



# **PUBLIC FINANCE MANAGEMENT ACT, 2019**



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# PUBLIC FINANCE MANAGEMENT ACT, 2019

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ACT

*to strengthen management of public finances with the view to improving definition and implementation of fiscal policy for better macroeconomic management, to clarify institutional responsibilities related to financial management, and to strengthen budgetary management;*

WHEREAS matters mentioned above are pivotal for reducing public debt and management of public finances;

AND WHEREAS as defined under Article 79 of the Constitution of the Islamic Republic of Pakistan, it is expedient to provide for regulating the custody of the Federal Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys there from, the custody of other moneys received by or on behalf of the Federal Government, their payment into, and withdrawal from, the Public Account of the Federation, and all matters connected with or ancillary thereto;

AND WHEREAS to give elaborate mechanism of public finance management as envisaged in Articles 78 to 88, <sup>2</sup>[\* \* \*] and 160 to 171 of the Constitution and to guide budgetary management processes, financial and fiscal controls, cash and banking arrangements, and financial oversight of public entities;

It is hereby enacted as follows:—

## CHAPTER I PRELIMINARY

1. **Short title, application and commencement.**—(1) This Act may be called the Public Finance Management Act, 2019.

(2) It shall apply to all matters of the Federal Consolidated Fund and Public Account of the Federation and all other matters of the Federal Government connected with or ancillary thereto.

(3) It shall come into force at once.

2. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context,—

- (a) “appropriation” means the assignment to meet specified expenditure of funds at the disposal of the assigning authority;
- (b) “Auditor-General” means Auditor-General of Pakistan appointed under Article 168 of the Constitution;
- (c) “authorization of expenditure” means payments and withdrawals from the Federal Consolidated Fund and Public Account of the Federation against approved budgetary provisions deemed to be duly authorized unless it is specified in the schedule of authorized expenditure;

<sup>1</sup>This Act has been enacted by the finance act, 2019 (Act No. V of 2019), s. 18.

<sup>2</sup>The expression “,118 to 127” omitted by the Finance Act, 2020, s. 9.

- (d) “bank” means the State Bank of Pakistan or any office or agency of the State Bank of Pakistan and includes any bank acting as an agent of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (e) “commitment” means an obligation to make a future payment, the funds for which are reserved against the allocated budget of an entity;
- (f) “constitution” means the Constitution of the Islamic Republic of Pakistan;
- (g) “Controller General of Accounts” means the person appointed under the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 (XXIV of 2001);
- (h) “contingent liability” means a financial liability that may arise or come into being if one or more events occur;<sup>3</sup>
- (i) “Federal Consolidated Fund” means the Federal Consolidated Fund of the Government of Pakistan created under Article 78 of the Constitution;
- (j) “financial propriety” means the compliance of law, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts;
- (k) “financial year” means the financial year as defined under Article 260 of the constitution;
- (l) “Government” means the Federal Government;
- (m) “medium-term” means budgetary estimates for a rolling three-year budgetary horizon. This includes current estimates, which are to be appropriated by Parliament, and two additional or „outer” years” estimates;
- <sup>1</sup>(ma) “non-tax revenue” means revenues received by the Government in terms of clause (1) of Article 78 of the Constitution and the recurring income of the Government from investments and provision of services but does not include those mentioned in clause (3) of Article 160 of the Constitution;
- (n) “outcomes” means the effects of outputs on targeted audience;
- (o) “outputs” means service delivered;
- (p) “prescribed” means prescribed by rules;
- (q) “principal accounting officer” means the secretary of a Division or any official notified as principal accounting officer, responsible for exercising financial propriety in management of public funds and having accountability to Parliament for the economic, efficient and effective use of resources.

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<sup>1</sup>New clause (ma) inserted by the Finance Act, 2020, s. 9.

*Explanation.*—The term “secretary” shall include the secretary general, principal secretary, secretary or acting secretary to the Government of Pakistan in charge of a division and where there is no secretary, the additional secretary or joint secretary in charge of a division;

- (r) “Public Account” means the Public Account of the Federation as defined under Article 78(2) of the Constitution;
- (s) “public moneys” mean the moneys forming part of the Federal Consolidated Fund and the Public Account of the Federation;
- (t) “public servant” means a public servant within the meaning of section 21 of the Pakistan Penal Code (Act XLV of 1860);
- (u) “re-appropriation” means transfer of funds from one head of account of appropriation to another such head of account <sup>1</sup>[within one demand for grant];  
  
<sup>2</sup>[Provided that no re-appropriation shall be made between funds authorized for expenditure charged upon the Federal Consolidated Fund and other expenditure];
- <sup>3</sup>[(ua) “revenue collection office” means a ministry, division or its attached department or subordinate office responsible for collection, monitoring and reporting of non-tax revenue;]
- (v) “supplementary grant” means budget grant within the meaning of Article 84 of the Constitution;
- (w) “technical supplementary grant” means surrender of funds from one budget grant and budget authorization in another grant. Technical supplementary grant shall not result in increase of overall government expenditure;
- (x) “tax expenditure” means the revenue which Government foregoes through the provisions of tax laws that allows deductions, exclusions or exceptions from the taxpayer’s taxable expenditure income or investment, deferral of a tax liability or preferential tax rates;
- (y) “treasury single account” means a banking arrangement for the consolidation of government financial resources in one bank account or multiple bank accounts linked to one main account through which the government transacts all its receipts and payments; and
- (z) “voted expenditure” means expenditure other than the charged expenditure specified in the annual budget statement referred to in Article 82(2) of the Constitution.

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<sup>1</sup>Inserted by the Finance Act, 2020, s. 9.

<sup>2</sup>Proviso inserted by the Finance Act, 2020, s. 9.

<sup>3</sup>New clause (ua) Inserted by the Finance Act, 2020, s. 9.

**CHAPTER II**  
**BUDGET MANAGEMENT**  
**BUDGET PREPARATION AND PRESENTATION**

**3. Budget strategy paper.**—(1) The Federal Government shall approve the budget strategy paper containing quantified macroeconomic and fiscal projections for the medium-term by <sup>1</sup>[tenth of May] of each year. It shall be published as well as placed on the Finance Division’s official website. The paper shall indicate strategic priorities of the Government revenue and spending policies and specify indicative levels of spending in various Ministries and Divisions. Upon approval of the paper, the Finance Division shall issue indicative budget ceilings to Ministries and Divisions.

(2) The Minister for Finance shall <sup>2</sup>[also present and discuss the budget strategy paper with the Standing Committees] for Finance and Revenue in the Senate and the National Assembly.

(3) The Federal Government may extend the deadline mentioned in sub-section (1) in case of extreme requirement.

**4. Annual Budget Statement.**— (1) The Federal Government shall, in respect of every financial year, cause to be laid before the National Assembly, Annual Budget Statement consistent with Articles 80 and 81 of the Constitution including a statement of the purpose and estimates divided into <sup>3</sup>[major objects for each demand for grant].

(2) Each Demand for grant may indicate budget estimates of the ensuing year, initial budget estimates and revised estimates of outgoing year and provisional actual expenditure of year Prior to outgoing year.

(3) The Annual Budget Statement shall also contain-

- (a) statement of contingent liabilities of the Federal Government; and
- (b) statement of fiscal risks.

<sup>4</sup>**[5. Plan based Government’s expenditure.**—All government expenditures, whether from a recurrent or development demand for grant, shall be based on well-defined plans and the strategic priorities approved in budget strategy paper as per section 3.]

**6. Grant-in-aid.**—The Federal Government may approve grant-in-aid for individual, public and private institutions, local bodies and other non-political institutions and associations as it may consider appropriate in the manner as may be prescribed.

**7. Receipt of grants by the Government.**—(1) Grants made to the Government by a foreign Government or by any other person shall be received by the Economic Affairs Division and Finance Division on behalf of the Government.

(2) The Finance Division shall, in collaboration with representatives of donors, reach agreements and issue instructions concerning the management of such grants.

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<sup>1</sup>Subs. by Finance Act No. XXXIV of 2023, s.9. Previously the word “April” substituted by the Finance Act, 2020, s. 9.

<sup>2</sup>The words “discuss the budget strategy paper with Standing Committees responsible” substituted by the Finance Act, 2020, s. 9.

<sup>3</sup>The words “detailed items” substituted by the Finance Act, 2020, s. 9.

<sup>4</sup>Section 5 substituted by the Finance Act, 2020, s. 9.

**8. Tax expenditure.**—The Federal Government shall, in respect of every financial year cause to be laid before the National Assembly, Finance Bill consistent with Article 73 of the Constitution including a statement of estimated tax expenditure of the Federal Government.

**9. Performance based budget.**—(1) The Federal Government shall, in respect of every financial year, cause to be laid before the National Assembly a medium-term performance based budget <sup>1</sup>[report] along with the Annual Budget Statement.

(2) For each principal accounting officer, the medium-term performance based budget <sup>1</sup>[report] may include policy and goals, past and future expenditure, outputs and outcomes and related performance indicators and targets.

**10. Changes in schedule of authorized expenditure.**— 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 in excess of the amount granted for that service for that year,

the Federal Government shall have power, as prescribed, to authorize expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the National Assembly 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 80 to 83 shall apply to those statements as they apply to the Annual Budget Statement.

**11. Re-appropriation of funds.**—Principal accounting officers may sanction, <sup>2</sup>[by thirty-first day of May each] year, re-appropriation of funds from one expenditure item to another within a budget grant in the manner as may be prescribed <sup>3</sup>[:]

<sup>4</sup>[Provided that in an exceptional case of exigency, the Finance Division may extend the prescribed time limit before the close of the financial year.]

**12. Surrender of savings.**—(1) All Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous organizations shall surrender to the Finance Division <sup>5</sup>[by thirty-first day of May each year], all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them <sup>6</sup>[:]

<sup>7</sup>[Provided that in an exceptional case of exigency, the Finance Division may extend the prescribed time limit before the close of the financial year.]

(2) The Finance Division shall communicate the acceptance of such surrenders before close of the financial year and where requirement is justified, shall provide for equivalent amount in the next financial year budget.

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<sup>1</sup> Inserted by the Finance Act, 2020, s. 9.

<sup>2</sup> The words “at any time before the close of the financial” substituted by the Finance Act, 2020, s. 9.

<sup>3</sup> Full stop substituted by the Finance Act, 2020, s. 9.

<sup>4</sup> Proviso added by the Finance Act, 2020, s. 9.

<sup>5</sup> The words “at least twenty-five days before the presentation of the budget in the National Assembly” substituted by the Finance Act, 2020, s. 9.

<sup>6</sup> Full stop substituted by the Finance Act, 2020, s. 9.

<sup>7</sup> Proviso added by the Finance Act, 2020, s. 9.

### CHAPTER III

## DEVELOPMENT PROJECTS AND MAINTENANCE AND USE OF PUBLIC ASSETS

**13. Classification of development projects.**—Projects defined in public sector development programme shall be classified as:—

- (a) core projects in national infrastructure requiring complex planning, design and implementation procedures. The Planning Commission shall designate projects as such in accordance with the criteria notified in official Gazette; and
- (b) sectoral projects, projects undertaken by specific sectors, Ministries and Divisions which are required to enhance the development of that sector or Ministry or Division and do not fall under the above category of core projects.

**14. Preparation of development projects.**—(1) All development projects shall be prepared in conformity with procedures, processes and templates defined by the Planning Commission.

(2) Cost and benefit analysis and risk assessment of all development project proposals, in excess of a threshold size prescribed by the Planning Commission, shall be undertaken.

**15. Quality assurance.**—Development project proposals which exceed in their total cost thresholds defined by the Planning Commission shall be subject to quality assurance. Such quality assurance shall be undertaken by an individual/body which is independent of the sector/Ministry/Division that has initiated the preparation of the development project proposal.

**16. Technical approval.**—(1) All development project proposals shall be subject to a technical approval process. Technical approval shall only be granted to projects which are compliant with the standards and procedures set by the Planning Commission.

(2) Findings and recommendations of the independent quality assurance reports and cost and benefit analysis and risk assessment, where required as per sub-section (2) section 14, shall be taken into account by these forums while considering the development project proposals.

**17. Inclusion of development projects in demands for grants.**—(1) No development project shall be considered for inclusion in demands for grants that has not been granted technical approval.

(2) No development project shall be considered for inclusion in demands for grants unless it is provided with a budget allocation for the coming year which fully reflects the proposed project cost for each year.

**18. Monitoring and evaluation of development projects.**—(1) Development projects shall be subject to the following forms of monitoring and evaluation, namely:—

- (a) monitoring of progress during implementation;
- (b) evaluation of the project on completion; and
- (c) in case of the projects with a total cost exceeding a threshold to be set by the Planning Commission, an independent impact assessment within five years after completion of the projects.



(2) Timelines, forms and formats and guidance on conducting monitoring and evaluation and reporting shall be as may be prescribed.

**19. Budgetary provision for maintenance of assets.**—(1) Every Ministry and Division shall include in its demands for grants adequate funds dedicated for operation and maintenance of the physical infrastructure assets under its supervision.

(2) The Planning Commission shall define adequacy requirements for different categories of physical infrastructure expressed as the ratio of the annual provision for maintenance and the current market value of the asset.

**20. Utilization of public assets.**—(1) Principal accounting officers shall ensure that the maximum possible returns are achieved on each and every asset falling under the oversight of the Ministry and Division.

(2) The returns on a public asset may include utilization of the asset for delivery of one or more public services or a financial return accruing to the Government from utilization of the potential of the asset.

(3) With a view to achieving the maximization of returns on public assets, government may establish sovereign wealth funds through an Act of Parliament. The objective of a sovereign wealth fund is to act as a holding institution for public assets, which is capable of bringing to bear sound management and exploitation of opportunities for the maximization of returns from the public assets.

#### **CHAPTER IV CONTROL OF PUBLIC FINANCE CONSOLIDATED FUND AND PUBLIC ACCOUNT**

**21. Federal Consolidated Fund.**—(1) All Ministries and Divisions, their attached departments and subordinate offices and all public entities if so required by their statutes, shall arrange remittance in the Federal Consolidated Fund, without delay, of all revenues including all grants received by the Federal Government, all loans raised by the Government and all moneys received by it in repayment of any loan and all other moneys into the Public Account of the Federation as required under Article 78 of the Constitution.

(2) All loans or grants made to the Federal Government by a foreign government or otherwise shall be remitted to the Federal Consolidated Fund and the Controller General of Accounts shall be responsible for its proper accounting.

**22. Custody of the Federal Consolidated Fund and Public Account of the Federation.**—The operation of the Federal Consolidated Fund and the Public Account of the Federation shall vest in the Finance Division under the overall supervision of the Federal Government.

**23. Expenditure from Federal Consolidated Fund <sup>1</sup>[and Public Account].**—(1) No authority shall incur or commit any expenditure or enter into any liability involving expenditure from the Federal Consolidated Fund and Public Account of the Federation until the same has been sanctioned by a competent authority duly empowered and the expenditure has been provided for the financial year through—

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<sup>1</sup> Inserted by the Finance Act, 2020, s. 9.

- (a) schedule of authorized expenditure; or
- (b) supplementary grant and technical supplementary grant as per Article 84 of the Constitution; or
- (c) re-appropriation as per section <sup>1</sup>[11].

(2) No authority shall transfer public moneys for investment or deposit from government account <sup>2</sup>[including the assignment accounts] to other bank account without prior approval from the Federal Government <sup>3</sup>[:]

<sup>4</sup>[Provided that the principal accounting officer in respect of all the spending units under his control shall submit a certificate to the Finance Division on half yearly basis.]

(3) Every grant approved by the National Assembly for a financial year and every other authority or sanction issued under this Act in respect of a financial year, shall lapse and cease to have any effect at the close of that financial year.

**24. Withholding of authorized appropriations.**—The Finance Division may, with the prior approval of the National Assembly, suspend, withdraw, limit or place conditions on any budget appropriation or other authority issued by it if the Finance Division is satisfied that such action is required by reason of a financial exigency or is in the public interest.

**25. Excess expenditure.**—(1) The expenditure in excess of the amount of budget grant as well as the expenditure not falling within the scope or intention of any budget grant, unless regularized by a supplementary grant, shall be treated as excess expenditure.

(2) Excess expenditure shall not become a charge against the Federal Consolidated Fund except when—

- (a) The National Assembly approves an additional amount equivalent to overspending as a direct charge against the Federal Consolidated Fund as voted or charged expenditure; or
- (b) it decides—
  - (i) to recover the excess expenditure from the public servants who are found to be involved to incur such an expenditure. In this case, the Finance Division may take appropriate measures; or
  - (ii) to take disciplinary proceedings against the principal accounting officer.

(3) If the Public Accounts Committee recommends the excess expenditure to stand as a charge to Federal Consolidated Fund, then it shall be included in the statement of excess expenditure required under Article 84 of the Constitution.

<sup>1</sup>The figure “10” substituted by the Finance Act, 2020, s. 9.

<sup>2</sup>Inserted by the Finance Act, 2020, s. 9.

<sup>3</sup>Full stop substituted by the Finance Act, 2020, s. 9.

<sup>4</sup>Proviso added by the Finance Act, 2020, s. 9.

**26. Commitment control system.**—The Finance Division in consultation with the Auditor General shall approve and issue guidelines related to annual and multi-annual commitment control systems.

**27. Delegation of financial powers.**—The Finance Division shall approve regulations for the delegation of financial powers based on the following principles, namely:—

- (a) financial powers accorded to the principal accounting officers balance financial authority with responsibility for financial propriety as per the applicable financial rules and regulations;
- (b) financial powers are accorded with the view to enhance public service delivery; and
- (c) allowing the principal accounting officers to delegate financial powers to subordinate officials. The delegation shall not diminish the responsibility and accountability of the principal accounting officers.

<sup>1</sup>**[28. Chief finance and accounts officer**—To assist principal accounting officers in financial management, there shall be chief finance and accounts officer posted in Ministries and Divisions as recommended by Finance Division to perform functions as notified and financial advisers' organization shall stand disbanded.]

<sup>2</sup>**[29. Chief internal auditor.**—(1) Within a period not exceeding eighteen months from the date of commencement of this Act, the position of chief internal auditor shall be created who shall work under the direct supervision of principal accounting officer. The appointment and functions of chief internal auditor shall be as determined by the Finance Division, from time to time.]

<sup>3</sup>(2) There shall be an internal audit policy board for overall policy making and setting scope and standards, approving internal audit manuals and charter of internal audit, monitoring the overall effectiveness of internal audit function for the Government institutions, comprising—

- |     |   |                               |
|-----|---|-------------------------------|
| (a) | Secretary, Finance Division   | <i>Chairman;</i>              |
| (b) | Controller General of Accounts  | <i>Member;</i>                |
| (c) | Deputy Auditor General  | <i>Member;</i>                |
| (d) | Additional Secretary, Finance Division  | <i>Member and Secretary);</i> |
| (e) | One representative duly appointed by the Finance Division from the Institute of Cost and Management Accountants of Pakistan or the Institute of Chartered Accountants of Pakistan or Institute of Internal Auditors | <i>Member</i>                 |

(3) Finance Division shall provide secretarial support to the board constituted under sub-section (2).]

<sup>1</sup> Subs. by Finance Act No. XXXIV of 2023, s.9.

<sup>2</sup> Sub-sect.(1) subs. *ibid.*

<sup>3</sup> New sub-sections (2) and (3) added by the Finance Act, 2020, s. 9.

## CHAPTER V TREASURY MANAGEMENT

**30. Cash management.**—(1) The Finance Division, with the approval of the Federal Government, shall notify policy and rules under this Act to prescribe an effective cash management system for all public entities and special purpose funds leading to treasury single account. Fundamental principles and objectives of such policy and rules shall be—

- (a) to anticipate cash needs of Government;
- (b) to ensure availability of cash when it is required;
- (c) to manage cash balance in the Government bank accounts effectively; and
- (d) to neutralize impact of the Government’s cash flows on the domestic banking sector.

(2) The policy and rules under this section, inter alia, shall provide for—

- (a) establishing institutional and administrative arrangements needed to manage an effective cash management system;
- (b) availability of funds in accordance with schedule of authorized expenditure or supplementary grant;
- (c) availability of foreign exchange, where required, from within the allocation of foreign exchange sanctioned for the Ministry and Division concerned;
- (d) placement of all public moneys into the treasury single account;
- (e) quarterly revenue, expenditure, cash requirement and debt plan within sanctioned budget;
- (f) gradual expansion of budgetary and accounting framework to all autonomous entities, declared as such under clause (b) of sub-section(1) of section <sup>1</sup>[36];
- (g) usage of idle cash of the autonomous entities, declared as such under clause (b) of sub-section (1) of section <sup>1</sup>[36]; and
- (h) require all principal accounting officers to provide the information deemed necessary for effective operation of the cash management and treasury single account system.

**31. Government banking arrangements.**—(1) The Federal Government shall maintain its Federal Consolidated Fund Account <sup>2</sup>[and the Public Account of the Federation] in the State Bank of Pakistan and it may open its such other bank accounts as may be required by the Finance Division, from time to time, in accordance with the State Bank of Pakistan Act, 1956 (XXXIII of 1956).

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<sup>1</sup>The figure “35” substituted by the Finance Act, 2020, s. 9.

<sup>2</sup>Inserted by the Finance Act, 2020, s. 9.

(2) These accounts shall be operated by such authorized signatories as may be prescribed by the Finance Division.

(3) For the purpose of effective financial management and taking corrective measures to ensure financial discipline, all banks in Pakistan shall provide such information of all accounts maintained by Ministries and Divisions, attached departments and subordinate offices and public entities as shall be required by the Finance Division, from time to time, through State Bank of Pakistan.

## **CHAPTER VI SPECIAL PURPOSE FUNDS**

**32. Special purpose funds.**—(1) If monies have been appropriated by the National Assembly <sup>1</sup>[for a fund established under any law or with the approval of the Federal Government], the Finance Division shall notify rules or regulations and issue directives for the management and control of such a fund. Any statutory instrument shall—

- (a) state the purposes for which the special fund has been established;
- (b) identify the principal accounting officer responsible for its operations; and
- (c) specify that the cash balances of such funds shall form part of Public Account of the Federation.

(2) Such funds shall be subject to audit by the Auditor General of Pakistan.

(3) Where the Federal Government is satisfied that either—

- (a) the purposes for which any special fund was established have been fully served; or
- (b) it is in the public interest to wind up a special fund,

it shall notify dissolution of the said special fund and any credit balances in such fund shall be transferred to the Federal Consolidated Fund. An evaluation report and regulation of such funds shall be notified by the Finance Division.

<sup>2</sup>(4) The legal framework of pay, allowances and retirement benefits may be promulgated through an Act of Parliament within a period not exceeding twenty-four months.

(5) The Finance Division, with the approval of the Government, shall establish pension fund by the end of the financial year 2023-24 to help discharge liabilities of the existing defined benefits pension scheme and new contributory pension scheme.

(6) The Finance Division, with the approval of the Government, may introduce a contributory pension scheme for new employees entering the Government service from a date approved by the Federal Government.]

## **CHAPTER VII ACCOUNTING AND REPORTING**

**33. Controller General of Accounts.**—The Controller General of Accounts shall perform his functions in accordance with the provisions of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 (XXIV of 2001).

**34. Mid-year reporting of budget developments.**—(1) By twenty-eighth February each year, the Federal Government shall place mid-year review report before the National Assembly. The report shall provide budget and actual comparison of revenues, expenditure and financing.

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<sup>1</sup> The words "to establish a fund" substituted by the Finance Act, 2020, s. 9.

<sup>2</sup> Added by Finance Act No. XXXIV of 2023, s.9.

(2) After placing the mid-year review report in the National Assembly, the Finance Division shall publish the report on its official website.

**35. Year-end government performance monitoring report.**— Starting from the financial year 2021-22, the Federal Government shall place, within six months of close of financial year, before National Assembly, a government performance monitoring report detailing—

- (a) budget and expenditure by outputs; and
- (b) planned and delivered key performance targets.

## **CHAPTER VIII PUBLIC ENTITIES**

**36. Public entities.**—(1) Where—

- (a) any board, commission, company, corporation, trust or other fund or account is established by or under any law which is fully or substantially funded either from the Federal Consolidated Fund or by way of taxes, levies, duties or other public monies accruing to it in terms of any laws; or
- (b) any entity other than a state enterprise is established by or under any law, the activities of which may result in a financial commitment or other liability being incurred by the Government,

the Federal Government may declare such entity to be a public entity for the purposes of this Act.

(2) The Federal Government shall, by notification in the official Gazette, classify public entities as—

- (a) Government's business enterprises, including public limited companies or registered companies under the law regulating companies or banking; or
- (b) autonomous entities, which include all public entities that are not Government's business enterprises, which have been established to provide regulatory, research, development and training or are producing goods or services on non-commercial basis.

(3) The Finance Division shall be responsible for notifying the policy framework and guidelines for financial management of Government's business enterprises and autonomous entities, including those related to internal controls, borrowing, cash management, accounting, reporting and external audit.

**37. Self-generated revenues.**—(1) Revenues collected by an autonomous entity, which arise from any Act or statutory instruments of the Federal Government shall be deposited into the treasury single account.

(2) The Finance Division shall, with approval of the Federal Government, notify policy and guidelines and may issue regulations on the utilization of revenues generated by autonomous entities.

**38. Preparation of accounts.**—(1) Accounts of Government's business enterprises shall be prepared in accordance with the provisions of the relevant law. Copy of the audited financial statements shall be made available to the Finance Division within three months of their certification.

(2) The accounts of autonomous entities shall be prepared in accordance with instructions issued by the Controller General of Accounts with approval of the Auditor General. Copy of annual accounts shall be made available to the Finance Division within three months of their finalization.

(3) Audited financial statements and annual accounts referred to in sub-section (1) and sub-section (2) shall be laid before Parliament by President of Pakistan along with other accounts of Federal Government not later than one month after the same are submitted by Auditor-General, except that, if Parliament is not in session, then the accounts shall be laid before it on the first day of the following session.

(4) Any reports laid before Parliament under sub-section (3) shall be referred to the Public Accounts Committee of Parliament.

**39. Audit.**—(1) The audit of all public business enterprises shall be in accordance with the provisions of the relevant law.

(2) The audit of autonomous entities classified shall be in accordance with instructions issued by the Auditor-General.

**40. Dissolution of public entity.**—Where the public entity established under any law or legal instrument stands dissolved or has been wound up, any monies or other resources standing to the credit of the public entity at the time of dissolution or winding up shall be paid into the Federal Consolidated Fund.

## <sup>1</sup>[CHAPTER VIII A NON TAX REVENUE

**40A. Policy and administration.**—(1) The administrative ministries and divisions shall be responsible for policy formulation and administration of non tax revenue as per the distribution of business approved by the Government.

(2) The Finance Division shall advise ministries and divisions in policy formulation as per the strategic priorities of Government's revenue policies.

**40B. Levy and collection.**—(1) Non tax revenue shall be levied and charged in accordance with the provisions of relevant laws and such other applicable instruments.

(2) Notwithstanding anything to the contrary contained in any other law for the time being in force, public entities as defined under section 36 shall pay non tax revenue representing—

- (a) mark up on loans lent by the Government, as per the amortization schedule attached with the financing agreement;
- (b) dividend against the Governments equity investments as declared by the respective board of directors out of accrued profits of the entity:

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<sup>1</sup>Chapter VIII A inserted by the Finance Act, 2020, s. 9.

Provided that if public entity is wholly or substantially owned by the Government, proposals with regard to declaration of dividend and allocation for reserve fund, capital requirements etc. shall be examined by the controlling Division in consultation with the Finance Division before deliberations and decision in the board of directors.

- (c) surplus profits as per the provisions of relevant laws; and
- (d) any other amount owed to the Government as accrued:

Provided that the public entities shall pay accrued amounts of non tax revenue as per clauses (a) to (d) being the first charge on their gross revenues or profits, as the case may be.

(3) Non tax revenue representing foreign grants and payments, receipts from provision of services, rents, recovery of overpayments, sale of property etc. shall accrue on completion of the prescribed process.

(4) The revenue collection offices shall be responsible for collection of all the accrued amounts of non tax revenue from liable public entities, individuals, firms, companies etc. as per the time specified in the relevant laws and rules. Finance Division shall prescribe procedures for monitoring and reporting of non tax revenue by the revenue collection offices.

**40C. Deposit in Federal Consolidated Fund.**—(1) Subject to section 40B, the revenue collection offices shall deposit the collected amounts in Federal Consolidated Fund promptly without delay in prescribed manner under the head of account specified by the Finance Division in consultation with the Controller General of Accounts.

(2) The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures except through budgetary mechanism as provided under Articles 80 to 83 of the Constitution.

**40D. Late payment surcharge.**— (1) Notwithstanding anything to the contrary contained in any other law for the time being in force, an amount equal to monthly weighted financing cost of Governments domestic borrowings shall be payable during the period of default, in addition to the amount due under section 40B if not paid within the stipulated time.

(2) Finance Division may prescribe procedure for levy and collection of the surcharge under sub-section (1).

**40E. Recovery of non tax revenue by Commissioner (Inland Revenue).**— (1) If the amounts as per sections 40B and 40D are not paid within ninety days of having been due, the Finance Division, in consultation with the concerned Division may refer any defaulter's case to the Commissioner (Inland Revenue) concerned for recovery as it were an arrear of income tax.

(2) The Commissioner (Inland Revenue) shall recover the arrear in accordance with the provisions of the Income Tax Ordinance, 2001(XLIX of 2001) and deposit the receipt in the Federal Consolidated Fund as per section 40C.]



## CHAPTER IX REMOVAL OF DIFFICULTY AND POWER TO MAKE RULES

**41. Removal of difficulty.**— If any difficulty arises in giving effect to the provisions of this Act, Government may make such order, not inconsistent with the provisions of this Act, as it may consider necessary for removal of such difficulty.

**42. Power to make rules.**—(1) The Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

(2) All existing instruments shall continue in force until altered, amended or repealed by such authority competent to alter, amend or repeal the same <sup>1</sup>[:]

<sup>2</sup>[Provided that existing instruments, contrary to the provisions of this Act and the rules made thereunder, shall have no legal effect]

(3) The existing instruments shall include—

- (a) The General Financial Rules;
- (b) Federal Treasury Rules;
- (c) Fundamental Rules and Supplementary Rules;
- (d) Civil Service Regulations;
- (e) Provident Fund Rules;
- (f) Civil Pension Rules;
- (g) Methods and procedures prescribed by the Auditor-General of Pakistan with reference to deposit and withdrawal of public money;
- (h) Public Works Department Code;
- (i) the New System of Financial Control and Budgeting, 2018;
- (j) the Central Public Works Account Code;
- (k) the Accounting Policies and Procedures Manual;
- (l) other Financial Regulations consistent with the above rules; and
- (m) all amendments, schedules, manuals, notifications, forms, appendixes, orders, circulars, codes, instructions, directives, guidelines, clarifications and any other supplementary legal instruments relating to any of those rules, in each case as in force in the Federal Government before commencement of this Act.

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<sup>1</sup> Full stop substituted by the Finance Act, 2020, s. 9.

<sup>2</sup> Proviso added by the Finance Act, 2020, s. 9.

(4) All the existing public finance management and administration including the rules, regulations and all amendments, schedules, manuals, notifications, forms, appendixes, orders, circulars, codes, instructions, directives, guidelines, clarifications and any other supplementary legal instruments relating to any of those rules, in each case as in force in the Federal Government before commencement of this Act shall be made consistent with this Act through appropriate amendments where required.

**43. Budget manual.**—Within a period of six months from commencement of this Act, the Finance Division shall approve a budget manual, to be published as well as placed on the Federal Government’s website.

**44. Implementation and improvement.**—The Federal Government shall constitute a committee to oversee implementation of this Act and its secondary legislation. The committee shall also enlist global best practices of the public finance management and shall recommend improvements in this Act and its secondary legislation from time to time.

**45. Overriding effect.**—This Act shall have overriding effect over all other laws and any law inconsistent with this Act in contradiction with this Act shall be amended to the extent of the inconsistency.



**THE PAKISTAN CODE**