

PUNJAB PUBLIC FINANCIAL MANAGEMENT ACT 2022
(XXXVII of 2022)

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TEXT

**¹PUNJAB PUBLIC FINANCIAL MANAGEMENT ACT 2022
(XXXVII of 2022)**

[02 December 2022]

An
Act

to regulate financial affairs in the public sector and matters relating to the Provincial Consolidated Fund and Public Account of the Punjab.

It is necessary to regulate and manage financial affairs in the public sector in a comprehensive, efficient, transparent and sustainable manner contributing to long-term socio-economic stability and growth of the Province; to make provisions relating to custody of the Provincial Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys therefrom, the custody of other moneys received by or on behalf of the Government, their payment into and withdrawal from the Public Account of the Punjab; and to provide for the matters connected with or ancillary thereto in pursuance of Article 119 of the Constitution of the Islamic Republic of Pakistan.

Be it enacted by Provincial Assembly of the Punjab as follows:

**CHAPTER I
PRELIMINARY**

1. Short title, extent and commencement.— (1) This Act may be cited as the Punjab Public Financial Management Act 2022.

- (2) This Act extends to whole of the Punjab.
- (3) This Act shall come into force at once.

2. Definitions.— (1) In this Act:

- (a) "appropriation" means an expenditure which is a part of the Schedule of Authorized Expenditure authenticated under Article 123 of the Constitution;
- (b) "authorization" means authorization to withdraw moneys from the Provincial Consolidated Fund and Public Account of the Punjab against budgetary appropriations;
- (c) "Constitution" means the Constitution of the Islamic Republic of Pakistan;
- (d) "financial propriety" means the compliance of this Act, rules and regulations for maintaining high standards of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts;

¹This Act was passed by the Provincial Assembly of the Punjab on 21 November 2022; assented to by the Governor of the Punjab on 30 September 2022; and, was published in the Punjab Gazette (Extraordinary), dated: 02 December 2022, pp. 2383-2396.

- (e) "Finance Secretary" means Secretary to the Government, Finance Department;
- (f) "Government" means Government of the Punjab;
- (g) "prescribed" means prescribed by the rules or the regulations made under this Act;
- (h) "re-appropriation" means the transfer of funds from one head of account to another head of account within a budget grant;
- (i) "regulations" means the regulations made under this Act;
- (j) "rules" means the rules made under this Act;
- (k) "tax expenditure" means the tax revenue which the Government foregoes through the provisions of tax laws that allow deductions, exclusions, exceptions, deferrals or preferential rates; and
- (l) "technical supplementary grant" means a re-allocation of funds which does not impact the Government's overall authorized expenditure from the Provincial Consolidated Fund.

(2) An expression or a word used but not defined in this Act, rules and regulations made thereunder shall have the same meaning as assigned in the Constitution, the Punjab Government Rules of Business 2011, Government Finance Statistics Manual, Public Sector Debt Statistics: Guide for Compilers and Users and any other relevant instrument.

3. Measures to be taken.– For regulation and management of public finances in a comprehensive, efficient, transparent and sustainable manner, the Government shall cause the following measures to be taken:

- (a) adequate comprehensiveness of the Budget including the Budgets of all relevant institutional units;
- (b) clarity of description of functions, powers and performance indicators of the institutional units performing functions for the Government;
- (c) introduction of appropriate checks and balances in the public financial management system;
- (d) emphasis on medium-term planning and budgeting horizons, frameworks, strategies, and evaluations;
- (e) carrying out of regular reporting of financial statistics including public debt, and fiscal risks in accordance with international standards;
- (f) implementation of robust Fiscal Risk Management Framework and keeping the Budget Deficit and Public Sector Debt within reasonable limits;
- (g) regular spending of a reasonable amount of resources on public investments;
- (h) formulation of a comprehensive policy for governance of public corporations; and

- (i) adoption of a balanced approach with realistic targets giving the relevant institutional units the authority, means and resources to achieve such targets while installing appropriate mechanisms for rewarding good performance and addressing bad performance.

CHAPTER II

PLANNING, BUDGETING AND PERFORMANCE MANAGEMENT

4. Medium-term Planning and Budgeting.– (1) The Government shall adopt planning and budgeting for a medium-term of three to five years to foster discipline and consistency in financial management.

(2) During each financial year, the Finance Department shall prepare a Medium-term Fiscal Framework and Budget Strategy encompassing at least the next three financial years, and submit to the Government for approval.

(3) Upon approval, the Medium-term Fiscal Framework and Budget Strategy shall be published on official website of the Finance Department.

(4) The timelines for preparation, submission and approval of aforementioned documents shall be as prescribed.

(5) The Finance Department shall finalize the estimates to be included in Medium-term Fiscal Framework and Budget Strategy in consultation with all Departments of the Government, Planning and Development Board and any other public sector institution, whether federal or provincial, whose input, in the opinion of the Finance Department, is important for this purpose.

(6) The Medium-term Fiscal Framework and Budget Strategy shall include:

- (a) socio-economic objectives of the Governments and its policy priorities and goals pertaining to important fiscal variables including revenue, expenditure, budget balance and debt;
- (b) policy targets and allocations expressed as percentage of Gross Domestic Product (GDP), percentage of total expenditure, percentage of total debt or any other meaningful measure, pertaining to the important fiscal variables and their major components including tax and non-tax revenues, direct and indirect taxes, user charges for certain services, operating expenses, public investments, allocation of expenditure among various functions of the Government, external and domestic debt;
- (c) baseline projections of the important fiscal variables;
- (d) details of the major factors, constraints and assumptions underlying the projections;
- (e) details of relevant policies of the Government;
- (f) Key Performance Indicators in the form of targeted outcomes and outputs for each Department;
- (g) single expenditure ceiling for each Department to achieve the Key Performance Indicators;

- (h) reconciliation of Expenditure Ceilings for Departments with functional and economic classification;
- (i) desired flexibility in the spending plans of Departments due to unexpected shortfalls in Revenue or increases in Expenditure resulting from various fiscal risks; and
- (j) details and justification of significant gaps between the priorities, goals, targets, or allocations in the current and the previous Medium-term Fiscal Framework and Budget Strategy.

(7) For the purposes of formulation and execution of medium-term or annual Budgets, each Department shall represent, and be responsible for, all institutional units under its administration, and the Government shall ensure that every institutional unit forming part of the Government is represented by a Department.

5. Revenue.– (1) Every Department responsible for collecting tax or non-tax revenue shall prepare and update on annual basis, a Business Plan to enforce the relevant laws and collect the revenue in an efficient manner.

(2) The Business Plan shall encompass the next three financial years and contain annual revenue targets and the key measures to achieve those targets.

(3) The Business Plan shall be in line with the Medium-term Revenue Mobilization Strategy approved by the Government in case of revenue sources included in the Strategy.

(4) The relevant Departments shall, within three months of the close of each financial year, submit a performance report to the Government mentioning the performance relative to the targets set in the Business Plan and explain reasons for deviations, if any, from the targets.

6. Annual Budget Statement.– (1) The Finance Department shall prepare the Annual Budget Statement, containing the consolidated budget of all institutional units that form part of the Government, for the next financial year and submit it to the Government.

(2) The Annual Budget Statement shall include:

- (a) estimates of revenue and expenditure along with their bifurcation on the basis of functional classification, economic classification and Departments;
- (b) estimates of Net Operating Balance, Primary Balance and Budget Balance; and
- (c) estimates of Net Borrowing / Net Lending and its bifurcation into Net Acquisition of Financial Assets and Net Incurrence of Liabilities.

(3) In addition to the Budget Estimates for the next financial year, the Annual Budget Statement shall also provide the Revised Estimates for the ongoing financial year.

Explanation: The expression “actual figures” means the figures audited by the Auditor General of Pakistan or, in case the audit is still in process, provisional figures as per the Integrated Financial Management Information System.

(4) Each Department shall be responsible for preparing, submitting and negotiating the annual Budget in respect of all institutional units under its administrative control.

(5) Each Department shall prepare its annual Budget estimates in line with the expenditure ceilings approved in the Medium-term Fiscal Framework and Budget Strategy.

(6) Each Department’s Key Performance Indicators and Budget estimates shall be deliberated and finalized for submission to the Government, in such manner as may be notified by the Finance Department.

7. Performance reporting.– (1) Within three months of the close of a financial year, each Department shall submit a performance report to the Government.

(2) The performance report shall contain details of:

- (a) of the actual results achieved during the financial year regarding the outputs, outcomes, and key performance indicators agreed at the time of finalization of the budget for that financial year; and
- (b) the targeted outputs, outcomes, and key performance indicators achieved along with the reasons for gap between the targets and actual results.

8. Expenditure from Provincial Consolidated Fund.– (1) Expenditure from the Provincial Consolidated Fund shall include the following payments either as Charged Expenditure or as Other Expenditure:

- (a) expenses, other than investments, in connection with Government operations;
- (b) Investments in non-financial assets;
- (c) acquisition of financial assets; and
- (d) discharge of liabilities.

(2) Other Expenditure includes all Expenditure other than Charged Expenditure as may be approved by the Government.

9. Withdrawal from Public Account.– Withdrawal from Public Account shall include the following payments:

- (a) expenses other than investments;
- (b) investments in non-financial assets;
- (c) acquisition of financial assets; and
- (d) discharge of liabilities.

10. Grants to be received or paid by the Government.– (1) The Finance Department shall prepare a Policy for providing grants to other governments and foreign organizations and submit it to the Government for approval.

(2) The Policy shall include the grants payable to local governments of the Punjab.

(3) The process and timelines for preparation and approval of the Policy shall be as prescribed.

(4) All authorizations and payments of grants to other governments and foreign organizations shall be in accordance with the Policy.

(5) All Grants receivable by the Government from other governments or international organizations shall be received by the Finance Department.

(6) Subject to approval of the Government, the Finance Secretary or any other officer authorized by the Government may enter into agreements for the purpose of providing and receiving grants from other governments and foreign organizations.

(7) The Finance Department shall issue Guidelines for receipt of Grants from other governments and foreign organizations by the Government for guidance of all Departments.

11. Grant-in-aid to be paid by the Government.– (1) The Finance Department shall prepare a Policy for providing grant-in-aid and submit it to the Government.

(2) The process and timelines for preparation and approval of the Policy shall be as prescribed.

(3) All authorizations and payments of grant-in-aid shall be in accordance with the Policy.

12. Supplementary Budget Statement and Excess Budget Statement.– (1) The Government shall not authorize a Supplementary Expenditure unless it is satisfied that adequate resources shall be available for this purpose.

(2) The Supplementary Expenditure Statement shall include reasons for incurring the Supplementary Expenditure.

(3) The Excess Expenditure Statement shall include reasons for incurring the Excess Expenditure and the measures to prevent such instances in future.

(4) The conditions, process and timelines pertaining to Supplementary Budget Statement and Excess Budget Statement shall be as prescribed.

13. Re-appropriation of funds.– (1) The head of a Department or any other officer authorized by him may sanction re-appropriation of funds pertaining to that Department.

(2) Total amount re-appropriated by a Department during a financial year shall not exceed 20% of the total Expenditure approved as part of the Budget Estimate of that Department except under extraordinary circumstances and with prior approval of the Finance Department.

(3) The conditions, process and timelines pertaining to re-appropriation of funds shall be as prescribed.

14. Statement of Excess and Surrender.– (1) Each Department shall submit a Statement of Excess and Surrender containing:

- (a) anticipated expenditure in excess of the schedule of Authorized Expenditure; or
- (b) authorized Expenditure to be surrendered due to anticipated savings during a financial year.

(2) The Statement shall include reasons for anticipation of excess Expenditure or surrendering a portion of the Authorized Expenditure, as the case may be.

(3) The Finance Department shall, after obtaining further information that it considers necessary, communicate Revised Budget Estimate for the financial year to each Department.

(4) The conditions, process and timelines pertaining to Statement of Excess and Surrender shall be as prescribed.

15. Guidelines on Commitment Control System.– The Finance Department shall frame Guidelines related to multi-annual Commitment Control System.

16. Assessment and upgradation of Public Financial Management (PFM) System.– (1) For continuous upgradation of the PFM System in line with the international standards and best practices, the Finance Department shall carry out an assessment of its Public Financial Management System in accordance with the international Public Expenditure and Financial Accountability (PEFA) framework on a regular basis.

(2) The assessment shall be carried out at least once in every four years through a qualified and independent organization.

(3) The assessment report shall be presented to the Government and shall, afterwards, be published on the website of the Finance Department.

17. Public Financial Management Unit.– The Public Financial Management Unit (PFMU) established in the Finance Department shall perform the following functions:

- (a) preparation of Medium-term Fiscal Framework and Budget Strategy in consultation with the relevant stakeholders;
- (b) preparation of annual Fiscal Risk Statement including the statement of compliance of the provisions of this Act;
- (c) preparation of Medium-term Revenue Mobilization Strategy encompassing next three financial years in consultation with relevant stakeholders;
- (d) preparation of Medium-term Expenditure Management Policy encompassing next three financial years in consultation with relevant stakeholders;

- (e) monitoring the actual results of the policies and frameworks and shall publishing an annual progress report in this regard;
- (f) preparation of a training and development plan for the staff of the Finance Department, monitoring the implementation of the plan, and publishing an annual report in this regard; and
- (g) any other functions as prescribed under the rules or as assigned by the Finance Secretary.

CHAPTER III FISCAL RISK MANAGEMENT

18. Fiscal Risk Management Framework.– (1) The Finance Department shall prepare a Fiscal Risk Management Framework, and submit it to the Government for approval.

(2) The Finance Department may, from time to time, propose to the Government, revisions in the Fiscal Risk Management Framework to enhance its effectiveness for approval.

19. Fiscal risk statement.– (1) The Finance Department shall prepare a Fiscal Risk Statement on annual basis, and submit it to the Government for approval.

(2) The Government may review approve the Fiscal Risk Statement, and shall lay it before the Provincial Assembly along with the Annual Budget Statement.

(3) The Statement shall contain information on:

- (a) major sources of risk that can result in significant deviations between actual and expected fiscal outcomes;
- (b) estimates of Tax Expenditure for the next financial year prepared with the assistance of all Departments and agencies engaged in collection of taxes;
- (c) fiscal risks posed by explicit as well as implicit contingent liabilities;
- (d) compliance status of fiscal and debt rules contained in this Act along with the relevant figures, and, in case of non-compliance, the reasons thereof;
- (e) assessment of the implementation status and effectiveness of the Fiscal Risk Management Framework; and
- (f) measures needed to strengthen the management of fiscal risks.

20. Fiscal discipline.– The Government shall take appropriate measures to maintain a balanced Budget over the long run by observing the following quantitative limits:

- (a) in any financial year, Net Investment in Non-financial Assets shall not be less than 15% of average revenue of three preceding financial years; and

- (b) in any financial year, the Budget Deficit shall not exceed 10% of average revenue of three preceding financial years.

21. Debt limits.– The Government shall take appropriate measures to keep the Public Sector Debt and Guarantees by observing the following quantitative limits:

- (a) stock of Public Sector Debt and Guarantees shall not, at any time, exceed 200% of the average revenue of three preceding financial years;
- (b) Government Debt and Guarantees shall not, at any time, exceed 160% of the average revenue of three preceding financial years;
- (c) public corporations Debt and Guarantees shall not, at any time, exceed 40% of the average revenue of three preceding financial years; and
- (d) interest expense on Government Debt shall not, in any financial year, exceed 12% of the average revenue of three preceding financial years.

22. Compliance with Fiscal and debt provisions.– (1) Compliance with fiscal and debt provisions laid down in this Act shall be monitored based on annual accounts prepared by the Accountant General's Office and audited by the Auditor General's Office after the end of a financial year.

(2) Breach of any of the Fiscal and Debt provisions for two consecutive years shall be treated as non-compliance.

(3) In case of non-compliance, the Government shall make all reasonable efforts to return to the compliant status within two financial years.

(4) The Government shall, at the time of presentation of Annual Budget Statement before the Assembly, communicate the reasons for non-compliance and the strategy and time frame for achieving compliance.

CHAPTER IV DEBT MANAGEMENT

23. Authority to borrow or issue guarantees.– (1) The authority to borrow or give a guarantee shall vest in the Government.

(2) All Government borrowings and guarantees shall be executed by the Finance Secretary or any other officer as the Government may specifically authorize for the purpose.

24. Purposes of borrowing.– The Government may borrow for all or any of the following purposes:

- (a) to finance the Budget deficit;
- (b) to meet temporary cash or liquidity needs;
- (c) to make investment in non-financial or financial assets;
- (d) to repay, refinance, reschedule, restructure, prematurely retire or swap existing debt;

- (e) to pay a liability; and
- (f) to on-lend the borrowed funds to any institutional unit forming part of the Public Sector.

25. Functions of Debt Management Unit.– The Debt Management Unit established in the Finance Department shall:

- (a) prepare the Medium-Term Debt Management Strategy as required under this Act;
- (b) prepare Annual Borrowing Plan in consultation with the relevant stakeholders and in conformity with the Medium-term Debt Management Strategy;
- (c) formulate and implement a process for raising domestic debt through various sources such as Government securities, bank loans etc. subject to any modifications that may be made in the process from time to time, with prior approval of the Finance Secretary;
- (d) prepare a Framework for Management of Guarantees in consultation with relevant stakeholders, with approval of the Government, for issuance, valuation, and monitoring of Government Guarantees;
- (e) undertake domestic borrowings through government securities, bank loans or any other domestic borrowing instruments;
- (f) undertake external borrowings through commercial sources including debt securities such as bonds, sukus, bank loans or any other commercial borrowing instruments;
- (g) coordinate with the Planning and Development Board (P&DB) in raising external debt through multilateral or bilateral sources and provide advice to P&DD on financial terms and conditions of external debt;
- (h) advise the Finance Secretary in evaluation of requests for Government Guarantees made by Public Corporations;
- (i) maintain consistent and authenticated record of Government Debt and Guarantees;
- (j) prepare a comprehensive debt bulletin on semi-annual basis in accordance with the international standards contained in 'Public Sector Debt Statistics: guide for compilers and users' and in case the debt statistics contained in the debt bulletin are not fully in accordance with these standards, appropriate disclosures shall be made;
- (k) monitor compliance with the Debt Rules provided in this Act;
- (l) ensure that Debt Management Performance Assessment (DeMPA) is carried out in accordance with the international standards at least once in four years;
- (m) act as the investor relations office of the Finance Department in matters pertaining to Government Debt and Guarantees; and
- (n) perform any other function as may be prescribed.

26. Medium-Term Debt Management Strategy.– (1) The Finance Minister shall approve a Medium-term Debt Management Strategy for managing the Government debt, encompassing three financial years and update it on annual basis in line with the Medium-term Fiscal Framework and Budget Strategy.

- (2) The Medium-term Debt Management Strategy shall provide for:
- (a) debt portfolio of the Government;
 - (b) future borrowing requirements of the Government and key features of the strategy to meet those requirements;
 - (c) identification of areas or sources of debt where the debt has exceeded prudent limits and key features of the strategy to partially or fully retire such debt to bring it within reasonable limits;
 - (d) major risk exposures of the debt portfolio and the key elements of the strategy to manage those risks including the following:
 - (i) average time to maturity of debt portfolio;
 - (ii) share of fixed rate and floating rate debt; and
 - (iii) share of debt and guarantees.
 - (e) any other factors that may affect the debt management strategy; and
 - (f) the projections of key measures of debt burden including:
 - (i) Government Debt and Guarantees along with its bifurcation into Domestic Debt and External Debt;
 - (ii) ratio of Government Debt and Guarantees to Revenue; and
 - (iii) ratio of Government Debt Service to Revenue.

(3) The Medium-Term Debt Management strategy shall be published on the website of the Finance Department along with the Budget documents.

CHAPTER V PUBLIC INVESTMENTS

27. Medium-term Planning for Public Investments.– (1) The Planning and Development Board shall prepare a Growth Strategy for the province of Punjab, and submit it to the Government for approval.

- (2) The Growth Strategy shall contain the following:
- (a) socio-economic targets to be achieved over the next three financial years;
 - (b) key features of the strategy to achieve those targets;
 - (c) fair allocation of resources to strive for regional equalization and balance in the distribution of resources; and
 - (d) sectoral /departmental plans for public investments to be made for this purpose.

(3) The process and timelines for preparation and approval of the Growth Strategy shall be as prescribed.

(4) The Planning and Development Board shall notify guidelines to be followed for timely preparation of Growth Strategy including the sectoral plans, and the Planning and Development Board may, from time to time, amend the process.

(5) The Departments shall prepare and update the medium-term Public Investment Plans in consultation with the Planning and Development Board and ensure that estimates of costs and revenues are prepared for each Public Investment project or program included in such Plans.

28. Approval and monitoring of Public investment projects and programs.–

(1) All public investment projects and programs included in Annual Development Plan of the Government in a financial year shall:

- (a) be part of the respective sectoral or departmental plan approved by the Government along with the Growth Strategy; and
- (b) have undergone the process for appraisal and approval of public investment projects.

(2) The Planning and Development Board shall prepare and notify a Planning Manual containing the criteria and process for appraisal, approval and monitoring of public investment projects and programs for inclusion in Annual Development Plan.

(3) The Planning Manual shall include the following:

- (a) criteria for deciding whether to execute a project or program in Public Private Partnership or Project Finance modes or as part of the regular Public Investment plan;
- (b) minimum projected financial rate of return at the time of appraisal and approval; and
- (c) mechanisms for monitoring and reporting of the actual financial rate of return over the life of the project or program.

29. Stock of public investments.– (1) The Planning and Development Board shall maintain stock of public investments made by the Government in non-financial assets.

(2) For the purpose of subsection (1), the Planning and Development Board shall maintain an Asset Register in electronic form.

(3) The Asset Register shall include the following information in respect of individual non-financial assets during and up to the financial year and the flexibility to aggregate the information for various categories of non-financial assets:

- (a) acquisition of non-financial assets;
- (b) disposal of non-financial assets;
- (c) consumption of fixed capital in respect of non-financial assets; and
- (d) net investment in non-financial assets.

(4) The Planning and Development Board shall issue guidelines for updating the Asset Register on a regular basis, and all Departments including other institutional units of the Government shall follow such guidelines.

30. Framework for management of public investments.– (1) The Planning and Development Board shall approve a Public Investment Management Framework consisting of good practices in three key phases of public investment management consisting of planning, budgetary allocation and implementation.

(2) Good practices mentioned in subsection (1) shall include:

(a) in planning phase:

- (i) appropriate measures to evaluate the financial or economic returns of public investments;
- (ii) provincial and sectoral planning, such as prioritization, multi-year costing;
- (iii) coordination among entities, such as coordination between provincial and local government institutions;
- (iv) project appraisal; and
- (v) alternative infrastructure financing, such as public private partnerships;

(b) in budgetary allocation phase:

- (i) multi-year budgeting;
- (ii) budget comprehensiveness and unity;
- (iii) adequate budgeting for investment;
- (iv) adequate budgeting for maintenance; and
- (v) project selection; and

(c) in implementation phase:

- (i) procurement;
- (ii) availability of funding;
- (iii) portfolio management;
- (iv) project management; and
- (v) monitoring of public assets.

(3) The Planning and Development Board shall, at least once in every four years, carry out a Public Investment Management Assessment (PIMA) in accordance with international standards.

(4) After the close of each financial year, the Planning and Development Board shall submit an annual report to the Government in respect of public investments in non-financial assets.

(5) The report shall include the following:

- (a) stock of non-financial assets at the end of the financial year;

- (b) trends in net investment in non-financial assets; and
- (c) lessons learned and good practices introduced in management of public investments.

CHAPTER VI MANAGING RECEIPTS AND PAYMENTS

31. Custody of Provincial Consolidated Fund and the Public Account of the Province.— (1) The custody of the Provincial Consolidated Fund and the Public Account of the Province shall vest in the Finance Department under the overall supervision of the Government.

(2) Profit accrued on Moneys, in addition to the Government Treasury or State Bank of Pakistan, placed in commercial bank accounts with the permission of the Finance Department under this Act or the rules made thereunder, shall be regulated by guidelines to be issued by Finance Department. .

32. Banking arrangements.— (1) The Government shall maintain separate bank accounts for the purpose of Provincial Consolidated Fund and Public Account with the State Bank of Pakistan.

(2) A separate bank account for the purpose of Public Account shall be opened within two year of commencement of this Act.

(3) After a separate bank account is opened:

- (a) all future allocations pertaining to the Public Account shall be transferred in this bank account; and
- (b) a plan shall be approved and implemented by the Finance Department to determine the outstanding liabilities payable from the Provincial Consolidated Fund to the Public Account and pay those liabilities by making transfers in the separate bank account over a period not exceeding fifteen years.

(4) All accounts of the Government shall be operated by authorized signatories as prescribed by the Finance Department.

(5) The Finance Department may, from time to time, open or allow any Department or other Government Unit to open accounts with commercial banks regulated by State Bank of Pakistan under such conditions and process as may be prescribed.

(6) All receipts and payments by the Government, shall be routed through the bank account of Provincial Consolidated Fund, and such receipts and payments which are not routed through the bank account, due to any reason whatsoever, shall be recorded in the Government accounts as if these were received in, or paid from, the Provincial Consolidated Fund, as the case may be.

33. Sanctioning of expenditure from the Provincial Consolidated Fund.— (1) No Expenditure shall be made from the Provincial Consolidated Fund or Public Account until it has been sanctioned by the Government or the Finance Department as the case may be, and is part of:

- (a) schedule of Authorized Expenditure;
- (b) Supplementary Grant including Technical Supplementary Grant;
or
- (c) re-appropriation.

(2) The unspent portion of Authorized Expenditure shall lapse at the close of the relevant financial year.

34. Withholding of appropriations.– (1) The Finance Department may, suspend, withdraw, limit or place conditions on any budget appropriation or other authority issued by it if it is satisfied that such action is required by reason of a financial exigency or is in the public interest.

(2) The effect of such decisions shall be incorporated in Revised Budget Estimates included as part of the subsequent Annual Budget Statement.

35. Cash management.– (1) The Finance Department shall maintain Cash Management Framework for effective cash management for the Government.

(2) The Framework shall include the following:

- (a) need, objectives, and constraints pertaining to cash management;
- (b) roles and responsibilities of relevant government units or offices, within or outside the Finance Department, pertaining to cash management;
- (c) average cash balances to be maintained to meet liquidity needs of the Government; and
- (d) minimum period for which cash flow and liquidity projections shall be maintained.
- (e) investment policy for prudent investment of cash balances in line with the objectives and constraints pertaining to cash management.

36. Special Purpose Fund.– (1) A Special Purpose Fund may be established by the Government.

(2) In case a Special Purpose Fund is neither a public corporation nor is owned by a public corporation:

- (a) the Fund shall be a part of the Public Account;
- (b) the moneys appropriated for the Fund shall be transferred to the bank account maintained in State Bank of Pakistan for the purpose of Public Account;
- (c) the Government shall notify the purpose of the Fund, the Department responsible for its management;
- (d) the Government may notify dissolution of a fund if it is satisfied that either:

- i. the purpose for which the fund was established has been fully served; or
 - ii. it is in the public interest to dissolve the fund.
- (e) the Government shall approve Rules for management of Special Purpose Funds including the treatment of their assets and liabilities in case of dissolution; and
- (f) separate policies may be framed, in line with the Rules, in respect of individual Funds.

37. Fund Management Company.– (1) The Government shall set up a Fund Management Company to manage all long-term funds established by the Government, or any not-for-profit entity owned or controlled by the Government, for various purposes such as pension funds, general provident funds, endowment funds, foundations etc.

(2) The Fund Management Company shall be a Non-banking Finance Company regulated by the Securities and Exchange Commission of Pakistan (SECP) and it shall obtain licenses to engage in Asset Management, Investment Advisory and Pension Fund Management businesses.

(3) The Finance Department shall be the Administrative Department of the Fund Management Company.

(4) Any Department or not-for-profit entity responsible for oversight and management of a long-term fund, shall enter into an Agreement with the Fund Management Company for outsourcing of investment management services and the Government may approve a Master Agreement for this purpose which shall contain general clauses and allow separate investment policy for each fund.

CHAPTER VII ACCOUNTING AND FINANCIAL REPORTING

38. Accounts.– The Accounts of the Government shall be kept by the Auditor General under Articles 169 and 170 of the Constitution.

39. Chief Finance and Accounts Officer.– (1) A Finance and Accounts Unit shall be established in each Department which shall be headed by a Chief Finance and Accounts Officer.

(2) The Chief Finance and Accounts Officer shall be appointed on such terms and conditions as may be prescribed.

(3) The Finance and Accounts Unit shall:

- (a) prepare accounts and financial reports of the Department on a regular basis;
- (b) prepare the annual Budget of the Department;
- (c) prepare the internal controls manual of the Department in line with the guidelines for internal controls issued by the Finance Department;

- (d) implement internal controls to ensure financial propriety in the Department;
- (e) coordinate with Auditor General of Pakistan for the purpose of Audit as mandated by the Constitution or any other law; and
- (f) perform any other function assigned by the Department.

40. Internal Controls.— (1) The Finance Department shall issue Guidelines for Internal Controls in all Departments and other institutional units forming part of the Government.

(2) Every Department shall prepare Internal Controls Manual containing internal control processes and procedures and such Internal Controls Manual shall be in accordance with the Guidelines of Internal Controls issued under subsection (1).

41. Budget Execution Report.— (1) The Finance Department shall prepare a Budget Execution Report on semi-annual basis for first six months of the financial year or the full financial year, as the case may be.

(2) The report shall contain:

- (a) comparison of budgeted versus actual figures of Revenue, Expenditure, Budget Balance and Net Borrowing / Net Lending and their important sub-categories;
- (b) computation of variance of actual figures relative to the budgeted figures; and
- (c) variance analysis containing explanation of the underlying factors and developments contributing to the differences between actual and budget figures.

(3) The Finance Department shall place the Report before the Government for information and shall also publish it on its official website.

(4) Timelines and process for preparation and publishing of the Report shall be as prescribed.

42. Financial Reports.— (1) The Government shall maintain high standards of transparency and international comparability in its Financial Reports.

(2) The Finance Department shall issue Financial Reports on biannual basis.

(3) The Finance Department shall place the annual Financial Reports before the Government and subsequently publish these reports on its website.

(4) Timelines and process for preparation and publishing of the Financial Reports shall be as prescribed.

(5) The Financial Reports published after three years of commencement of this Act shall be in line with the international standards and guidelines laid down in Government Finance Statistics Manual.

(6) The Finance Department shall, at least once in every five years, carry out an assessment of the quality of the financial reports and the underlying statistics according to international Data Quality Assessment Framework.

CHAPTER VIII PUBLIC CORPORATIONS

43. Governance of public corporations.– (1) The Government shall constitute a Committee for Governance of public corporations.

- (2) The Committee shall:
- (a) prepare the policy for Governance of public corporations for consideration and approval of the Government;
 - (b) implement the Policy for Governance of Public Corporations; and
 - (c) submit, within six months of the close of each financial year, an Annual Report to the Government regarding the governance of public corporations.
- (3) The Policy shall include the following:
- (a) criteria for establishment, dissolution, privatization or operation, of for-profit or not-for-profit basis, of Public Corporations;
 - (b) criteria and process for appointment, removal and performance evaluation of directors on the governing bodies, such as Board of Directors, of Public Corporations;
 - (c) principles and guidelines for human resource management policies of Public Corporations;
 - (d) principles and guidelines for performance management of Public Corporations;
 - (e) standards and guidelines for compilation and reporting of consolidated financial statements of various categories of, or all, Public Corporations; and
 - (f) principles and guidelines for identification, disclosure and management of risks faced by Public Corporations that have, or are likely to have, fiscal implications for the Government.

44. Corporate Finance Unit.– (1) The Corporate Finance Unit established in the Finance Department shall:

- (a) assist the Finance Department in evaluating requests of public corporations for financial support from the Government;
- (b) review audited reports of public corporations and monitor compliance or redressal of audit observations and recommendations by public corporations;

- (c) prepare and implement a mechanism for monitoring compliance of applicable laws, rules, regulations and policies by the public corporations;
- (d) maintain electronic database of data contained in quarterly financial reports of public corporations and design and implement a database management system for this purpose;
- (e) prepare annual consolidated financial reports of all public corporations, and various categories thereof, in line with good international practice; and
- (f) perform any other function assigned to it by the Finance Department.

(2) The Corporate Finance Unit may obtain such information from a public corporation on such format and in such manner as the Unit may think fit for effective performance of its functions under this Act.

CHAPTER IX MISCELLANEOUS

45. Implementation.– (1) Within six months of commencement of this Act, the Finance Department shall prepare a plan for implementation of this Act.

(2) The plan shall ensure that the provisions of this Act are fully implemented within three financial years following the year in which this Act comes into effect.

(3) The Finance Department shall take all the steps including issuance of guidelines to other departments, necessary to execute the provisions of this Act.

46. Indemnity.– No suit, prosecution or other legal proceedings shall lie against the Government or any of its offices or officers for any act or omission done in good faith under this Act or the Rules framed under, or validated by, this Act.

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

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

(2) The Treasury Single Account Rules shall be made within two year of the commencement of this Act.

(3) All existing rules, regulations, policies, processes and procedures pertaining to Public Financial Management shall continue in force until altered, amended or repealed.

(4) Without prejudice to the generality of subsection (3), the following rules and the manual shall remain valid, and shall be deemed to have been made under this:

- (a) the Punjab Delegation of Financial Powers Rules, 2016;

- (b) the Treasury Rules (Punjab) and Subsidiary Treasury Rules;
- (c) the Punjab Financial Rules Vol. I and Vol II;
- (d) Departmental Financial Rules (relating to the Public Works and Forest Department); and
- (e) the Punjab Budget Manual.

49. Power to make regulations.— Subject to this Act and the rules, the Finance Department may, by notification in the official Gazette, make regulations for carrying out the purposes of this Act.

50. Overriding effect.— In the event of any conflict or inconsistency between a provision of this Act and a provision of any other law, the provision of this Act shall prevail to the extent of such conflict or inconsistency.