released by the fund release policy for that particular year; as per the cash plan prepared after the estimation of anticipated expenditure; and after the receipt of advice from the Planning & Development Department. In the case of unapproved schemes included in the Annual Development Programme, funds are released only upon receipt of the advice for release of funds by the Planning and Development Department (P&D) along with administrative approval accorded by the competent authority and the schedule reflecting the breakup of expenditure. Finance Department also ensures that development funds are released within the budgetary allocation.

If a particular scheme is included in the ADP during the financial year, all the relevant procedures for its approval and inclusion in the ADP must be completed. This includes an indication of resources and sanction of funds through supplementary grants. In Finance Department, the following checks are applied before the release of funds for the development budget: -

- Reflection of the scheme in the Annual Development Programme of the year with the status as the approved scheme (or accompanying approvals in case of new schemes);
- The proposed release is within the budgetary allocation against the scheme for the year.

The steps involved in the release of funds for the development budget are the same in Finance Department as they are for the recurrent budget except for the additional

steps and checks mentioned above and by the fund release policy of the Government for the development budget applicable to the financial year in which such releases are being done. In case of development projects operated through an Assignment Account duly authorized by the Finance Department for this purpose, after verifying the release order and audit copy from the Finance Department, Accountant General Sindh issues the authority to the concerned DAO/Treasury Officer to credit the released amount to the Assignment Account of the project maintained with the National Bank of Pakistan to the extent of the released amount.

The following items included in the budget are not communicated to any line department and are kept at the disposal of the Finance Department:

- (i) Interest on debt and other obligations;
- (ii) Repayment of loans;
- (iii) Provincial investments;
- (iv) Public debt; and
- (v) Loans and advances.

Finance Department is required to ensure that by 31st July each year, the funds placed at the disposal of Heads of Departments are further distributed by them amongst the Controlling and Disbursing Officers under their administrative control in such a manner as may appear suitable to them. While communicating grants etc., the Heads of Departments should specify the complete account classification i.e., the Major Function / Object, Minor Function / Object, Detailed Function / Object, Sub detailed Function, if any. The Heads of Departments should send to the Finance Department, and the Accounts Offices concerned, not later than 31st July each year, copies of letters of distribution of funds, to their Controlling and Disbursing Officers, of the amount placed at their disposal. All budgetary allocations are also endorsed to the Accounts Officer in whose jurisdiction expenditure is to be incurred.

## **11.2. CONTROL OF EXPENDITURE**

Heads of Departments are responsible for controlling the expenditure from the appropriations/ grants placed at their disposal. This fact does not absolve the Regional Heads if they exist, the Controlling Officers, and the Disbursing Officers of their responsibility in respect of the funds placed at their disposal or the disposal of the office/s subordinate to them. The Disbursing Officers are the officers directly responsible for the expenditure incurred against the funds allotted to them. The Controlling Officers, the Regional Heads, where they exist, and the Head of Departments should supervise the expenditures of the

Disbursing Office subordinates to them and issuing instructions to them wherever necessary. The Disbursing Officers should pay prompt attention to such instructions. In the departments, where there are Regional Heads, they should perform, in addition to the supervisory work mentioned above, all the functions of the Head of Departments for controlling expenditure from the grants placed at the disposal of the officers of the department in their respective regions. The Head of Departments, besides performing such functions in respect of the expenditure incurred otherwise than through the Regional Heads and the Officers subordinate to them, remain generally responsible for controlling expenditure against the entire appropriations or grants placed at their disposal.

The primary objectives of exercising control of expenditure are;

- (i) That every item of expenditure incurred is regular and proper; and
- (ii) That the total expenditure incurred on a purpose does not exceed the grant or grants provided for that purpose.
- (iii) That all the relevant financial rules are observed both by their own office and by offices subordinate to them
- (iv) That the expenditure is incurred only in the public interest and on objects for which money was provided.

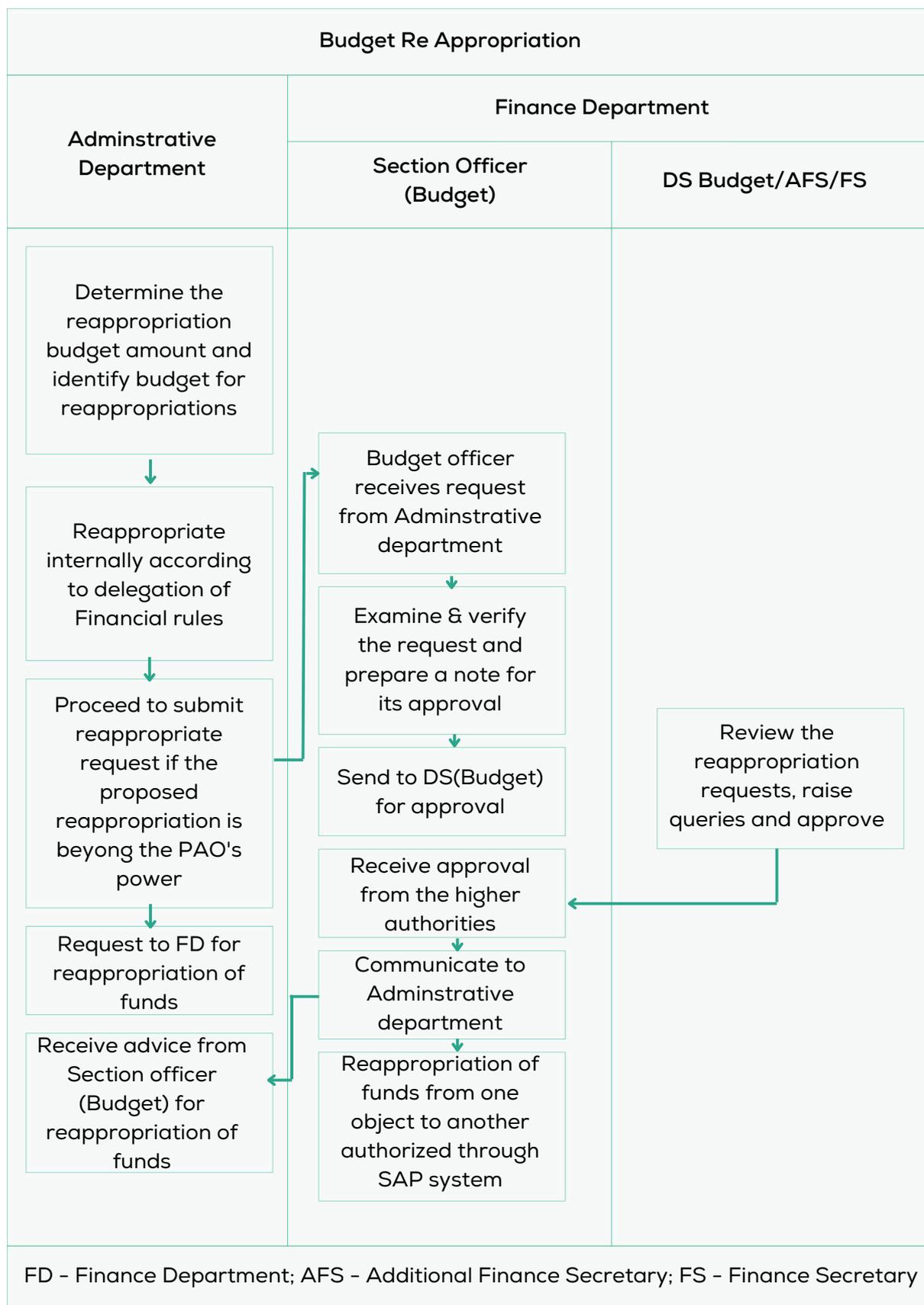
Finance Department may regulate any class or nature of a financial transaction i.e., receipts or payments in such a manner as to conform to certain deadlines within the financial year regardless of the prescribed period of the financial year through administrative instructions duly approved by the competent authority.

### **11.3. RE-APPROPRIATIONS OF FUNDS**

Re-appropriation' means the transfer of funds from one funded detailed object to another object under the same grant and function. In cases where the recipient's detailed object is unfunded, a token supplementary grant is sanctioned to populate the object. Re-appropriation of funds is carried out by the powers vested under the Sindh Delegation of Financial Powers and Financial Control Rules 2019.

**Note:-** If during a financial year, a spending entity feels that based on the flow of expenditure or depending upon a forecasted need, the existing appropriation in a particular budget head would either be insufficient or funds through the existing appropriation/ allocation are more than required, the spending agency can request the transfer of un-utilized amount to another head of the account during

the financial year or request more funds through re-appropriation. However, certain restrictions also apply to re-appropriations and are provided in the Sindh Delegation of Financial Powers and Financial Control Rules, 2019. Process flow for Re-appropriation is depicted in the diagram below:

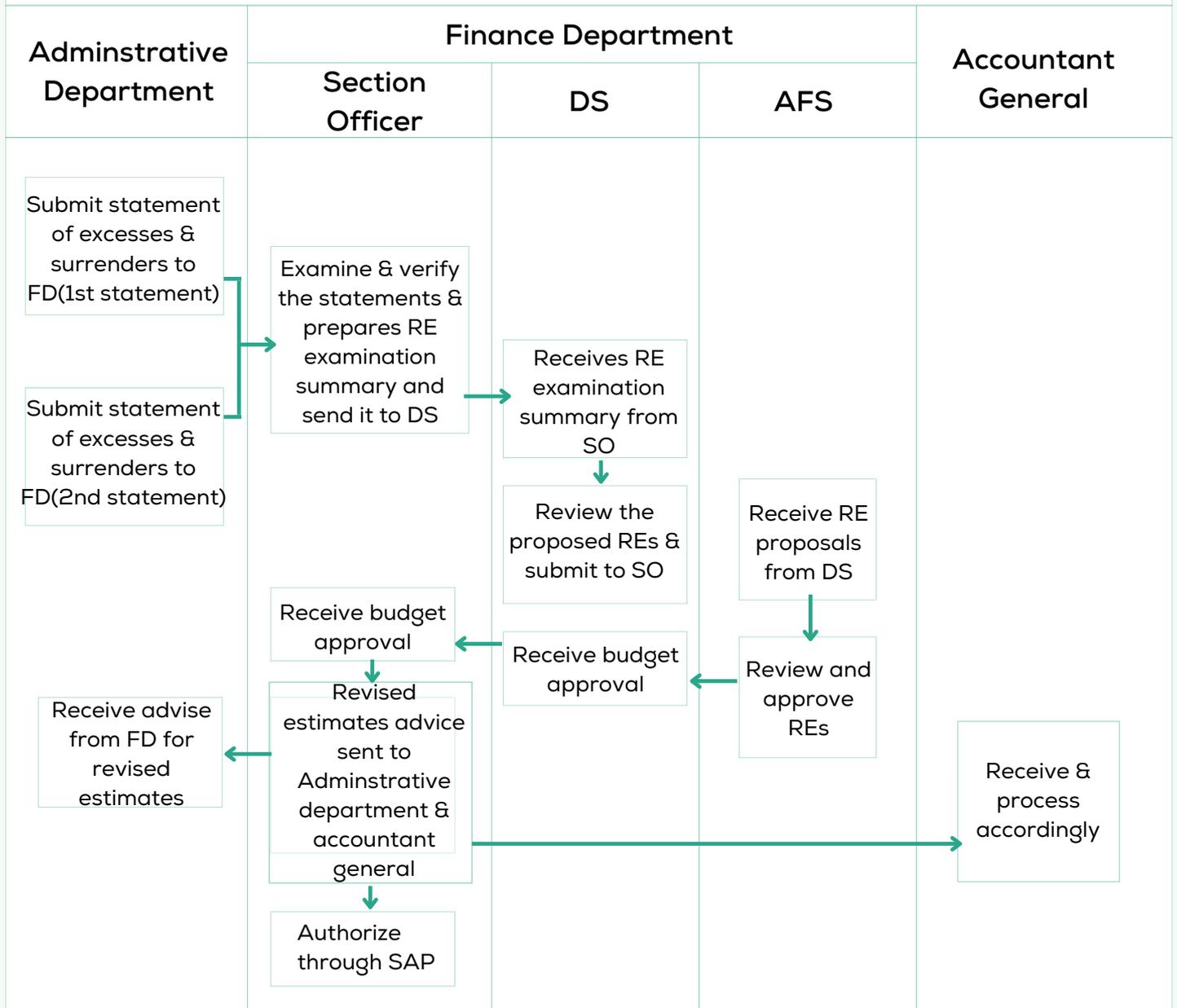


## **11.4. REVISED BUDGET ESTIMATES, EXCESS/ SAVINGS & SURRENDERS OF BUDGET ESTIMATES:-**

Before the closure of a financial year, it is obligatory for the spending agencies and administrative departments to re-assess and reaffirm their budget estimates based on the expenditure trends and expenditure forecasts in the remaining part of the year, and prepare the revised budget estimates by identifying the savings or anticipating any additional resource allocation if so, required through different statements named “Final list of Excess & Surrender/ Revised Estimates” and “Submission of Surrender of Savings”. This process is usually done in March-June as a parallel activity to the formulation of the budget estimates for the next financial year. The timelines for the finalization and submission of these statements to the Finance Department are provided in the Budget Calendar attached with the Budget Call Circular (BCC).

The statements of revised budget estimates, excess, and surrender enable the Finance Department to frame the revised budget estimates for the ongoing financial year. Similarly, the revised budget estimates also help in determining the anticipated resource envelope and the requirements of cash to finance these needs till the end of the fiscal year to which they relate. The process flow diagram for Revised Estimates is given on the next page:

### Approval of Revised Estimates



Legend: FD-Fiance Department; SO-Section Officer(Budget); DS-Deputy Secretary;AFS-Additional Finance Secretary;RE-Received estimates

## 11.5. SUPPLEMENTARY AND EXCESS GRANT

Administrative Departments can also raise requests for supplementary grants to meet the expenditure of urgent nature. These requests are submitted to the Finance Department for approval and release of funds. The process for authorization of the supplementary grants has been explicitly mentioned in the Constitution of Pakistan which is explained below.

In terms of Article 124 of the Constitution, if in respect of any financial year, it is found: -

a. That the amount authorized to be expended for a particular service for the current financial year is insufficient or that the need has arisen for expenditure upon some new service not included in the Annual Budget Statement for that year; or

b. that any money has been spent on any service during a financial year over the amount granted for that service for that year;

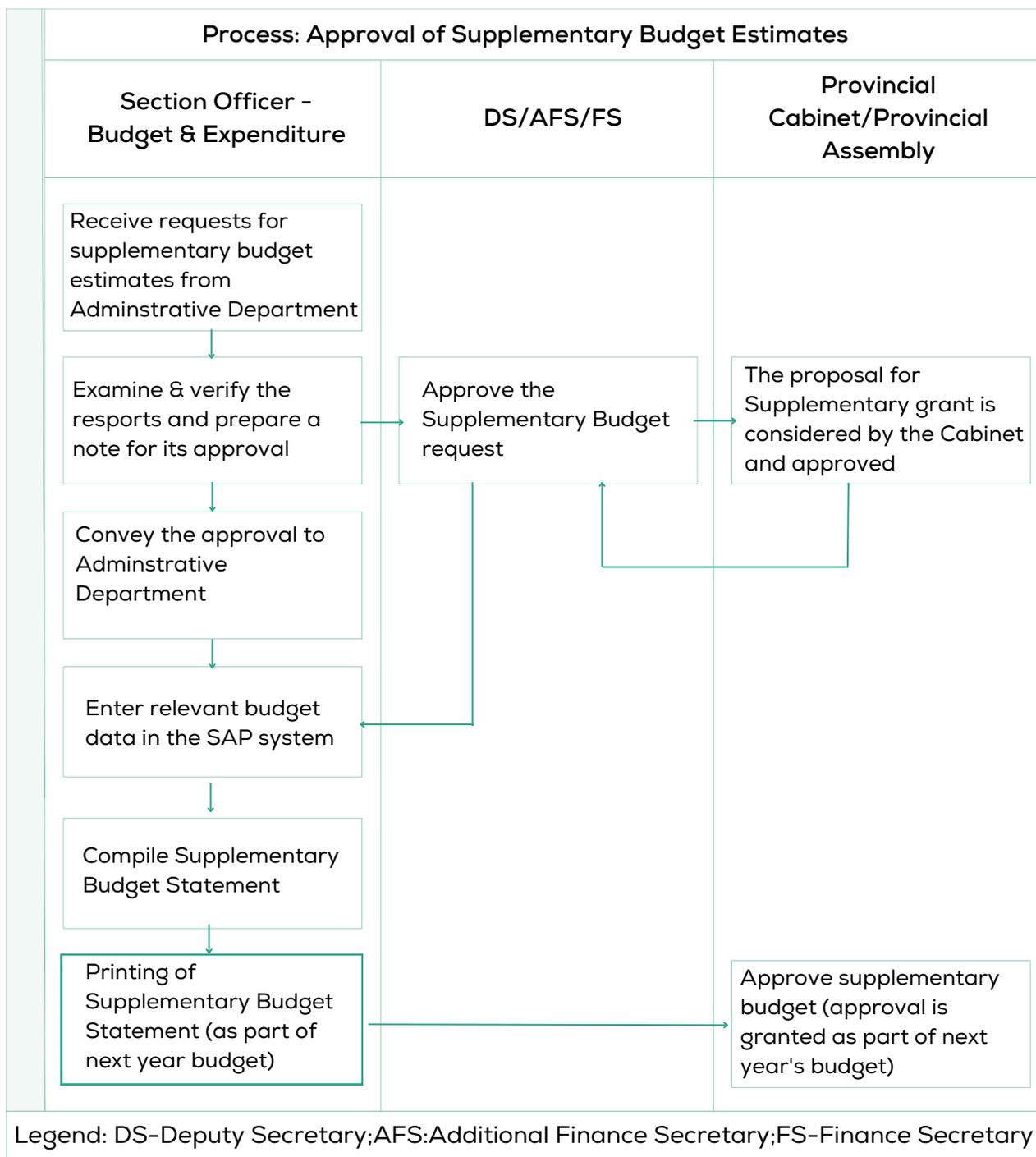
the Provincial Government shall have power to authorize expenditure from the Provincial Consolidated Fund, whether the expenditure is charged upon that fund or not, and shall cause to be laid before the Provincial Assembly a Supplementary Budget Statement, or, as the case may, an Excess Budget Statement setting out the amount of that expenditure, and the provisions of the Articles 120 to 123 shall apply to those statements as they apply to the Annual Budget Statement.

In addition to the procedure provided in the Constitution of Pakistan as mentioned above, in terms of Section 8 (1) (b) of the Sindh Public Finance Administration Act 2020, if a need has arisen for expenditure to be incurred for the purpose for which no amount has been appropriated, a supplementary estimate, showing the amount required shall be laid before the cabinet for approval before the incurring of the expenditure and the voted expenditure and charged expenditure shall be included in a Supplementary Budget Statement to be presented in the Provincial Assembly to provide for that appropriation. The supplementary budget shall be submitted by the rules of the Provincial Assembly. Approval to the Supplementary Budget Statement is accorded by the Provincial Assembly along with the approval of next year's budget.

For processing the request for supplementary grants during the financial year, the following general principles are required to be followed in such requests: -

- Background of the scheme/initiative/case for which supplementary budget is requested;
- Amount requested including break up into applicable budget heads;
- The rationale for seeking funds as a part of the supplementary budget;
- Decisions required.

The process flow diagram for Supplementary Budget is given below :



## **11.6. THE SINDH DELEGATION OF FINANCIAL POWERS AND FINANCIAL CONTROL RULES, 2019**

Under the Sindh Government Rules of Business, 1986, besides other functions the Finance Department has a pivotal role in managing the provincial finances including the budget. This role demands that the Finance Department maintains the updated budget allocations, regulates, and authorizes budget releases, approves the transfer of funds to the intended recipients, closely monitors the budget utilization (expenditure), ensures accountability of unspent funds, and maintains an accurate and complete record of budget and expenditure.

Simultaneously, it is also important that the sanctioning powers of the Principal Accounting Officers (PAOs) and other officers of the Government in the line departments for sanctioning of expenditure and other allied functions including the powers to sanction the expenditures on the procurement of goods and services are also clearly mentioned to observe the requisite financial discipline in public spending.

For the said purpose, in addition to financial and treasury rules, some of the financial powers vested in the Finance Department, have been delegated to the Administrative Departments, through the officers of the Departments in various categories under the Sindh Delegation of Financial Powers and Financial Control Rules, 2019 which provide a regulatory framework for management of expenditure by Provincial Government Officers. This framework prescribes categories of officers and their respective powers to carry out various financial processes within the budget cycle throughout the year. The framework also provides the general and special financial powers applicable to administrative departments and each class of officers mentioned therein.

# **CHAPTER 12**

## **Budget, Oversight, Review and Accountability of Funds**

## **12.1. BUDGET EXECUTION REPORTS (BERS)**

The Finance Department, Government of Sindh, has initiated the practice of preparing Budget Execution Reports (BERs). These reports are prepared on a quarterly and annual basis and are submitted to the Provincial Assembly. Now financial reporting has also been made obligatory under Sections 35 and 37 of the Sindh Public Finance Administration Act 2020 which state as under; -

Section 35 – In year Reporting: The Finance Department shall every quarter review the actual revenues, expenditures, and financing in relation to the estimates approved under Sections 6& 8 of the act and place such reviews before the Provincial Assembly not later than two months after the end of that quarter.

Section 36- End year reporting: The Finance Department shall prepare a report each year on the analysis of revenues and appropriated budget and actual revenues and expenditures for the previous fiscal year and place such a review before the Provincial Assembly not later than six months after the end of the year.

For each quarter, the Budget Execution Report (BER) gives the progressive actual revenue and expenditure for the relevant quarter of the fiscal year and gives a comparison to the targeted receipts and expenditure allocations. The report also includes the summaries of the inflows/ outflows in the public and food account of the province along with reports on the operation of the Provincial Consolidated Fund against the budget allocations for that year to which it pertains. It serves as a tool for the Provincial Assembly to exercise oversight of the operations of the executive.

## **12.2. AUDITOR GENERAL OF PAKISTAN**

The Office of the Auditor-General of Pakistan (OAGP) is responsible for ensuring public accountability and fiscal transparency in governmental operations. The Auditor General of Pakistan is appointed under Article 168 of the constitution of the Islamic Republic of Pakistan. Reports produced by OAGP are laid before the National and Provincial Assemblies and are considered by the Public Accounts Committees (PACs) of the respective assemblies.

OAGP also has a key role in strengthening legislative oversight by providing an independent and objective assessment of the process of governance both at the federal and provincial levels. A summary of the key functions of the OAGP in respect of the accounts is given below:

- I. Determining, with the approval of the President, such forms, principles, and methods in which the accounts of the Federation and of the provinces shall be kept;

II. Certifying the accounts, compiled, and prepared by the Controller General of Accounts or any person authorized on that behalf for each financial year, showing under the respective heads the annual receipts and disbursements for the Federation, each Province, and each District;

III. Submitting the certified accounts with such notes/ comments or recommendations as he may consider necessary to the President or the Governor of a province or the designated district authority;

III. Preparing reports relating to the accounts of the Federation/Provinces and submitting them to the President/Governor, who shall cause them to be laid before the National/ Provincial Assemblies

In respect of Audit, the office of the Auditor General of Pakistan is mandated to conduct the Audit of the following: -

i. expenditures from the Consolidated Fund and Public Accounts of the Federation and each Province;

ii. receipts which are payable into the Consolidated Fund or Public Accounts of the Federal Government and of each Province and in the accounts of each district; and to assure that these were payable, have been properly and correctly deposited; and internal controls are in place for their proper assessment and collection;

iii. accounts of stores and stock kept in any office or department of the Federation or of a Province or of districts;

iv. trading, manufacturing, profit and loss accounts, balance sheets, and other subsidiary accounts in any Federal or Provincial department and public sector enterprises; and

v. the accounts of a body or authority substantially financed by loans or grants from the Consolidated Fund of the Federal or Provincial or District Government and to assure as to the fulfillment of the conditions subject to which such grants or loans were given.

In addition to the summary of the functions mentioned above in respect of accounts and audit, under Article 170 of the Constitution of Pakistan and in terms of Sections 7, 9, and 10 of the Auditor General's (Functions, Powers, and Terms and Conditions of Service) Ordinance, 2001 the Auditor General of Pakistan is required to submit to the Governor the accounts of the province relating to each financial year along with his report thereon. These accounts together with the reports are called:

- Appropriation Accounts and the Audit Report thereon;
- Finance Accounts; and
- Commercial Accounts and the Audit Report thereon.

These reports indicate, among other things, the kind of irregularities and violations of rules which have been committed by the executive agencies in the management and control of the amounts placed at their disposal for expenditure. These reports are laid before the Provincial Assembly and examined and disposed of by the Public Accounts Committee (PAC) of the Assembly by the Rules of Procedure of the Provincial Assembly.

### **12.3. PUBLIC ACCOUNTS COMMITTEE AND ITS BUDGET OVERSIGHT ROLE**

Public Account Committee (PAC) is the body constituted of the members of the Provincial Assembly entrusted with the functions of examining the appropriations of Government expenditure, the annual finance accounts of the Government, the Audit reports of the Auditor-General of Pakistan, and other matters as the Minister for Finance may refer to it.

Matters relating to PAC are dealt with by Rules 189-194 of the Rules of Procedure of the Provincial Assembly. PAC of the Sindh Assembly consists of Seven (7) elected members with the Minister of Finance as its ex-officio member.

The key responsibilities of PAC in the review of the audit report are as follows:

- Consider the report of the Auditor-General on the accounts of the Province and the District;
- Examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes (including autonomous and semi-autonomous) concerns and projects;

In scrutinizing the appropriation accounts and the reports of the Auditor General, the committee should satisfy itself to:

- That the money/ resource shown in the accounts was legally available to the service for which it was provided;
- Expenditure incurred on different budget heads conforms to the authority which governs it;
- Re-appropriation of funds was done by the powers vested under the Sindh Delegation of Financial Powers and Financial Control Rules 2019,

other rules and policy instructions notified by the Finance Department;

- Examine the excess expenditure if any other than the budgeted provisions granted by the Assembly and make appropriate recommendations on this account.

## **12.4. AUDIT OF ACCOUNTS AS A TOOL OF ACCOUNTABILITY - ARCHITECTURE & SCOPE**

In accordance with the Auditing Standards prescribed by the International Organization of Supreme Audit Institutions (INTOSAI), of which Pakistan is an esteemed member, the full scope of government auditing includes regularity and performance audits. Regularity audit comprises the attestation of the Financial Statements called Certification Audit and compliance with the Authority Audit. Regularity audit invariably includes:

- Attestation of financial statements involving the examination and evaluation of financial records and expression of opinion thereof on the financial statements;
- Attestation of financial accountability of the government administration as a whole;
- Audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations;
- Audit of internal control and internal audit functions;
- Audit of the probity and propriety of administrative decisions taken within the audit entity; and
- Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institution considers should be disclosed.
- Performance audit is concerned with the audit of economy, efficiency, and effectiveness and constitutes the following:-
  - Audit of the economy of the administrative actions by sound administrative principles, practices, and management policies;
  - Audit of the efficiency regarding the utilization of human, financial, and other resources, including the examination of the information systems, performance measures, monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
  - Audit of the effectiveness of performance about the achievement of objectives of the audited entity, and audit of the actual impact of activities in comparison with the intended impact.

## 12.5. PROCESS FOR THE CONDUCT OF AUDIT AND ACTIONS THEREOF

For the ensuing financial year, the concerned audit offices start the planning for audit in the last quarter of the financial year. Office of the DG (Audit), Sindh requests the administrative departments to provide the details of the expenditures incurred for the year to date against the allocated budget. After receipt of this information, the following is the list of activities which is undertaken by the Provincial Audit Office:-

- A preliminary assessment of the expenditure/allocations is carried out by the concerned staff of the DG (Audit).
- The frequency of audits of the Departments is determined based on their relative budget allocations and category. For example, Departments with the highest budget allocations are put in the category 'A' and are subject to audit every year. Others with relatively less share in the overall budget outlay of the Government are put in category 'B' and 'C' and are subject to audit after every two or three years.
- DG (Audit) prepares an audit plan for auditing the Provincial Government's departments/entities.
- The plan is approved by the OAGP. The plan preparation and approval process usually takes around 2-3 months.
- DG (Audit) informs the concerned Administrative Department, Finance Department, accountant-general's Office / CGA, and OAGP about the audit program.
- The administrative Department communicates the same to the concerned DDO. DDO starts preparing the necessary information, data, reports, schedules, and material for the audit.
- Audit teams are constituted for the conduct of an audit of the accounting records. The audit team assigned to a particular Department visits the DDOs office and starts performing a review/audit of the expenditure and other relevant information in light of the rules and regulations (i.e., Sindh Financial Rules, The Sindh Delegation of Financial Powers and Financial Control Rules 2019, Accounting Policies & Procedures Manual, General Financial Rules, Treasury Rules, Departmental policies/vision/mission statement and plans. The audit team generally comprises an Audit Officer, a senior auditor, and a junior auditor depending upon the category of the department, the volume of work, and the availability of the human resource in the requisite number.
- The audit team enquires about the validity, accuracy, and completeness of the expenditure incurred and ensures that it is incurred within the approved delegation of financial powers and prepares audit observations/ paras where in their view the violations of rules and regulations and other financial irregularities have been committed.

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- After the audit, the team prepares a report which is a compilation of audit paras, and submits the same to the DG (Audit) and the department concerned.
- Internal meetings in the Administrative Department are held to discuss the audit findings. Meetings of the audit team with their senior officers also take place to determine the reasonableness of the audit paras.
- A meeting of the Departmental Accounts Committee (DAC) is held to discuss the audit report. DAC is chaired by the Secretary of the Department concerned and comprises other officials of the Department and audit team members. A representative of the Finance Department also attends the meeting.
- Audit paras are discussed in the DAC meeting and after provision of the required information / removing the deficiencies, ensuring the compliance of the suggested actions by audit, the final version of the audit findings is firmed up by the DG Audit. If the audit is satisfied with the departmental reply, discussions, and actions thereof, those audit paras are removed, and a final version of the audit findings is prepared by the audit office.
- Audit paras of the individual DDOs audit are discussed as outlined above. The final version of the audit findings represents the compilation of the remaining parts of all DDOs and is then made part of the overall audit report for the province. The report also includes a section on some audit observations for which the management of the Department has committed to provide information or take action as suggested by the auditors. These paras are presented separately in the final audit report as "Memorandum for Departmental Accounts Committee (MFDAC)". The final report is then submitted to the Governor of the Province.
- The report is also submitted to the Public Accounts Committee (PAC) of the Sindh Assembly (through the Finance Department), where it is deliberated upon according to PAC's timetable.

## **12.6. Internal Audit as a key tool of budget oversight and Internal Control**

It is commonly observed that the Internal Audit function has remained virtually nonexistent in the public sector in Pakistan. Except for a few entities, the concept of internal audit has not yet been practiced either at the Federal or Provincial Government Level.

The government of Sindh has, however, developed an Internal Audit Charter for the establishment of an Internal Audit function in the province. Some of the key objectives of the charter include the following: -

- Provide additional assurance to the Government of Sindh including the administrative secretary and management of the department concerned that the implementation of risk management and internal control mechanism is adequate, economical, efficient, effective, and consistent with the generally recognized standards, legislation, rules, and regulations;
- Formulate detailed functions and mandate, terms of reference, structures, roles, and responsibilities for an effective internal audit function aimed at improving transparency, governance, and accountability in public resource management;
- Prescribe where necessary the basis for improved value for money out of the use of precious public funds and other resources appropriated for service delivery;
- Assess whether internal controls are in place at appropriate levels of public management and operations;

Moreover, it also emphasizes developing systems to check against pilferage, wastage, leakages, losses, or frauds through: -

- Assessment of reliability and integrity of financial and operational information;
- Assessment of the extent of compliance with the government policies, procedures, laws, rules, and regulations; and
- Overall technical assistance for the operational effectiveness and efficiency of the administrative departments.

### **12.6.1. Institutional Framework for Internal Audit Function**

The internal audit charter also proposes the Provincial Internal Audit Committee (PIAC) headed by the Provincial Finance Minister. The Committee will be responsible for establishing and maintaining a robust internal audit function and mechanism for the government. The PIAC will oversee the implementation of the Internal Audit Charter and relevant laws and rules. PIAC will be supported by an appropriately staffed secretariat to be established in the Finance Department. At each department level, there will be a Departmental Internal Audit Committee (DIAC) to be headed by the respective Secretary of the Department. The Departments will have an internal audit function established in the form of a wing (for large administrative departments, like Education, Health, Irrigation, etc.) or a cell for medium-sized Departments. In the case of very small Departments, including autonomous and semi-autonomous bodies, corporations, companies, and other authorities established by the provincial government, the services of an established internal audit wing or cell of another Administrative Department can be solicited through the PIAC.

In pursuance of the formulation of the Internal Audit Charter, an internal audit unit has been established in the Finance Department. The function of the internal audit has also been rolled out to three other departments i.e. School Education and Literacy, Health, and Home wherein this activity has been outsourced to an independent chartered accountant firm. The activities of the Chartered Accountant Firm are supervised by the internal audit staff of these departments. The internal Audit Unit is tasked to prepare risk-based audit plans and conduct internal audits to assess and make recommendations for improving the internal control in the departments.

Now, in terms of Section 15 of the Sindh Public Finance Administration Act 2020 (enacted in May 2021), within a period of five years from the date of the commencement of the act, the position of Chief Internal Audit Officer (CIAO) shall be created in some or all departments of the Government. Further, located in the department, CIAO will be a member of the 'Departmental Internal Audit Committee and will report to the Principal Accounting Officer (PAO) of the department. The functions of the CIAO will be prescribed under a regulatory framework of the 'Internal Audit' as framed by the government. All these actions and measures are aimed at introducing and strengthening the internal audit function in the Province.

# **CHAPTER 13**

**Constitutional scheme for powers of  
taxation & fiscal transfers under  
National Finance Commission (NFC)  
Award**

## **13.1. UNDERSTANDING THE FISCAL TRANSFER MECHANISM**

Fiscal transfer refers to the financial transfer from one level of government (usually a higher level) to a lower level of Government e.g., transfers from Federal Government to Provincial Governments and transfers from Provincial Governments to local governments.

## **13.2. WHY FISCAL TRANSFERS?**

Under the system of fiscal federalism currently practiced in Pakistan, the taxes with the maximum revenue potential have been assigned to the federation. On the other hand, the constitution assigns major functions, especially in the social sector like education, health, etc. to the provinces. In this dispensation, it has been felt that a vertical imbalance between the functions and the resources available to the Federal and Provincial Governments has been created. To overcome this problem, the Constitution provides a mechanism of fiscal transfers from the Federal to Provincial Governments under Article 160 of the Constitution of the Islamic Republic of Pakistan, 1973 known as the National Finance Commission (NFC) award.

## **13.3. DIVISIBLE POOL TAXES**

Divisible pool taxes subject to distribution under the NFC award are:

- Taxes on income
- Wealth tax
- Capital value tax
- Taxes on sales and purchases of goods imported, exported, produced, manufactured, or consumed
- Export duties on cotton
- Customs-duties
- Federal excise duties excluding the excise duty on gas charged at well-head
- Any other tax that may be levied by the Federal Government

## **13.4. TRANSFER FROM THE FEDERAL GOVERNMENT UNDER NFC AWARD**

### **13.4.1. National Finance Commission (NFC)**

National Finance Commission (NFC) is a constitutional body set up under the Article 160 of the Constitution to decide the formula for the distribution of resources between the federal government and the provincial governments. The mandate of the commission has been defined in Article 160 as follows:

- The distribution of the net proceeds of the taxes mentioned in clause (3) of Article 160 of the Constitution between the Federation and the Provinces;
- The making of grants-in-aid by the Federal Government to the Provincial Governments;
- The use of borrowing powers by the Federal Government and the Provincial Governments; and
- Any other matter relating to finance referred to the Commission by the President.

NFC consists of the Federal Finance Minister (Chairman), Provincial Finance Ministers, and any other suitable member appointed by the President as the member of the commission in consultation with the provinces.

### 13.4.2 Chronology of NFC Awards

In Pakistan, since the promulgation of the Constitution of the Islamic Republic of Pakistan, in 1973, there have only been Seven (07) National Finance Commission (NFC) Awards though a few of these awards have remained inconclusive as shown below:

AWARD	STATUS	FISCAL YEAR
First NFC Award 1974	Conclusive	1974-79
Second NFC Award 1979	Inconclusive	1979-84
Third NFC Award 1985	Inconclusive	1985-90
Fourth NFC Award 1991	Conclusive	1991-96
Fifth NFC Award 1997	Conclusive	1997-98
Sixth NFC Award 2002	Inconclusive	2002-2003
Seventh NFC Award 2009	Conclusive	2010-11

In addition to the above NFC awards, for resource distribution, in 2006 a Presidential Order was also issued to this effect. The composition of divisible pool taxes under each of four (04) conclusive NFC awards out of the seven (07) awards tabulated above and the vertical share allocated to provincial governments is shown in the following table:

Title and year of constitution of the award	Divisible Pool Taxes	Provincial share in Divisible Pool
1st NFC Award, (1974)	i) Taxes on income ii) Taxes on the sales and purchases of goods iii) Export duties on cotton iv) Such duties of excise as may be specified by the President; and v) Such other taxes as may be specified by the President.	80%
4th NFC Award, (1991)	i) Taxes on income; ii) Taxes on sales and purchases; iii) Export duties on cotton; iv) Excise duties on tobacco and tobacco manufactures; v) Excise duty on sugar	80%
5th NFC Award, (1997)	i) taxes on income; ii) wealth tax; iii) capital value tax; iv) taxes on sales and purchases; v) export duties on cotton; vi) customs-duties; vii) federal excise duties excluding the excise duty on gas charged at well-head; and viii) any other tax which may be levied by the Federal Government	37.50%

<p>Presidential Order of 2006</p>	<p>i) Taxes on Income  ii) Taxes on the sales and purchases of goods;  iii) Export duties on cotton;  iv) Wealth Tax;  v) Capital Value Tax;  vi) Customs duties;  vii) Federal excise duties, excluding excise duty on gas charged at wellhead; &amp;  viii) Any other tax which may be levied by the Federal Government</p>	<p>41.50% to 46.25%</p>
<p>7th NFC Award, (2010)</p>	<p>i) Taxes on Income  ii) Taxes on the sales and purchases of goods;  iii) Export duties on cotton;  iv) Wealth Tax;  v) Capital Value Tax;  vi) Customs duties;  vii) Federal excise duties, excluding excise duty on gas charged at wellhead; &amp;  viii) Any other tax which may be levied by the Federal Government</p>	<p>- 56% for 2010-11*  - 57.5% onwards</p>
<p>* 1% of net divisible pool assigned to KP for meeting the expenses of war on terror (WOT) in addition to the provincial share</p>		

In addition to the conclusive NFC awards mentioned above including the Presidential Order of 2006, another Presidential Order for distribution of resources was also issued in 1983 without the deliberations of the NFC. The table shows that, in the case of the first two awards, the divisible pool comprised of a smaller number of taxes. However, the provinces were given a significantly higher share of 80% in the divisible pool. NFC Award 1995 was also significant in the sense that it included all major federally collected taxes into the divisible pool, but it decreased the share of provincial governments to 37.5%. The vertical share of provinces was increased to 57.5% under the 7th NFC Award promulgated by the President in 2010.

Under NFC, the horizontal distribution (distribution of resources among provinces) is the other important part of the distribution of resources. The table below shows the share of provinces and the basis of distribution under each of the awards since 1974, from the time when the first such award was constituted: -

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Title and date of the of the Constitution of the award	Basis of distribution	% Share of provinces
1st NFC Award, 9th February 1974	on the basis of population for each province	Punjab -60.25% Sindh -22.50% NWFP -13.39% Baluchistan -3.86%
4th NFC Award, 23rd July 1990	on the basis of population for each province	Punjab -57.88% Sindh -23.28% NWFP -13.54% Baluchistan -5.30%
5th NFC Award, 23rd July 1995	on the basis of population for each province (1981 Census)	Punjab -57.88% Sindh -23.28% NWFP -13.54% Baluchistan -5.30%
Presidential Order 01 of 2006	Amount net of 1/6 of sales tax distributed on the basis of population in the percentage specified against each. However, there was a separate formula for distribution of grants included for the purpose of equalization.	Punjab -57.36% Sindh -23.71% NWFP -13.82% Baluchistan -5.11%

7th NFC Award, Presidential Order 05 of 2010	Multiple indicators: a. Population 82.0% b. Poverty/backwardness 10.3% c. Revenue collection/generation 5.0% d. Inverse Population Density (IPD) 2.7%	Punjab -51.74% Sindh -24.55% NWFP -14.62% Baluchistan -9.09%
Note: 2nd, 3rd & 6th National Finance Commissions were unable to finalize their recommendations		
* 1/6 of sales tax & grant in aid has separate distribution criteria		

The above table shows that in the earlier awards, the resources were distributed amongst the provinces based on population. However, lately, there has been more emphasis on equalization among provinces. Presidential Order, 2006 included an equalization grant that was included in the award to transfer greater per capita resources towards the smaller and less developed provinces. Similarly, NFC Award, 2010 decided to equalize between the provinces using multiple indicators (poverty, revenue, and inverse population density) in addition to the earlier criteria of population. As a result of the 7th NFC award, the share of Sindh has increased marginally from 23.71% in the Presidential Order of 2006 to 24.55% under the 7th NFC besides additionality through the provision of the 1/6th of sales tax grant instead of the abolition of the Octroi. Similarly, the Province of Sindh has also benefited from the vertical distribution formula of 7th NFC which increased the overall share of the Provinces vis-à-vis the Federation under this award.

### 13.4.3. 7th National Finance Commission (NFC) Award

The current distribution of the federal divisible pool is being undertaken by the 7th NFC Award which was promulgated by the President on May 10, 2010. This came into effect on July 01, 2010. The Award was intended to be in force for 5 years. However, since it has not been possible to develop a consensus on the next NFC Award, the 7th NFC Award is still in force with the extensions allowed by the President by the Constitution of Pakistan.

The description of the Federal Divisible Pool under the 7th NFC Award, vertical share, horizontal distribution criteria (factors and weights), and overall share of provinces have been described in the above tables. It may, however, be useful to provide the step-by-step process of distributing NFC resources vertically and horizontally.

## How are NFC Resources Distributed Vertically and Horizontally?

**Divisible Pool** = Taxes on Income + Wealth Tax + Capital Value Tax + Tax on sales & purchase of goods + export duties on Cotton+ Custom duties + federal excise duties excluding duty on gas charged at wellhead process

### Less

Federal Government's collection charges (1% of all the taxes except income tax for which the collection charges are equal to 2%)

### Less

1% charge on the war on terror (for KP only)

**Net Divisible Pool** (we arrive at the net divisible pool after the above step)

### Distribution Criteria

Indicator	% Weightage
Population	82%
Poverty/ backwardness	10.30%
Revenue Collection/Generation	5%
Inverse population density	2.70%
Total	100%

### Vertical Distribution

Federal Government's share = **42.5 %** (FY 2011-12 onwards)

Provincial Share (Consolidated) = **57.5%** ( FY 2011-12 onwards)

### Horizontal Distribution (amongst Provinces)

Punjab 51.74%

Sindh 24.55%

Khyber Pakhtunkhwa 14.62%

Balochistan 9.09%

# **ANNEXURES**

## Instructions for filling the Form BM-I

“Estimates of Regular Receipts 2023-24 and MTBF 2024-25 to 2025-26”

The purpose of this Form is to present Estimates of Receipts by the Revenue Collecting Officer (RCO)/Drawing & Disbursing Officer (DDO). The Estimates will be prepared at the detailed object level for 2023-24. Sub-totals must be provided at minor and major object code levels. **Only MTBF Pilot departments must provide forecasts for 2024-25 and 2025-26.**

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. School Education & Literacy Dept.)

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. KQ0754 Regional Director Colleges Karachi).

**Serial Number 3:** Identify the Fund Centre Name for which the estimates of Regular Receipts are prepared, (e.g. Government Girls Degree College Azam Basti Manzoor Colony Karachi).

**Serial Number 4:** Identify Fund Centre Code - RCO/DDO (e.g. KQ1740).

**Serial Number 5:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 093101 General Universities/Colleges/Institutes).

**Serial Number 6:** Enter detailed object codes from the Chart of Account (CoA) (e.g.C02802).

**Serial Number 7:** Identify the description of the corresponding object code as given in CoA (e.g. Fees Govt. University Professional Art College).

**Serial Number 8:** Actual Receipts (in Rs.) for all the applicable account heads for 2021-22 must be filled here. This information is available from Accountant General Sindh Reconciliation of Accounts of June 2022.

**Serial Number 9:** Actual Receipts (in Rs.) of the last 8 months of FY 2021-22 for all the applicable account heads must be filled here. This information is available from Accountant General Sindh Reconciliation of Accounts of June 2022.

**Serial Number 10:** Actual Receipts (in Rs.) of the first 4 months of the Current FY 2022-23 for all the applicable account heads must be filled here.

**Serial Number 11:** Calculate the probable outlay of Receipts for 2022-23 (in Rs.) by entering the sum of columns 9 and 10 here.

**Serial Number 12:** Provide Revised Estimates of Receipts for 2020-21 (in Rs.) as reflected in the budget book.

**Serial Number 13:** Provide Revised Estimates of Receipts for 2021-22 (in Rs.) as reflected in the budget book.

**Serial Number 14:** Provide Original Estimates of Receipts for 2022-23 (in Rs.) as reflected in the budget book.

**Serial Number 15:** Enter the Estimate of Receipts for 2023-24 (in Rs.). This must be based on planned activities to be achieved by the Revenue Collecting Officer

**Serial Number 16:** Enter Forecast of Receipts for 2024-25 (in Rs.). This must be based on plans to be achieved by the Revenue Collecting Officer (RCO) / Drawing and Disbursing Officer (DDO) in the future. Only MTBF Pilot departments and subordinate DDOs are required to provide this information.

**Serial Number 17:** Enter Forecast of Receipts for 2025-26 (in Rs.). This must be based on plans to be achieved by the Revenue Collecting Officer (RCO) / Drawing and Disbursing Officer (DDO) in the future. Only MTBF Pilot departments and subordinate DDOs are required to provide this information.

### **General Instructions:**

- All data shall be entered at detailed object code level (e.g.C02802-Fees Govt. University Professional Art Colleges) except from forecasts in columns with serial 16 and 17.
- Sub-totals shall be provided at minor object code level (e.g. C028- Total Social Services) and major object code level (e.g. C02-Total Receipts from Civil Admin & Other Functions.) for columns with serial 8 to 17.
- Object codes shall be presented according to the sequence reflected in the budget book (e.g. C02 followed by C028 followed by C02802, C02813, etc.).
- Grand totals shall be provided for columns with serial 8 to 17.
- Grand totals for estimate/forecast of receipts for 2023-24 till 2025-26 shall meet applicable revenue targets.
- Amounts in columns with serial 15 to 17 must be rounded to 1,000 Rupees.
- In addition to forms for each DDO, Administrative Departments are requested to submit a summary in the prescribed format of form BM-I at the level of the attached department.
- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and supporting documents.

**FORM BM-1 - Estimates of Regular Receipts 2023-2024 and MTBF 2024-2025 and 2025-2026**

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Fund Centre Name \_\_\_\_\_
- 4. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 5. Functional Classification \_\_\_\_\_

All Amount in Rs

6 Object Code	7 Objects Description	8 Accounts Information			11 Probable Outlay in 2022-23	12 Budget Information			15 Proposal	16 Forecast to be filled by MTBF Pilot Dept only	
		9 Actual receipts 2021-22	10 Actual receipts(Last 8 months) 2021-22	10 Actual receipts(First 4 months) 2022-23		12 Revised Estimates 2020-21	13 Revised Estimates 2021-22	14 Budget Estimates 2022-23	15 Budget Estimates 2023-24	16 Budget Estimates 2024-25	17 Budget Estimates 2025-26
<b>Grand Total</b>											

173

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-II

“Estimates of Regular Expenditure 2023-24 and MTBF 2024-25 to 2025-26”

The purpose of this Form is to present Estimates of Regular Expenditure by the Drawing & Disbursing Officer (DDO). The Estimates will be prepared at the detailed object level for 2023-24. Sub-totals must be provided at the minor and major object code levels. Only MTBF Pilot departments must provide forecasts for 2024-25 and 2025-26.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the budget is prepared, (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Enter detailed object codes from the Chart of Account (CoA) (e.g. A03201).

**Serial Number 9:** Identify the description of the corresponding object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 10:** Write down the number of posts for 2022-23 for each Basic Pay Scale. For 2023-24 include additional posts (if) provided during the year 2022-23. The proposed SNE should not be included in 2023-24.

**Serial Number 11:** Actual Expenditure (in Rs.) for all the applicable account heads for 2021-22 must be filled here. This information is available from Accountant General Sindh Reconciliation of Accounts of June 2022.

**Serial Number 12:** Actual Expenditure (in Rs.) of the last 8 months of FY 2021-22 for all the applicable account heads must be filled here. This information is available from Accountant General Sindh Reconciliation of Accounts of June 2022.

**Serial Number 13:** Actual Expenditure (in Rs.) of the first 4 months of Current FY

2022-23 for all the applicable account heads must be filled here.

**Serial Number 14:** Calculate the probable outlay of Expenditure for 2022-23 (in Rs.) by entering the sum of columns 12 and 13 here.

**Serial Number 15:** Provide Revised Expenditure Estimates (in Rs.) for 2020-21 as reflected in the budget book.

**Serial Number 16:** Provide Revised Expenditure Estimates (in Rs.) for 2021-22 as reflected in the budget book.

**Serial Number 17:** Provide Original Expenditure Estimates (in Rs.) for 2022-23 as reflected in the budget book.

**Serial Number 18:** Enter Estimate of Expenditure (in Rs.) for 2023-24. This would be based on planned activities to be achieved by the spending unit.

**Serial Number 19:** Enter Forecast of Expenditure (in Rs.) for 2024-25 for each object. This would be based on plans to be achieved by the spending unit in the future. Only MTBF Pilot departments and subordinate DDOs are required to provide this information.

**Serial Number 20:** Enter Expenditure Estimate (in Rs.) for 2025-26 for each object. This would be based on plans to be achieved by the spending unit in the future. Only MTBF Pilot departments and subordinate DDOs are required to provide this information.

### **General Instructions:**

- All data shall be entered at a detailed object code level (e.g. A03201).
- Sub-totals shall be provided at major object code level (e.g. A03 Operating Expenses) and minor object code level (e.g. A033 Utilities) for columns with serial 11 to 20.
- Object codes shall be presented according to the sequence reflected in the budget book (e.g. A01 followed by A011 followed by A01101, A01102, A01150, etc.).
- Grand totals shall be provided for columns with serial 11 to 20.
- Grand totals for estimate/forecast of expenditure for 2023-24 till 2025-26 must not exceed applicable expenditure ceilings.
- Grand totals and Subtotals of form BM-II must be reconciled with form BM-III.
- Amounts in columns with serial 18 to 20 must be rounded to 1,000 Rs.
- In addition to forms for each DDO, Administrative Departments are requested to submit a summary in a prescribed format of form BM-II at the level of the attached department.
- A justification must be provided, in particular about non-salary items, in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-II-** Estimates of Regular Expenditure 2023-2024 and MTBF 2024-2025 and 2025-2026

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Grant number \_\_\_\_\_
- 4. Grant name \_\_\_\_\_
- 5. Fund Centre Name \_\_\_\_\_
- 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8 Object Code	9 Objects Description	10 Posts Data			11-14 Accounts Information				15-17 Budget Information			18 Proposal	19-20 Forecast (to be filled by MTBF Pilot Dept only)	
		BPS	No.of Posts		Actual expenditure 2021-22	Actual expenditure( Last 8 months) 2021-22	Actual expenditure (First 4 months) 2022-23	Probable Outlay in 2022-23	Revised Estimates 2020-21	Revised Estimates 2021-22	Budget Estimates 2022-23	Budget Estimates 2023-24	Budget Estimates 2024-25	Budget Estimates 2025-26
			2022-23	2023-24										
<b>Grand Total</b>														

176

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-III

“Details of Sanctioned Posts for Regular Expenditure Estimates 2023-24”

The purpose of this form is to submit the post-wise breakup of pay & allowances of each employee at Drawing & Disbursing Officer (DDO) level. The Estimates will be prepared against sanctioned posts as reflected in the budget book, including additional costs (if) provided during the year 2022-23. The proposed SNE should not be included in 2023-24. The provision of vacant positions should also be mentioned.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.).

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064-Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the budget is prepared (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103-Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Enter the First Name and Family name of the employee drawing salary against the sanctioned post as per payroll.

**Serial Number 9:** Enter the Designation of the employee drawing salary against the sanctioned post as reflected in the budget book.

**Serial Number 10:** Enter the Personnel number of the employee drawing salary against the sanctioned post as per payroll.

**Serial Number 11:** Enter Basic Pay Scale (BPS) number of the post as reflected in the budget book.

**Serial Number 12:** Enter the monthly basic pay of the employee (in Rs.) due on 1st December 2022.

**Serial Number 13:** Enter the annualized basic pay of the employee (in Rs.) for the period.

**Serial Number 14:** Enter the probable date for next increment fall within FY 2023-24 (e.g. 01.12.2023).

**Serial Number 16:** Present financial impact (in Rs.) of increment for relevant posts for the period December 2023 to June 2024 (7 months).

**Serial Number 17:** Calculate the anticipated amount of basic pay (in Rs.) for 2023-24 by entering the sum of columns 13 and 16 here.

**Serial Number 18:** Enter remaining pay for 2023-24 (in Rs.) (e.g. A01105- Qualification Pay).

**Serial Number 19:** Calculate House Rent Allowance (in Rs.) against the sanctioned post and enter it here.

**Serial Number 20:** Calculate Conveyance Allowance (in Rs.) against the sanctioned post and enter it here.

**Serial Number 21:** Calculate Medical Allowance (in Rs.) against the sanctioned post and enter it here.

**Serial Number 22:** Calculate other regular allowances (in Rs.) (e.g. A0124R Adhoc Relief Allowance - 2022) against the sanctioned post and enter it here.

**Serial Number 23:** Calculate total regular allowances (in Rs.) by adding Columns 19 to 22.

### **General Instructions:**

- Posts shall be presented according to the BPS sequence reflected in the budget book.
- Sub-totals shall be provided for each post (e.g. Junior Clerk) for columns with serial 12 to 22.
- Grand totals shall be provided for columns with serial 12 to 22.
- Grand totals and Subtotals of form BM-III must be reconciled with form BM-II.
- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-III-** Details of Sanctioned Posts for Regular Expenditure Estimates 2023-24

1. Department \_\_\_\_\_  
 2. Attached Department (where applicable) \_\_\_\_\_  
 3. Grant number \_\_\_\_\_  
 4. Grant name \_\_\_\_\_  
 5. Fund Centre Name \_\_\_\_\_  
 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_  
 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8 Name	9 Description (as per Budget book)	10 Personal no. (as per pay roll)	11 BPS (as per Budget book)	12 Actual Basic Monthly Pay of Employee due on 1st December 2022	13 Annualised Basic Pay for the period (Col 12 + 12)	14-16 Increment falling due within the financial year 2023-24			17 Total provision for Basic Pay for 2023-24 (Col 13 + 16)	18 Remaining Pay for 2023-24	19-23 Annual Financial Impact of Regular Allowances (A012-1)							
						14 Date of increment	15 Rate of increment	16 Amount of increment for the year (7 months)			19 House Rent Allowance	20 Conveyance Allowance	21 Medical Allowance	22 Remaining Regular Allowances	23 Total Regular Allowance (Col 19 to 22)			
<b>Grand Total</b>																		

179

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-IV

“Proposal for Schedule of New Expenditure 2023-24”

The purpose of this Form is to present proposals for the Schedule of New Expenditures by the Drawing & Disbursing Officer (DDO). The information will be prepared at the detailed object level and sub-detail item level for 2023-24. Historical data about posts/items must also be provided.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064-Director General Agriculture Research)

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the proposal for SNE is prepared (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre / DDO Code (e.g. HB0065).

**Serial Number 7:** Enter the Functional Classification Code and the related Description at a detailed level according to the chart of accounts, (e.g. 042103-Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Enter in these columns as applicable (i) major, minor, and detailed object codes from the Chart of Accounts (e.g. A09501) and (ii) Sub-detail Item numbers as reflected in the budget book (e.g. 400).

**Serial Number 9:** Identify the description of the corresponding object code as given in CoA and sub-detail item number as given in the budget book (e.g. Transport for Object Code A09501 and Motorcycles for Sub-detail Item number 400).

**Serial Number 10:** Enter the number of sanctioned posts for 2022-23 for each Basic Pay Scale (BPS) as reflected in the budget book, including additional posts (if) provided during the year 2022-23.

**Serial Number 11:** Enter an additional number of posts required against similar positions in budget 2023-24.

**Serial Number 12:** Enter the additional quantity of goods required against a similar item in budget 2023-24.

**Serial Number 13:** Enter the estimated amount (Rs.) of financial implications of posts/items of the proposal for SNE.

**Serial Number 14:** Provide a brief justification pertaining to each post/item. If applicable, add a reference to a more detailed justification that may be provided separately to this form.

**Serial Number 15:** Enter the approved number of posts or quantity of items for FY 2020-21.

**Serial Number 16:** Enter the approved number of posts or quantity of items for FY 2021-22.

**Serial Number 17:** Enter the approved number of posts or quantity of items for FY 2022-23.

### **General Instructions:**

- All data shall be entered at the detailed object code level (e.g. A09501) and Sub-detail item level (e.g. 400).
- Sub-totals shall be provided at major object code level (e.g. A09 Total Physical Assets), minor object code level (e.g. A095 Total Purchase of Transport), and detailed object code level (e.g. A09501 Transport) for columns with serial 10 to 17.
- Grand totals shall be provided for columns with serial 10 to 17.
- In addition to forms for each individual DDO, Administrative Departments are requested to submit a summary in a prescribed format of form BM-IV at the level of the attached department.
- A justification must be provided in the shape of detailed explanatory memo with adequate analytical details and supporting documents.

**FORM BM-IV-** Proposal for Schedule of New Expenditure 2023-24

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Grant number \_\_\_\_\_
- 4. Grant name \_\_\_\_\_
- 5. Fund Centre Name \_\_\_\_\_
- 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8	9	10	11			12	13	14	15	16	17
Object Code / Sub-detail Item Number	Object / Sub-detail Item Description	Sanctioned Strength of Posts 2022-23	Administrative Department's Demands 2023-24			Justification (Please give a brief in the column and attach detailed justification and indicate reference number)	Please indicate posts or relevant items approved during last 3 years				
			No. of Posts	Quantity of Item(s)	Financial Impact		2020-21	2021-22	2022-23		
<b>Grand Total</b>											

182

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-V

“Proposal for Budget Re-appropriation 2022-23”

The purpose of this form is to submit the proposal for re-appropriation from a particular object head to another object head at Drawing & Disbursing Officer (DDO) level. The Estimates must be prepared at the detailed object level.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research)

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the proposal for budget re-appropriation is prepared (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Fill in detailed object codes from Chart of Account (CoA) (e.g. A03201)

**Serial Number 9:** Identify the description of the corresponding object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 10:** Enter the amount (in Rs.) of each object head for which a re-appropriation (Surrender) is requested.

**Serial Number 11:** Fill object codes from the Chart of Account (CoA). The object codes in this column must be provided at a detailed level (e.g. A03201)

**Serial Number 12:** Identify the description of the relevant object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 13:** Enter the amount (in Rs.) of each object head for which a re-appropriation is requested.

### **General Instructions:**

- All data shall be entered at a detailed object code level (e.g. A03201).
- Sub-totals shall be provided at the major object code level (e.g.A03 Operating Expenses) and minor object code level (e.g. A033 Utilities) for columns with serial 10 and 13.
- Object codes shall be presented according to the sequence reflected in the budget book (e.g. A01 followed by A011 followed by A01101, A01102, A01150 etc.).
- A Grand total shall be provided for columns with serials 10 and 13.
- The Administrative department must duly approve each proposal for Re-appropriation prepared by a subordinated DDO before forwarding it to the Finance Department.
- A detailed justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-V- Proposal for Budget Re-appropriation 2022-23**

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Grant number \_\_\_\_\_
- 4. Grant name \_\_\_\_\_
- 5. Fund Centre Name \_\_\_\_\_
- 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8 Object Code	9 Object Description	10 Amount of (-) Re-appropriations / Surrender	11 Object Code	12 Object Description	13 Amount of (+) Re-appropriations
<b>Grand Total</b>					

185

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-VI

“Proposal for Supplementary Budget 2022-23”

The purpose of this Form is to request for Supplementary Budget 2020-21 at Drawing & Disbursing Officer (DDO) level. The request must be prepared at a detailed object level.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.).

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre name for which the proposal for the supplementary budget is prepared (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Enter detailed object codes from the Chart of Account (CoA) (e.g. A03201).

**Serial Number 9:** Identify the description of the corresponding object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 10:** Enter the Supplementary Budget amount (in Rs.) required for a particular object head.

### General Instructions:

- All data shall be entered at a detailed object code level (e.g. A03201).
- Sub-totals shall be provided at the major object code level (e.g. A03 Operating Expenses) and minor object code level (e.g. A033 Utilities) for a column with serial 10.

- Object codes shall be presented according to the sequence reflected in the budget book (e.g. A01 followed by A011 followed by A01101, A01102, A01150 etc.).
- Grand total shall be provided for a column with serial 10.
- The Administrative department must duly approve each proposal for a supplementary budget prepared by a subordinated DDO before forwarding it to the Finance Department.
- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-VI-** Proposal for Supplementary Budget 2022-23

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Grant number \_\_\_\_\_
- 4. Grant name \_\_\_\_\_
- 5. Fund Centre Name \_\_\_\_\_
- 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8

9

10

Object Code	Object Description	Amount of (+) Supplementary Budget
Grand Total		

188

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-VII

“Revised Estimates /Final List of Excesses & Surrenders 2022-23”

The purpose of this form is to present the revised expenditure estimates for 2022-23 by considering all excesses, surrenders, and re-appropriation about each detailed object head by Drawing & Disbursing Officer (DDO).

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the revised estimates / final list of excesses & surrenders is prepared (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Fill in detailed object codes from the Chart of Account (CoA) (e.g. A03201).

**Serial Number 9:** Enter a description of the corresponding object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 10:** Provide Original Budget Estimates for 2022-23 (in Rs.) as per the budget book.

**Serial Number 11:** Enter the amount sanctioned during 2022-23 (in Rs.) other than Original Budget Estimates for 2022-23.

**Serial Number 12:** Enter the amount approved by the Finance Department during 2022-23 (in Rs.) by way of (+/-) re-appropriation(s).

**Serial Number 13:** Enter the total outlay for 2022-23 (in Rs.) by calculating the sum of columns 10, 11, and 12 here.

**Serial Number 14:** Actual Expenditure of first 6 months of current FY 2022-23 (in Rs.) for all the applicable account heads must be filled here.

**Serial Number 15:** Actual Expenditure of the last 6 months of FY 2021-22 (in Rs.) for all the applicable account heads must be filled here.

**Serial Number 16:** Enter probable outlay for 2022-23 (in Rs.) by calculating the sum of columns 14 and 15.

**Serial Number 17:** Requested (+/-) re-appropriations for 2022-23 (in Rs.) – in addition to already approved re-appropriations – may be proposed here, if applicable.

**Serial Number 18:** The Revised Expenditure Estimate for the current FY 2022-23 (in Rs.) must be proposed here.

**Serial Number 19:** The variance (in Rs.) between the Revised Expenditure Estimates 2022-23 (Serial 17) and the Original Expenditure estimate (Serial 10) must be calculated and presented here.

**Serial Number 20:** The amount saved/surrendered (in Rs.) from the original budget 2022-23 must be entered here.

### **General Instructions:**

- All data shall be entered at a detailed object code level (e.g. A03201).
- Sub-totals shall be provided at major object code level (e.g. A03 Operating Expenses) and minor object code level (e.g. A033 Utilities) for columns with serial 10 to 20.
- Object codes shall be presented according to the sequence reflected in the budget book (e.g. A01 followed by A011 followed by A01101, A01102, A01150 etc.).
- A total shall be provided for columns with serial 10 to 20.
- The Administrative department must duly approve each Revised Estimate / Final List of Excesses and Surrenders prepared by a subordinate DDO before forwarding it to the Finance Department.
- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-VII-** Revised Estimates / Final List of Excesses & Surrenders 2022-23

1. Department \_\_\_\_\_  
 2. Attached Department (where applicable) \_\_\_\_\_  
 3. Grant number \_\_\_\_\_  
 4. Grant name \_\_\_\_\_  
 5. Fund Centre Name \_\_\_\_\_  
 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_  
 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8	9	10	11	12	13	14	15	16	17	18	19	20
Object code	Object description	Budget Estimates 2022-23	Amount Sanctioned Outside Budget 2022-23	Approved Amount of Re-appropriation (+/-) by FD 2022-23	Total Outlay 2022-23 (Col 10 + 11 +12)	Actuals			Proposed Re-appropriation (+/-) within budget by AD if any 2022-23	Anticipated Expenditure for CFY 2022-23	Excess (+) (Col 18 + 13)	Savings (-) (Col 18 - 13)
						First 6 Months CFY 2022-23	Last 6 Months of FY 2021-22	Total Actuals (Col 14 + 15)				
Grand Total												

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Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-VIII

“Submission of Surrender of Savings 2022-23”

The purpose of this form is to submit a surrender of savings at Drawing & Disbursing Officer (DDO) level. The statement must be prepared at a detailed object level.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.).

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the surrender of savings is prepared, (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Enter detailed object codes from the Chart of Account (CoA) (e.g. A03201).

**Serial Number 9:** Identify the description of the relevant object code as given in CoA (e.g. Postage and Telegraph).

**Serial Number 10:** Provide Original Expenditure Estimates for 2022-23 (in Rs.) as reflected in the budget book.

**Serial Number 11:** Calculate the modified budget estimates for 2022-23 (in Rs.) based on (i) original budget, (ii) approved budget re-appropriations, (iii) approved supplementary budget, and (iv) in-year surrender of savings and enter it here.

**Serial Number 12:** Enter the actual expenditure incurred to date for 2022-23 (in Rs.)

**Serial Number 13:** Calculate the amount (in Rs.) to be surrendered by subtracting the amount in column 12 from the amount in column 11 and entering it here.

### **General Instructions:**

- All data shall be entered at a detailed object code level (e.g. A03201).
- Sub-totals shall be provided at the major object code level (e.g. A03 Operating Expenses) and minor object code level (e.g. A033 Utilities) for columns with serial 10 and 13.
- Object codes shall be presented according to the sequence reflected in the budget book (e.g. A01 followed by A011 followed by A01101, A01102, A01150 etc.).
- Grand totals shall be provided for columns with serial 10 to 13.
- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-VIII- Submission of Surrender of Savings 2022-23**

1. Department \_\_\_\_\_  
 2. Attached Department (where applicable) \_\_\_\_\_  
 3. Grant number \_\_\_\_\_  
 4. Grant name \_\_\_\_\_  
 5. Fund Centre Name \_\_\_\_\_  
 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_  
 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8 Object Code	9 Object Description	10 Budget Estimate 2022-23	11 Modified Budget 2022-23	12 Expenditure to date	13 Amount to be surrendered
Grand Total					

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Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-IX

“Performance Indicators and Targets 2023-24 to 2025-26”  
(for Pilot MTBF departments only)

The purpose of this Form is to identify and summarize Service Delivery (e.g. Output) Indicators and associated targets of a spending unit for the MTBF period 2023-24 to 2025-26. The Form will include 'quantitative' or 'operational' data of the spending unit and will NOT include any budgetary data.

### Specific Instructions:

**Serial Number 1:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.).

**Serial Number 2:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number 3:** Give relevant Grant No. as reflected in the budget book (e.g. SC21121 (121)).

**Serial Number 4:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number 5:** Identify the Fund Centre Name for which the performance indicators and targets are prepared, (e.g. Director Agriculture Research Sindh, Tandojam Hyderabad).

**Serial Number 6:** Identify Fund Centre Code – DDO (e.g. HB0065).

**Serial Number 7:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 – Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 8:** Self-Explanatory.

**Serial Number 9:** Outputs that the spending unit aims to deliver for each output over the medium term (2023-24 to 2025-26) including outputs planned for the ongoing year 2022-23. Please provide only key outputs.

**Serial Number 10:** Self Explanatory

**Serial Number 11:** Planned baseline targets for CFY 2022-23 for each performance indicator taking into account allocated financial resources.

**Serial Number 12:** Targets planned for FY 2023-24 for each key performance indicator taking into account the expenditure estimates and expenditure ceilings.

**Serial Number 13:** Targets planned for FY 2024-25 for each key performance indicator taking into account the expenditure estimates and expenditure ceilings.

**Serial Number 14:** Targets planned for FY 2025-26 for each key performance indicator taking into account the expenditure estimates and expenditure ceilings.

### **General Instructions:**

- A justification must be provided in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.
- The Administrative department must duly approve each statement with performance indicators and targets prepared by a subordinated DDO before forwarding it to the Finance Department.
- In addition to forms for each DDO, Administrative Departments are requested to submit a summary in the prescribed format of form BM-IX at the level of the attached department.

**FORM BM-IX-- Performance Indicators and Targets 2023-24 to 2025-26**

1. Department \_\_\_\_\_  
 2. Attached Department (where applicable) \_\_\_\_\_  
 3. Grant number \_\_\_\_\_  
 4. Grant name \_\_\_\_\_  
 5. Fund Centre Name \_\_\_\_\_  
 6. Fund Centre Code (DDO Code) \_\_\_\_\_  
 7. Functional Classification \_\_\_\_\_

All Amount in Rs

8 S. No.	9 Performance Indicator	10 Unit of Measurement	11 Baseline 2022-23	12 Target 2023-24	13 Target 2024-25	14 Target 2025-26

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Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-X

“Estimates of Annual Development Programme (ADP) 2023-24”

The purpose of this Form is to present Estimates of Development Expenditure by Drawing & Disbursing Officer (DDO)/Administrative Department. The Estimates will be prepared at Sector Sub-Sector & Scheme level for 2023-24. The forecast for 2024-25 to 2025-26 must be provided for each Sector/Sub-Sector scheme.

### Specific Instructions:

**Serial Number i:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number ii:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number iii:** Give relevant Grant No. as reflected in the budget book (e.g. SC12121 (121)).

**Serial Number iv:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number v:** Identify the Fund Centre Name for which the budget is prepared, (e.g. Secretary Agriculture).

**Serial Number vi:** Identify Fund Centre Code – DDO (e.g. KQ5045).

**Serial Number vii:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 1:** The Serial number of particular scheme assigned by the P&DD in ADP 2022-23 must be used for on-going schemes, whereas for new scheme the new serial number should be written here (e.g. 1,2,3). However, P&DD will assign general serial number for all schemes before final print.

**Serial Number 2:** Identify each Sector/Sub-sector and Ongoing/New schemes followed by name of individual scheme (e.g. Agriculture/Agriculture Research/New Scheme/ Construction of Modern Vegetable, Fruit, Fish and Meat Market Luqman Khairpur).

**Serial Number 3:** Enter the name of the District where the scheme is being executed (e.g. Khairpur).

**Serial Number 4:** Identify the status of the scheme (e.g. Approved/Unapproved) if approved the approval date must be mentioned (e.g. 20.05.2022).

**Serial Number 5:** Indicate the expected date of completion for the specific scheme (e.g. June 2024).

**Serial Number 6:** Indicate the total estimated cost (in Rs. million.) for a particular scheme.

**Serial Number 7:** Actual Expenditure (in Rs. million) for a development scheme up to June 2022 must be filled here.

**Serial Number 8:** Provide anticipated revised allocation (in Rs. million) for 2022-23, excluding Foreign Project Assistance (FPA) for a particular scheme.

**Serial Number 9:** Provide anticipated revised allocation of FPA (in Rs. million) for 2022-23.

**Serial Number 10:** Provide cumulated estimated expenditure (in Rs. million) up to June 2023 for a specific scheme.

**Serial Number 11:** Calculate the amount of throw-forward (in Rs. million) by subtracting the total expenditure amount in column 10 from the estimated cost amount in column 6 and entering it here.

**Serial Number 12:** Enter estimated allocation for Capital Expenditure (in Rs. million) for 2023-24. This would be based on planned activities to be achieved under a particular scheme.

**Serial Number 13:** Enter estimated allocation for Revenue Expenditure (in Rs. million) for 2023-24. This would be based on planned activities to be achieved under a particular scheme.

**Serial Number 14:** Calculate the total amount (in Rs. million) for a particular scheme by adding the amount in column 12 & column 13 and enter it here.

**Serial Number 15:** Enter estimated allocation for Foreign Project Assistance (FPA) (in Rs. million) for 2023-24. This would be based on the estimated budget forwarded to Economic Affairs Division (EAD) and planned activities to be achieved under a particular scheme.

**Serial Number 16:** Calculate the financial progress (in terms of percentage %) for a specific scheme up to June 2023. This would be based on planned activities & allocations under the particular scheme for a specific period.

**Serial Number 17:** Calculate the financial progress (in terms of percentage %) for a specific scheme up to June 2024. This would be based on planned activities & allocations under the particular scheme for a specific period.

**Serial Number 18:** Enter Forecast of Development Expenditure (in Rs. million) for 2024-25 for each scheme. This would be based on plans to be achieved under a particular scheme in the future.

**Serial Number 19:** Enter Forecast of Development Expenditure (in Rs. million) for 2025-26 for each scheme. This would be based on plans to be achieved under a particular scheme in the future.

### **General Instructions:**

- All data shall be entered at a particular development scheme level (e.g. Construction of Modern Vegetable, Fruit, Fish and Meat Market Luqman Khairpur).
- Sub-totals shall be provided at Sector/ Sub-sector and ongoing/new schemes level (e.g. Agriculture Supply & Prices, Agriculture Extension,) for columns with serials 6 to 19 excluding columns 16 & 19.
- Grand totals shall be provided for columns with serial 6 to 19 excluding columns 16 & 19.
- A justification must be provided -particularly about new development schemes -in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**FORM BM-X- Estimates of Annual Development Programme (ADP) 2023-24**

1. Department \_\_\_\_\_  
 2. Attached Department (where applicable) \_\_\_\_\_  
 3. Grant number \_\_\_\_\_  
 4. Grant name \_\_\_\_\_  
 5. Fund Centre Name \_\_\_\_\_  
 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_  
 7. Functional Classification \_\_\_\_\_

All Amount in Rs

1 S. No	2 Sector/ Sub- sector/ Name of Scheme	3 Location of Scheme/ District	4 Status Date of Approval	5 Target Date for Completion	6 Estimated Cost	7 Actual Expenditure upto June, 2022	8 Revised Allocation 2022-23		10 Estimated Expenditure upto June 2023	11 Throw forward as on 01.07.2023	12 Allocation for 2023-24			15 FPA for 2023-24	16 Financial Progress in %age upto		18 Financial Projection		20 Whether it has relevance in tangible outcome on any of the SDGs, if yes	21 Whether it has relevance in tangible outcome on any of the CCPs, if yes	
							8 Total	9 F.P.A			12 Capital	13 Revenue	14 Total		16 Jun 2023	17 Jun 2024	18 2024-25	19 2025-26			
Grand Total																					

201

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_

## Instructions for filling the Form BM-XI

“Proposal for Development Budget Re-appropriation 2022-23”

The purpose of this form is to submit the proposal for re-appropriation from a particular Sector/Sub-sector/On-going Scheme level. The proposal must be prepared at the Scheme level.

### Specific Instructions:

**Serial Number i:** Give the full name of the relevant Department (e.g. Agriculture Supply & Prices Dept.)

**Serial Number ii:** Identify the Attached Department by giving both Code and the related Description (e.g. HB0064 Director General Agriculture Research).

**Serial Number iii:** Give relevant Grant No. as reflected in the budget book (e.g. SC12121 (121)).

**Serial Number iv:** Give the relevant Grant Name as reflected in the budget book (e.g. Agriculture).

**Serial Number v:** Identify the Fund Centre Name for which the budget is prepared, (e.g. Secretary Agriculture).

**Serial Number vi:** Identify Fund Centre Code – DDO (e.g. KQ5045).

**Serial Number vii:** Enter Functional Classification (both Code and the related Description) according to the chart of accounts at a detailed level, (e.g. 042103 Economic Affairs, Agriculture, Agriculture Research and Extension Services).

**Serial Number 1:** The Serial number of a particular scheme assigned by the P&DD in ADP 2022-23 must be written here.

**Serial Number 2:** Identify each Sector/Sub-sector and Ongoing/New scheme followed by the name of the individual scheme (e.g. Agriculture/Agriculture Research/New Scheme/ Construction of Modern Vegetable, Fruit, Fish and Meat Market Luqman Khairpur).

**Serial Number 3:** Enter existing allocation (in Rs. million) for the particular scheme under the Capital component for which a re-appropriation is requested.

**Serial Number 4:** Enter existing allocation (in Rs. million) for the particular scheme under the Revenue component for which a re-appropriation is requested.

**Serial Number 5:** Enter the Total existing allocation (in Rs. million) for the particular scheme for which a re-appropriation is requested.

**Serial Number 6:** Enter additional allocation (in Rs. million) for the particular scheme under the Capital component for which a re-appropriation is requested.

**Serial Number 7:** Enter additional allocation (in Rs. million) for the particular scheme under the Revenue component for which a re-appropriation is requested.

**Serial Number 8:** Enter the Total additional allocation (in Rs. million) for the particular scheme for which a re-appropriation is requested.

**Serial Number 9:** Enter the proposed deduction (in Rs. million) for the particular scheme under the Capital component for which a re-appropriation is requested.

**Serial Number 10:** Enter the proposed deduction (in Rs. million) for the particular scheme under the Revenue component for which a re-appropriation is requested.

**Serial Number 11:** Enter the Total proposed deductions (in Rs. million) for the particular scheme for which a re-appropriation is requested.

**Serial Number 12:** Enter revised allocation (in Rs. million) for the particular scheme under the Capital component for which a re-appropriation is requested.

**Serial Number 13:** Enter revised allocation (in Rs. million) for the particular scheme under the Revenue component for which a re-appropriation is requested.

**Serial Number 14:** Enter the total revised allocation (in Rs. million) for the particular scheme for which a re-appropriation is requested.

### **General Instructions:**

- All data shall be entered at a particular development scheme level (e.g. Construction of Modern Vegetable, Fruit, Fish and Meat Market Luqman Khairpur).
- Sub-totals shall be provided at Sector/ Sub-sector and ongoing/new schemes level (e.g. Agriculture Supply & Prices, Agriculture Extension,) for columns with serials 3 to 14.
- Grand totals shall be provided for columns with serial 3 to 14.
- A justification must be provided -particularly in relation to new development schemes -in the shape of a detailed explanatory memo with adequate analytical details and applicable supporting documents.

**Form BM-XI - Proposal for Development Budget Re-appropriation 2022-23**

- 1. Department \_\_\_\_\_
- 2. Attached Department (where applicable) \_\_\_\_\_
- 3. Grant number \_\_\_\_\_
- 4. Grant name \_\_\_\_\_
- 5. Fund Centre Name \_\_\_\_\_
- 6. Fund Centre Code (RCO/DDO Code) \_\_\_\_\_
- 7. Functional Classification \_\_\_\_\_

All Amount in Rs

204

1	2	3	4	5	6	7	8	9	10	11	12	13	14
S.No	Sector/ Sub-sector/ Name of scheme	Existing Allocation			Additional Proposed			Deduction Proposed			Revised Allocation after proposed Re-appropriation		
ADP No.	Name of scheme (On-going scheme)	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total
<b>Grand Total</b>													

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Phone number: \_\_\_\_\_



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