

**GOVERNMENT OF PAKISTAN  
FINANCE DIVISION**



**Compilation of the  
GENERAL FINANCIAL RULES  
OF THE  
FEDERAL GOVERNMENT**

Volume I

Updated Edition  
2019

## **Preface**

**This Compilation of General Financial Rules (GFR) – Vol. I incorporates all important orders relating to system of financial management and control i.e. budgeting, sanctioning the expenditure, custody and handling the stores, loans and advances etc. General Financial Rules (GFR) was last prepared in January, 1979. Since then a number of orders have been issued, amended, updated or replaced by the Government, necessitating its revision.**

**We have revised the Compilation of General Financial Rules (GFR). The orders which have become obsolete have been deleted. The clarifications and amendments, issued from time to time since 1979, have been incorporated.**

**It would be appreciated if any error or omission, found in the new Compilation of General Financial Rules (GFR), is brought to the notice of the Ministry of Finance.**

**Secretary to the  
Government of Pakistan,  
Ministry of Finance**

**Islamabad  
Dated: 25-06- 2019**

**GENERAL FINANCIAL RULES OF THE FEDERAL GOVERNMENT**  
**VOLUME – I**  
**TABLE OF CONTENTS**

PARTICULARS	PARA	PAGE
<b>CHAPTER - 1</b> <b>INTRODUCTORY</b>		
I     Introductory	1	1
II     Definitions	2-3	1-3
<b>CHAPTER - 2</b> <b>GENERAL SYSTEM OF FINANCIAL MANAGEMENT AND CONTROL</b>		
I     Receipt of Money - General	4-8	3-4
II     Expenditure and Payment of Moneys	9-14	4-6
III    Duties as regards accounts	15-17	6-7
IV     Contracts	18-19	7-8
V     Defalcations, losses, etc.	20-24	8-10
VI    Departmental regulations	25	10
<b>CHAPTER - 3</b> <b>REVENUE AND RECEIPTS</b>		
I     General	26-30	10-11
II     Special Rules for particular classes of receipts.	31-35	11-12
III    Remissions of and abandonment of claims to Revenue	36-37	13
IV     Audit of receipts	38	13-15
<b>CHAPTER - 4</b> <b>POWERS OF SANCTION</b>		
I     Powers of various authorities in the matter of sanctioning expenditure	39-44-A	15-16
II     Powers with regard to certain special matters	45-50	17-19
III    Communication of sanctions	51-54	20-21
IV     Indication of the source of appropriation in the sanction to expenditure	55-56	21-22
V     Date of effect of sanction	57	22
VI     Retrospective sanction	58	22
VII    Lapse of sanction	59-60	22-23
VIII   Special rules for Works expenditure	61	23
<b>CHAPTER - 5</b> <b>BUDGET, GRANTS AND APPROPRIATIONS</b>		
I     Budget	62-66	23-24
II     Preparation and submission of detailed estimates	67-82	24-37
III    Consolidation of the estimates and demands for grants	83	37-38
IV     Communication and distribution of grants	84-86	38-39

V	Incurring of expenditure in anticipation of funds	87	39
VI	Control of expenditure	88-92	40-45
VII	Provision of funds for works executed through a different authority	93	45
VIII	Surrender of anticipated savings	94-96	45-46
IX	Expenditure not provided for, re-appropriations, supple. grants	97-106	46-49
X	Appropriation Accounts	107	49-50
<b>CHAPTER - 6 ESTABLISHMENT</b>			
I	Alterations of Establishment	108-112	53-55
II	Variation in sanctioned pay of a post	113	55
III	Transfer of Office	114-115	55-56
IV	Date of Birth	116-117	56-57
V	Leave applications	118	57
VI	Service Books	120-121	57-58
VII	Service Rolls.	122	58
VIII	Arrear Claims	123-126	58-59
<b>CHAPTER - 7 CONTINGENCIES</b>			
I	Introductory	127-129	59-60
II	Powers of subordinate authorities to sanction contingent expenditure	130-131	60-61
III	Permanent advances	132	61-62
IV	Control of expenditure	133-136	63-64
V	Special rules relating to particular kinds of contingencies	137-139	64-65
VI	Expenditure for other officers	140	65
<b>CHAPTER - 8 STORES</b>			
I	Introductory	141-142	65-66
II	Purchase and acquisition of stores	143-150	66-68
III	Custody and accounts of stores	151-169	69-74
IV	Audit of stores and stock accounts	170	74
V	Miscellaneous	171-175	74-76
<b>CHAPTER - 9 WORKS</b>			
I	Introductory	176-177	88-89
II	General rules	178-183	89-91
III	Works under the administrative control of the Public Works Department	184-190	91-93
IV	Works under the administrative control of other civil departments	191-192	93-94
V	Special rules for sanitary, water supply and electric	193-195	94-96

	installations to government buildings, etc.		
VI	Miscellaneous Rules	196-200	96
<b>CHAPTER - 10 MISCELLANEOUS EXPENDITURE</b>			
I	General	201-202	98-99
II	Refunds of revenue	203-205	99
III	Grants-in-aid, contributions, etc.	206-211	99-101
IV	Compensation to civil officers for loss of property	212	101-102
V	Special political expenditure	213	102-104
<b>CHAPTER - 11 DEBT AND MISCELLANEOUS OBLIGATIONS OF GOVERNMENT</b>			
I	Rupee Debt	214-216	104-105
II	Provident Funds	217-218	105-106
III	Service and Other Funds	219-222	106
<b>CHAPTER - 12 LOCAL FUNDS</b>			
I	Introductory	223-224	107
II	Grants to Local Bodies	225	107
III	Loans to Local Bodies	226	107
IV	Charges recoverable from local bodies	227-228	107-108
V	Revenue collected on behalf of local bodies	229-230	108
VI	Use of service postage stamps	231	108
VII	Audit of accounts	232-234	108-109
<b>CHAPTER - 13 LOANS AND ADVANCES</b>			
I	Introductory	235-236	109-110
II	General Rules	237-248	110-113
III	Loans and advances to Government servants	249-272	113-133
<b>CHAPTER - 14 MISCELLANEOUS SUBJECTS</b>			
I	Security Deposits	273-285	134-138
II	Transfer of government land and buildings	286-287	138-139
III	Insurance of Government property	288	139
IV	Charitable endowments and other trusts	289	139
V	Omitted	290-298	139
VI	Miscellaneous	299-303	139-140
<b>CHAPTER - 15 GOVERNMENT ACCOUNTS</b>			
I	General	304-309	140-142
II	Capital and Revenue Accounts	310-315	142-145
III	Adjustment with other Governments, departments, etc	316-323	145-150
IV	Proforma Accounts	324-325	150-151
V	Annual Account	326-327	151

# GENERAL FINANCIAL RULES OF THE <sup>1</sup>FEDERAL GOVERNMENT

## VOLUME I

### CHAPTER 1.—INTRODUCTORY

1. The rules contained in this volume, which are essentially executive orders of the President, describe primarily the financial powers of different authorities subordinate to the Federal Government and the procedure prescribed by the President which should be followed by them in the securing and spending of the funds necessary for the discharge of the functions entrusted to them. Departmental authorities should follow these rules, supplemented or modified by the special rules and instructions, if any, contained in their departmental regulations and other special orders applicable to them.

#### DEFINITIONS

2. Unless there be anything repugnant in the subject or context, the terms defined in this chapter are used in these rules in the sense hereby explained—

- (i) *Accountant General*—means the head of an office of accounts and audit or of accounts who keeps the accounts of the Federal Government.
- (ii) *Appropriation*—means the assignment to meet specified expenditure of funds at the disposal of the assigning authority.
- (iii) *Auditor General*—means the Auditor General of Pakistan.
- (iv) *The Bank*—means the State Bank of Pakistan or any office or agency of the State Bank of Pakistan and includes any 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.  
  
“State Bank” means the State Bank of Pakistan.
- (v) *Competent Authority*—means Government or any other authority to which the relevant powers may be delegated by Government.
- (vi) *The Constitution*—means the Constitution of the Islamic Republic of Pakistan.

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<sup>1</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

- (vii) *Controlling Officer*—means a head of a department or other departmental officer who is entrusted with the responsibility of controlling the incurring of expenditure and / or the collection of revenue by the authorities subordinate to the department.
- (viii) *Federal Consolidated Fund & Public account*—(1) All revenues received by the Federal Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Federal Consolidated Fund.
- (2) All other moneys—
- (a) Received by or on behalf of the Federal Government; or
- (b) Received by or deposited with the Supreme Court or any other court established under the authority of the Federation;
- shall be credited to the Public Account of the Federation.

NOTE.—The custody of the Federal Consolidated Fund, the payment of money 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 to the matters aforesaid, shall be regulated by Act of Parliament or, until provision in that behalf is so made, by rules made by the President.

- (ix) *Ministry of Finance*—means the Ministry of Finance of the Federal Government and includes the Financial Advisers attached to the Ministries / Divisions and such other authorities in which the powers of the Ministry of Finance are vested by the President.
- (x) *Financial Year*—means the year beginning on the 1<sup>st</sup> of July and ending on the 30<sup>th</sup> of June following.
- (xi) *Government*—means the Federal Government.
- (xii) *Head of Department*—(1) means any authority declared to be such with reference to Rule 2(10) of the Supplementary Rules, if the declaration is made in general terms and not with reference to certain specified rules, only, and
- (2) includes any other officer declared to be such by the competent authority.

- (xiii) *Non-recurring expenditure*—means expenditure sanctioned as a lump sum charge, whether the money be paid as a lump sum or by installments.
- (xiv) *President*—means the President of Pakistan.
- (xv) *Primary unit of appropriation*—means a lump sum of money placed by the President at the disposal of a subordinate authority by the method prescribed in rules 5 to 7 of the Book of Financial Powers vide Appendix 3.
- (xvi) *Public Works*—means civil works and irrigation, navigation, embankment and drainage works.
- (xvii) *Public Works Department*—means the Department of the Federal Government in administrative charge of public works.
- (xviii) *Re-appropriation*—means the transfer of funds from one unit of appropriation to another such unit.
- (xix) *Recurring expenditure*—means all expenditure which is not non-recurring.
- (xx) *Subordinate authority*—means a Department of the Federal Government or any authority subordinate to or acting as Agent to the President.
- (xxi) *Treasury Rules*—means the Treasury Rules of the Federal Government.

3. Heads of departments have been authorized to declare any gazetted officer subordinate to them to be the ‘head of an office’ for the purpose of these and other financial rules of Government.

## **CHAPTER 2.—GENERAL SYSTEM OF FINANCIAL MANAGEMENT AND CONTROL**

### **I—RECEIPT OF MONEY**

#### GENERAL

4. All transactions to which any officer of Government is a party in his official capacity must be brought to account without delay.

5. Moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules.



6. If a Government officer receives in his official capacity moneys which are not Government dues or the deposit of which in the custody of Government has not been authorized by Government, he must open an account with a bank for their deposit. Such accounts may be opened without special sanction with a branch of the State Bank of Pakistan or the National Bank of Pakistan acting as an Agent of the State Bank of Pakistan or with a Post Office Savings Bank. The prior approval of Government is required to their deposit in any other bank. The Government officer receiving such moneys is personally responsible for seeing that they are disbursed in strict conformity with the rules, regulations or orders governing the fund to which the money appertain, that a precise record of all the transactions is kept in a form complying with the regulations of the fund concerned and that the accounts are subjected to proper audit checks.

#### WITHDRAWAL OF MONEYS FROM THE PUBLIC ACCOUNT

7. Unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

#### ASSESSMENT, COLLECTION AND CHECK OF REVENUES

8. Subject to such general or specific instructions as may be issued by Government in this behalf, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. Detailed instructions on the subject are contained in Chapter 3.

### II—EXPENDITURE AND PAYMENT OF MONEYS

#### ESSENTIAL CONDITIONS GOVERNING EXPENDITURE FROM PUBLIC FUNDS

9. As a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

#### STANDARDS OF FINANCIAL PROPRIETY

10. Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following:—

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

#### CONTROL OF EXPENDITURE

11. Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

12. A Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the fund allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

#### INTERNAL CHECK AGAINST IRREGULARITIES, WASTE AND FRAUD

13. In the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling officer must satisfy himself not only that adequate provisions exist within the departmental

organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores, but also that the prescribed checks are effectively applied. For this purpose each Head of the Department will get the accounts of his office and those of the subordinate disbursing officers, if any, inspected at least once in every financial year by a Senior Officer not connected with the account matters to see whether:—

- (i) rules on handling and custody of cash are properly understood and applied.
- (ii) effective system of internal check exists for securing regularity and propriety in the various transactions including receipt and issue of stores etc., if any, and
- (iii) satisfactory arrangement exists for systematic and proper maintenance of Account Books and other ancillary records concerned with the Initial Accounts.

The result of these inspections should be incorporated in the form of an inspection report copy of which should be endorsed to Audit. The head of department should, after his scrutiny of the report, communicate to Audit a copy of his remarks thereon and any orders issued in that connection.

NOTE.—The term ‘Senior Officer’ should be taken to mean that the officer who inspects the accounts should be higher in status than the officer who maintains or prepares the accounts. It has necessarily to be left to the discretion of the competent authority to appoint such an officer for the inspection of the accounts as could give him an independent report of the state of accounts, records etc. proposed to be subjected to review. In exercising his discretion in the matter, the competent authority would no doubt, ensure that the contemplated inspection is entrusted to a senior Class 1 Officer who has had sufficient background of the Financial Rules and orders and could carry out the check satisfactorily.

#### DELAYS IN PAYMENT

14. Delay in the payment of money indisputably due by Government is contrary to all rules and budgetary principles and should be avoided *vide* also paras 105 and 106.

### III—DUTIES AS REGARDS ACCOUNTS

#### MAINTENANCE OF ACCOUNTS

15. Every officer whose duty it is to prepare and render any accounts or returns in respect of public money or stores is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed date.

16. An officer who signs or countersigns a certificate is personally responsible for the facts certified to, so far as it is his duty to know or to the extent to which he may reasonably be expected to be aware of them. The fact that a certificate is printed is no justification for his signing it unless it represents the facts of the case. If in its printed form it does not represent the facts, it is his duty to make any necessary amendment which will call attention to the deviation and so to give the authority concerned the opportunity of deciding whether the amendments cover requirements.

#### DEMAND FOR INFORMATION BY AUDIT

17. It is the duty of every departmental and controlling officer to see that the Accountant General is afforded all reasonable facilities in the discharge of his functions and furnished with the fullest possible information for which he may ask, for the preparation of any account or report, which it is his duty to prepare. No such information nor any books or other documents to which the Auditor-General has a statutory right of access may be withheld from the Accountant General.

### IV.—CONTRACTS

#### GENERAL PRINCIPLES

18. No contracts may be entered into by any authority which has not been empowered to do so by or under the orders of the President.

The various classes of contracts and assurances of property authorized by the President in exercise of powers conferred by Article 99 of the Constitution to be executed by different authorities are specified in Appendix I.

Subsidiary orders of Government as to the limitation upon the powers of these authorities, the conditions under which such powers should be exercised and the general procedure prescribed with regard to such contracts, such as calling for and acceptance of tenders, etc., are laid down in the appropriate departmental regulations.

19. The following general principles have been laid down for the guidance of authorities which have to enter into contracts or agreements involving expenditure from Public funds:

- (i) The terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein.
- (ii) As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

- (iii) Standard forms of contracts should be adopted wherever possible, the terms to be subject to adequate prior scrutiny.
- (iv) The terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied. No payments to contractors by way of compensation, or otherwise, outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.
- (v) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.
- (vi) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited and, in cases where the lowest tender is not accepted, reasons should be recorded.
- (vii) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.
- (viii) Even in cases where a formal written contract is not made into order for supplies, etc., should be placed without at least a written agreement as to the price.
- (ix) Provision must be made in contracts for safeguarding Government property entrusted to a contractor.
- (x) When a contract is likely to endure for a period of more than 5 years, it should, wherever feasible include a provision for an unconditional power of revocation or cancellation by Government at any time on the expiry of six months notice to that effect.

## **V.—DEFALCATIONS, LOSSES, ETC.**

### **REPORT OF LOSSES**

20. (1) With the exceptions noted below, any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise, which is discovered in a treasury or other office or department, should be immediately reported by the officer concerned to his immediate official superior as well as to the Accountant General, even when such loss has been made good by the party responsible for it. Such reports must be submitted as

soon as a suspicion arises that there has been a loss; they must not be delayed while detailed enquiries are made. When the matter has been fully investigated, a further and complete report should be submitted of the nature and extent of the loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of affecting a recovery.

(2) If the irregularity be detected by Audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned, and if he considers necessary, to Government as well.

Exception 1.—In the case of Customs Revenue, (a) mistakes in assessments which are discovered too late to permit of a supplementary claim being made, and (b) under-assessments which are due to the interpretation of the law by the local Customs authority being overruled by higher authority more than three months after the assessment was made, need not be reported to the Accountant General. A record should, however, be kept of such cases for examination by the Accountant General at the time of audit.

Exception 2.—Petty cases, that is, cases involving losses not exceeding Rs.200 each, need not be reported to the Accountant General unless there are, in any case, important features which merit detailed investigation and consideration.

21. The officers receiving a report submitted to him under para 20 must forward it forthwith to Government through the usual channel with such comments as may be considered necessary. He should also submit a detailed report, after completing such departmental investigations as may be necessary or expedient on the causes or circumstances which led to the defalcation or loss, the steps taken to prevent its recurrence and the disciplinary or any other action proposed as regards the person responsible.

## ACCIDENTS

22. Any serious loss of immovable property, such as buildings, communications or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, should be reported at once by the Departmental officer to the head of the department and by the latter to Government. When a full enquiry as to the cause and extent of the loss has been made, the detailed report should be sent by the departmental officer concerned to the head of the department, a copy of the report on an abstract thereof being simultaneously forwarded to the Accountant General.

## RESPONSIBILITY FOR LOSSES, ETC.

23. Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or

negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Detailed instructions for regulating the enforcement of such responsibility are embodied in Appendix 2.

#### WRITE OFF OF LOSSES, ETC.

24. The powers delegated to different authorities to write off the irrecoverable value of public money or stores lost through fraud or negligence of individuals or other causes are indicated in Chapter 4.

### VI—DEPARTMENTAL REGULATIONS

25. All Departmental regulations in so far as they embody orders or instructions of a financial character or have important financial bearing should be made by, or with the approval of, the Ministry of Finance.

## CHAPTER 3.—REVENUE AND RECEIPTS

### I—GENERAL

26. Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited in the Public Account.

If wrong credits thus come to the notice of the Controlling officer, he should at once inform the Accountant General, with a view to the correction of the accounts. If any credits are claimed but not found in the accounts, enquiries should be made first of the responsible departmental officer concerned.

NOTE 1.—For this purpose, each Accountant General will send to the departmental Controlling Officer, an extract from his account showing the amounts brought to credit in them in each month.

NOTE 2.—It is essential that the departmental accounts of revenue should not be compiled from the returns prepared by the treasury. But the Treasury Officer may be

required, where necessary, to verify the returns prepared for submission to the departmental Controlling authority.

NOTE 3.—In order to minimize the differences between the treasury figures and the departmental figures, it is essential that the chalans with which money is remitted to the treasury should bear full and correct accounts classifications.

27. Detailed rules and procedure regarding assessment, collection, remissions, etc., of revenue should be laid down in the departmental regulations of the revenue and collecting departments concerned.

NOTE.—In departments in which officers are required to receive moneys on behalf of Government and issue receipts therefore in Form T.R. 5, the departmental regulations should prescribe the procedure rules for the maintenance of a proper account of the receipt, and issue of the receipt books, the number of receipt books to be issued at a time to each officer and check with the Officer's accounts of the used books when returned.

28. No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

29. Unless specially authorized by any rule or order made by competent authority, no sums may be credited as revenue by debit to a suspense head: the credit must follow and not precede actual realization.

30. Heads of departments in charge of important sources of revenue should keep the Ministry of Finance fully informed of the progress of collection of revenue under their control and of all important variations in such collections as compared with the Budget estimates.

## **II—SPECIAL RULES FOR PARTICULAR CLASSES OF RECEIPTS**

### **RENTS OF GOVERNMENT BUILDINGS, LAND, ETC.**

31. The detailed rules and procedure regarding the demand and recovery of rents of Government buildings and lands are contained in the departmental regulations of the departments in charge of those buildings.

When the maintenance of any rentable building is entrusted to a civil department other than the Public Works Department, the head of the department concerned will be responsible for the due recovery of the rents thereof. The procedure for the assessment and recovery of the rents of such buildings will be regulated generally by the rules applicable to residences under the direct charge of the Public Works Department.



## FINES

32. It is the duty of every court or authority having the power to fine to see that the money realized reaches the treasury and that adequate precautions are taken against double refunds of fines or refunds of fines not actually paid into the treasury.

33. The duty of realizing fines and of checking the receipts and refunds rests with the departmental officers. Each court, civil or criminal, is required to submit to the District Judge or to the District Magistrate, as the case may be, on the last working day of each calendar month, a statement in the prescribed form showing the demand, collection and balance of fines levied and written off by it as well as of the refunds there-from, the statement being made up for the account month of the treasury or sub-treasury with which the court deals. The District Judge and the District Magistrate should each consolidate these returns into a monthly fines statement for the courts under him and for his own and forward it to the Treasury Officer, as soon as possible after the beginning of the month, for verification of the amounts shown as remitted into the treasury with the credit appearing in the treasury account. The Treasury Officer should certify to the correctness or otherwise of these amounts. Where there is any discrepancy between a consolidated statement and the treasury account, the Treasury Officer may, if necessary, before giving his certificate, request the District Judge or the District Magistrate, as the case may be, to explain the discrepancy.

NOTE I.—The statement should exhibit the amounts under each head of accounts, e.g., Magisterial fines, under the Prevention of Cruelty to Animals Act, etc., separately.

Compensation fines due to an injured party which are creditable to deposits and fines which under the orders of competent authority are creditable to a Municipal or Local Fund, should be excluded from this statement.

NOTE 2.—When fines are received in another district, an intimation should be given by the recovering officer to the officer concerned, who should note the fact in his monthly fine statements.

34. Not printed.

## MISCELLANEOUS DEMANDS

35. Realization of miscellaneous demands of Government not falling under the ordinary revenue administration will be watched by the Accountant General, such as payments due from States acceding to Pakistan, contributions from Provincial Governments, Local Funds, Contractors and others towards Establishment charges, etc.

### III.—REMISSIONS OF & ABANDONMENT OF CLAIMS TO REVENUE

36. The sanction of the competent authority is necessary for the remission of, and abandonment of claims to revenue.

NOTE.—The powers of subordinate authorities to sanction the write off of loss of revenue are indicated in Schedule V to the Book of Financial Powers.

37. Heads of departments and Local Administrations should submit annually on the first of September to the Accountant General concerned statements showing the remissions of revenue and abandonment of claims to revenue sanctioned during the preceding year by competent authorities in exercise of the discretionary powers vested in them otherwise than by law or rule having the force of law. For inclusion in these statements remissions and abandonments should be classified broadly with reference to the grounds on which they were sanctioned and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

Subject to any general or special order issued by Government, individual remissions below Rs.100 need not be included in this statement.

NOTE 1.—Heads of Local Administrations may make rules defining remissions and abandonment of revenues for the purpose of this rule.

NOTE 2.—Where the administrative year does not coincide with the financial year, the figures of the former, if this prove more convenient to the departmental authorities may be given in the statement.

NOTE 3.—This rule does not apply to Railways and Posts and Telegraphs Departments.

### IV.—AUDIT OF RECEIPTS

38. When the audit of the receipts of any department of Government is entrusted to the Auditor General, it will be conducted in accordance with the regulations reproduced in Annexure 9 to this Chapter.

NOTE 1.—The procedure in respect of particular classes of receipts, *e.g.*, stamps, opium, foreign service contributions, etc. will be governed by special orders issued by Government.

NOTE 2.—The audit of receipts accruing under Debt and Remittance heads and of those included in the subsidiary accounts of Government Commercial undertakings

devolves on the Auditor General and is conducted in such manner and to such extent as may be prescribed by him.

## **ANNEXURE A**

*(See para 38)*

### **REGULATIONS FOR THE CONDUCT OF THE AUDIT RECEIPTS**

1. It is primarily the responsibility of the Departmental authorities to see that all revenue or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realized and credited to public account and any investigation by Audit must be so conducted as not to interfere with this executive responsibility. Audit shall, however, have power to examine the correctness of the sums brought to account in respect of receipts of any department in such manner and to such an extent as may be determined by Government in consultation with the Accountant General.

2. In conducting the audit of receipts of any Government department, the chief aim should be to ascertain that adequate regulations and procedure have been framed to secure an effective check on the assessment, collection, and proper allocation of revenue, and to see by an adequate detailed check that any such regulations and procedure are being observed. In the audit of receipts ordinarily the general is more important than the particular.

3. In the audit of receipts it would be necessary in the case of a department which is a receiver of public money, to ascertain what checks are imposed against the commission of irregularities at the various stages of collection and accounting and to suggest any appropriate improvement in the procedure. Audit might, for instance, suggest in a particular case that a test inspection should be carried out by comparing a sample set of receipt counterfoils with the receipts actually in the hands of the tax-payers or other debtors, the result of such an inspection being made available to Audit.

In no case, however, should independent enquiries be made among the tax-payers or the general public. Audit should confine itself to calling upon the Executive to furnish necessary information and, in cases of difficulty, it should confer with the Administrative authorities concerned as to the best means of obtaining the evidence, which it requires.

4. The audit of receipts should be regulated mainly with reference to the statutory provisions or financial rules or orders which may be applicable to the particular receipts involved. If the test check reveals any defect in such rules or orders, the advisability of amendment should be brought to notice.

It is, however, rarely if ever the duty of Audit to question an authoritative interpretation of such rules or orders, and in no case may Audit review a judicial decision, or a decision given by an Administrative authority in a quasi-judicial capacity. This instruction does not, however, debar an auditor from bringing to notice any conclusion deducible from the examination of the results of a number of such decisions.

5. Where any financial rule or order applicable to the case prescribes the scale or periodicity of recoveries, it will be the duty of Audit to see, as far as possible, that there is no deviation without proper authority from such scale or periodicity. When this check cannot be exercised centrally, a test audit may be conducted at local inspections, the aim being to secure that disregard of rule or defects of procedure are not such as to lead to leakage of revenue rather than to see that a particular debt due to Government was not realized at all or on due date.

6. Ordinarily Audit will see that no amounts due to Government are left outstanding on its books without sufficient reason. Audit will continue carefully to watch such out-standings and suggest to departmental authorities any feasible means for their recovery. Whenever any dues appear to be irrecoverable, orders for their adjustment should be sought. But unless permitted by any rule or order of a competent authority, no sums may be credited to Government by debit to a suspense head; credit must follow, and not precede, actual realization.

7. The procedure prescribed by the Auditor-General for raising and pursuing audit objections in relation to expenditure, including powers of Audit Officers to waive recovery of Government dues under certain conditions, shall apply *mutatis mutandis* in respect of audit objection on any accounts of receipts.

## **CHAPTER 4.—POWERS OF SANCTION**

### **I.—POWERS OF VARIOUS AUTHORITIES IN THE MATTER OF SANCTIONING EXPENDITURE**

#### GENERAL

39. (1) *Deleted.*

(2) The responsibility for financial operations of the Federal Government as also for the exercise of all executive authorities rests on the President, whose sanction, given either directly or by persons to whom the necessary power has been delegated, is necessary to all expenditure from the Federal Consolidated Fund and Public Account. The extent to which powers to sanction expenditure have been delegated to various authorities is indicated in the following paras.

## POWERS OF SUBORDINATE AUTHORITIES IN PAKISTAN

40. All the most important general orders on the subject of financial powers of subordinate authorities in relation to expenditure from the Federal Consolidated Fund and Public Account Book of Financial Powers are embodied in Appendices 3 and 3-A and the relevant chapters of this compilation. Delegations made under those orders are incorporated in the departmental regulations or in the Manuals of the Accountant General concerned.

The financial powers of subordinate authorities in certain departments are regulated by separate schedules of powers relating to those departments and by general orders issued with the concurrence of the Ministry of Finance, which are embodied in the respective departmental regulations.

41. The powers which are commonly shared by all heads of departments and may, in the absence of any orders to the contrary, be exercised by any subordinate authority in virtue of its being declared as the head of a department, shown in Appendix 4.

42. The financial powers of the Federal Government, which have not been delegated to any other Ministry, department or authority vest in the Ministry of Finance.

43. Unless otherwise provided by any special rule or order of Government, a higher authority may exercise the powers delegated to an authority subordinate to it.

## POWERS OF HEADS OF PAKISTAN MISSIONS IN FOREIGN COUNTRIES INCLUDING THE HIGH COMMISSIONER FOR PAKISTAN IN THE UNITED KINGDOM

44. The extent to which powers to sanction expenditure connected with the performance of the functions of Heads of Pakistan Missions in foreign countries have been delegated to the Heads of Missions is set out in Appendix 3A.

## FUNCTIONS OF THE AMBASSADOR FOR PAKISTAN IN THE UNITED KINGDOM

44-A. The functions now performed by the Ambassador for Pakistan the United Kingdom on behalf of the Federal Government are specified in the list as given in Appendix 5.

## II.—POWERS IN REGARD TO CERTAIN SPECIAL MATTERS

### GRANTS OF LAND, ASSIGNMENTS OF REVENUE AND OTHER CONCESSIONS, ETC.

45. No department or authority may, without previous consent of the Ministry of Finance, issue any orders (other than orders in pursuance of general delegation made by or with the approval of the Ministry of Finance) which—

- (i) involve any grant of land, or assignment of revenue, or concession, grant, lease, or license of mineral or forest rights or right to water power, or any easement or privilege in respect of such concessions; or
- (ii) in any way involve any relinquishment of revenue.

NOTE.—The powers to execute instruments are governed by the orders given in Appendix I and other departmental and local orders on the subject.

### PAYMENT OF COMMUTATION MONEY

46. The power of the Federal Government under rule 32 in section IV of Appendix 3 to the Account Code Vol. I to authorize, in respect of pensions which are divisible between the Federal Government and a Provincial Government and in which the latter cannot find funds to meet the due share of the commutation money, the debit to the Federal Consolidated Fund and Public Account of the whole commuted value of a portion of the pension (not exceeding the commuted value of the Federal Government's share of the pension) may be exercised by the Ministries and Divisions of the Federal Government administratively concerned.

### WRITE-OFF OF LOSSES

NOTE.—The orders in the following paras do not apply to the Defence and the Railway Departments whose powers the matter of write off of losses are regulated by special orders incorporated in the department regulations.

47. (1) Subject to the limits and conditions specified in Schedule V to the Book of Financial Powers, a competent authority may sanction the writing off finally of the irrecoverable value of stores or public money lost by fraud, negligence of individuals or other causes, provided that—

- (i) the loss does not disclose a defect of system the amendment of which requires the orders of higher authority; and

- (ii) there has not been any serious negligence on the part of some individual Government officer or officers which may possibly call for disciplinary action requiring the orders of any higher authority.

These orders apply also to the writing off of losses of revenue, irrecoverable loans and advances and of deficiencies, depreciation, etc., in the value of stores included in the stock and other accounts. (*See* also para. 166.)

NOTE.—The expression ‘Value of Stores’ used in this sub-para should be interpreted as meaning Book Value, where priced accounts are maintained and Replacement Value in other cases.

(2) All sanctions to write off should be communicated to the Accountant General for scrutiny in each case and for bringing to notice any defect of system which requires attention.

NOTE.—Sanctions to the writing off of irrecoverable balances of income-tax demands accorded by competent authorities need not be communicated to the Accountant General.

Irrecoverable balances of income-tax demands written-off by competent authorities should, however, be included in the statement required to be submitted to the Accountant General under para. 37.

48. The orders contained in the last preceding para. do not apply to loss of cash in treasuries, whether in the course of remittance or out of treasury balance, small coin depot or currency chest. Individual cases of such losses should be reported to the Ministry of Finance and its specific approval obtained before any item can be written-off in the accounts of the Federal Government.

NOTE.—It has been decided with the concurrence of Provincial Governments and the Auditor-General, that, in general, losses sustained by the Federal Government through the negligence or culpability of the staff paid for by a Provincial Government and *vice versa*, should be borne as they occur, i.e., by the Federal Government, if the loss occurs in connection with <sup>2</sup>Federal transactions and, by the Provincial Government, if it is on account of a Provincial transaction.

In cases where recoveries are made in cash, e.g., by deductions from pay or otherwise from the persons responsible for a loss, the entire amount recovered should be credited to the Government which, under the above arrangement, would bear the loss for this purpose. Recoveries made indirectly, e.g., by stoppage of increment or promotion as

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<sup>2</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

a measure of punishment, should not be treated as recoveries made in cash. Where the staff is paid for by one Government and the loss is borne by another Government, a copy of the orders regarding the action taken against the persons responsible for the loss should be communicated by the former to the latter.

#### REMISSION OF DISALLOWANCES BY AUDIT AND WRITING-OFF OF OVERPAYMENTS MADE TO GOVERNMENT SERVANTS

49. (1) Ministries and Divisions of the Federal Government, Governors of Provinces acting as agents to the President may, for reasons to be recorded waive the recovery of an amount disallowed by an Audit Officer or otherwise found to have been overpaid to a Government servant, if—

- (i) the amount disallowed has been drawn by the Government servant concerned under a reasonable belief that he was entitled to it;
- (ii) the enforcement of the recovery will, in the opinion of the competent authority, cause undue hardship, or it will be physically impossible to effect the recovery; and
- (ii) in the case of disallowances of emoluments of the nature of pay as defined in Fundamental Rule 9 (21), made within one year of the date of payment—
  - (1) the Government servant is not in receipt of pay exceeding Rs.12,000 a year or in the case of others, the overdrawal has not the effect of raising the Government servant's pay beyond Rs.12,000 in any year; and
  - (2) the overdrawal has not been occasioned by delay in notifying a promotion or reversion.

These powers may be exercised by the authorities to which the powers may be specially delegated by Government, provided that the yearly pay limit referred to in sub-clause (1) above does not exceed Rs.1,500 in any individual case:—

(2) All sanctions to forego recovery under these orders should be communicated to the Accountant General. It is open to the Accountant General to require that the action taken in any case should be reported to the Ministry of Finance for orders.

50. The powers delegated to Audit Officers to waive objection to or to forego recovery of, irregular expenditure in individual cases are laid down in paras. 248 to 250 of the Audit Code, from which relevant extracts are reproduced in Appendix-6.



### III.—COMMUNICATION OF SANCTIONS

51. Financial sanction and order of competent authorities under these or any other authorized rules, e.g., the Fundamental and Supplementary Rules, the Civil Service Regulations, the Provident Fund Rules, the Civil Pensions (Commutation) Rules, the Treasury Rules, The Public Works Department Code, the <sup>3</sup>Federal Public Works Account Code, etc., will be communicated to the Accountant General concerned in accordance with the procedure set out below:—

- (i) All financial sanctions and orders issued by a Ministry or Division within its own financial powers as a Ministry or Division of the Federal Government will be communicated direct to the Accountant General, by the Ministry or Division concerned. All other orders involving financial sanctions which may be issued by the Ministry or Division of the Federal Government i.e., sanctions beyond their financial powers will be communicated to the Accountant General through the Ministry of Finance.
- (ii) Sanctions and orders of any other authority to which the power of sanction has been delegated will be communicated to the Accountant General by that authority.
- (iii) In cases referred to in clause (i) above, if an order sanctioning expenditure is sent to the Accountant General, direct by a Ministry or Division and that Ministry or Division is not competent to sanction the expenditure the Accountant-General will not refuse obedience but will report to the Ministry of Finance that such an order has been issued and request that it may be communicated to him by the Ministry of Finance in due course.
- (iv) If an order or sanction, has been issued with the concurrence of the Auditor-General, the fact should be mentioned in the endorsement to the Accountant General.
- (v) In all orders conveying sanctions to expenditure of a definite amount or up to a specified limit, the amount of sanction should always be expressed both in words and in figures.
- (vi) All letters or orders conveying sanctions to expenditure, appointments, etc., must be signed by an authorized gazetted officer, whose specimen signatures should be supplied to the Accountant General concerned.

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<sup>3</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

NOTE.—In cases in which the documents relating to any sanction or order are deemed secret, the Accountant General will accept a statement of fact signed by the President in lieu of those documents.

52. All orders conveying sanction to the grant of additions to pay, such as special pay and compensatory allowance, should contain a brief but clear summary of the reasons for the grant of the addition so as to enable the Accountant General to see that it is correctly classified as special pay or compensatory allowance, as the case may be. In cases in which an official record in an open letter is considered undesirable, the reasons for the grant of such additions to pay should be communicated confidentially to the Accountant General. A similar procedure should also be followed in all other cases in which the rules require that reasons for the grant of special concessions or allowances should be recorded.

53. Sanctions accorded by competent authority to grants of land and alienation of land revenue, other than those in which assignments of land revenue are treated as cash payments, should be communicated to the Accountant General, in a consolidated monthly return giving the necessary details to enable him to audit the sanctions accorded.

54. When proposals for a new grant-in-aid are placed before the Standing Finance Committee, details should be furnished showing the purpose of the grant and the exact nature of the conditions on which it is proposed to be made. To enable the Accountant-General to compare such purposes and conditions with those enumerated by the sanctioning authority in its subsequent orders of sanction, the Accountant General should be supplied, when the sanction is conveyed to him under para. 51, with relevant extracts from the Proceedings of that Committee.

#### **IV.—INDICATION OF THE SOURCE OF APPROPRIATIONS IN THE SANCTION TO EXPENDITURE**

55. In all applications for sanction to expenditure it should be distinctly stated whether provisions for the proposed charge has, or has not, been made in the budget estimates of the year, and, if it has not been made whether the funds can be found by valid re-appropriation.

56. Authorities which sanction new expenditure after funds have been communicated should be careful to indicate the source of appropriation.

Where it is desired to sanction expenditure before funds have been communicated, as may be necessary in order to avoid delay in starting work at the beginning of a new financial year (*vide* para. 87), or to prevent duplication of orders, the authority which does so should be careful to add the words “subject to funds being communicated in the budget of the year”.

NOTE.—Vague expressions such as “subject to budget provision” should be carefully avoided in conveying sanctions to expenditure.

## **V.—DATE OF EFFECT OF SANCTION**

### **Rule 57 (Sub-para. 1)**

57. Unless otherwise indicated specifically in the order conveying the sanction, a sanction issued by a competent authority has effect from the date of orders conveying the sanction.

In all cases, these orders are subject to general order contained in para. 3 of the Book of Financial Powers regarding appropriation of funds and to any special provisions as to the date of effect in the rules, orders or sanctions themselves.

NOTE.—Orders sanctioning the creation of temporary posts should, in addition to the sanctioned duration of the post, invariably specify the date from which it is to run whether it be the date of entertainment or otherwise.

## **VI.—RETROSPECTIVE SANCTION**

58. (1) All authorities which are competent to sanction revision of pay or the grant of concessions to Government servants should bear in mind that retrospective effect should not be given to financial sanctions, except in exceptional circumstances, without the special approval of Government.

(2) In the absence of special reasons to the contrary, concessions regarding rates of pay for any class of Government servants should take effect as from the first of June and not from some date in the middle of a financial year.

## **VII.—LAPSE OF SANCTION**

59. A sanction for any fresh charge which has not been acted on for a year must be held to have lapsed, unless it is specifically renewed.

NOTE 1.—This order does not apply to a case where an allowance sanctioned for a post or a class of Government servants has not been drawn by a particular incumbent or incumbents, nor does it apply to additions made gradually from year to year to a permanent establishment under a general scheme which has been sanctioned by competent authority.

NOTE 2.—the term year as used in this paragraph means financial year.

60. *Deleted.*

### **VIII.—SPECIAL RULES FOR WORKS EXPENDITURE**

61. Special rules for regulating administrative approvals and sanctions to expenditure on works are contained in the <sup>4</sup>Federal Public Works Department Code and other departmental regulations—*see* also Chapter 9.

## **CHAPTER 5—BUDGET, GRANTS AND APPROPRIATIONS**

### **I.—BUDGET**

#### **INTRODUCTORY**

62. A statement of the estimated annual revenue receipts and expenditure of the Federal Government, together with all other receipts and disbursements of the Federal Government, arising both in and outside Pakistan, is prepared by Finance Division and presented to the legislature as required by Article 80 of the Constitution. This statement is referred to as the “Annual Budget Statement”. This statement along with the book of Demands for Grants and Appropriations is generally known as the “Budget”.

63. The proposals of the Federal Government in connection with the votable part of the Budget are submitted to the vote of the legislature in the form of Demands for Grants. The detailed estimates presented in support of each demand include provision both for votable and non-votable (charged) expenditure, though the two classes of expenditure are clearly distinguished. The charged expenditure comprises the following:—

- (a) The remuneration payable to the President and other expenditure relating to his office.
- (b) The remuneration payable to:—
  - (i) the judges of the Supreme Court;
  - (ii) the Chief Election Commissioner;
  - (iii) the Chairman and the Deputy Chairman of the Senate;
  - (iv) the Speaker and Deputy Speaker of the National Assembly; and
  - (v) the Auditor-General.
- (c) The administrative expenses, including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor-General

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<sup>4</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

and the office of the Chief Election Commissioner and the Election Commission, and Secretariats of the Senate and the National Assembly.

- (d) All debt charges for which the Federal 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 Federal Consolidated Fund.
- (e) Sums required to satisfy any judgment, degree or award against Pakistan by any court or tribunal.
- (f) Sums required for making loans to the Provinces.
- (g) Sums required for making grants-in-aid for the revenues of the Provinces by an Order of the President.
- (h) Any other sums declared by the Constitution or by Act of Parliament to be so charged.

NOTE.—"Remuneration" according to the Constitution, includes salary and pension.

64. The form of the Budget and Demands for Grants is laid down by Finance Division and no alteration of arrangement or classification can be made without the approval of that Division.

65. The material on which the Budget and Demands for Grants are based is obtained by Finance Division in the form of detailed estimates submitted by heads of departments, administrations etc., who in their turn depend for the material on heads of offices and other offices who collect the revenues or incur expenditure. The Accountant-General is responsible for rendering such assistance in the preparation, check and the consolidation of Budget Estimates and Demands for Grants as may be required by Finance Division in consultation with the Auditor-General.

66. All estimates of revenue and expenditure included in the Budget are for the financial year.

## **II.—PREPARATION AND SUBMISSION OF DETAILED ESTIMATES**

### **GENERAL PROCEDURE FOR ESTIMATING**

67. Except in cases in which Government has expressly directed otherwise, departmental estimates of revenue and expenditure should be prepared in two parts, namely:—

Part I relating to standing charges which though they may vary from year to year are nevertheless not dependent upon the volition of the heads of department. Examples of such charges are permanent establishments (both officers and staff), traveling and other fixed allowances, and ordinary contingent expenditure.

Part II relating to fresh charges which may include new objects of expenditure, such as temporary additions to existing establishments or to services, facilities and organizations which are either continued from year to year on temporary basis or have been newly sanctioned and have not been provided for in the current year's budget. This applied also to estimates of development expenditure special features of whose estimates have been dealt with separately in these rules.

Both Part I and Part II estimates should be submitted by administrative Ministries/Divisions through their Financial Advisers in the form of self-contained memoranda explaining the variations between:—

- (i) current year's sanctioned grant and the revised estimates as admitted;
- (ii) the admitted budget estimates for the current year and those for the next year.

68. The prescribed procedure for the preparation and submission of the several classes of detailed estimates which go to make up the Budget Estimates of revenues and expenditure of Government is set out in paragraph 69 *et. seq.* and in Annexure A to this Chapter. Supplementary instructions for the collection of subsidiary details and preparation and scrutiny of subsidiary estimates are contained in the Codes, Manuals, etc., of the departments concerned.

Special rules for the preparation and submission of departmental estimates, e.g., the Defence, Railways, Post Office, Telegraph and Telephone Department etc., are laid down in the departmental regulations of the respective departments.

## ESTIMATES OF REVENUE AND ORDINARY EXPENDITURE

### (PART I—Non-development)

69. The detailed estimates should be prepared on forms supplied by the Accounts Offices which contain separate columns to show:—

- (i) the sub-heads and detailed heads of the estimates;
- (ii) the actuals of the past three years under each detailed head or sub-head;

- (iii) the budget estimates for the current year;
- (iv) actuals for the last eight months of the previous year and first four months of the current year;
- (v) the revised estimates for the current year, and
- (vi) the budget estimates for the ensuing year.

The actuals for the past three years will be filled in by the Accounts Offices in the forms sent out by them to the estimating authorities; the latter should fill in the actuals for the last eight months of the previous year and the first four months of the current year and the revised estimates in the relevant columns with reference to information available with them. ***The revised estimates, like past actuals, are one of the important factors to be taken into account in preparing the budget estimates. The column "Revised" should, therefore, be invariably filled in and great care should be taken in including or omitting commitments that are likely to materialize or not during the year.***

70. The making of the revised estimates should always precede an estimate of a future year. A revised estimate should be framed in the light of—

- (i) actuals for the first 4 months of the current year;
- (ii) the actuals for the last 8 months of the previous year;
- (iii) the 12 months' actuals of the past three years;
- (iv) orders issued or proposed to be issued regarding—
  - (a) appropriation or re-appropriation within the sanctioned grant,
  - (b) new items of expenditure sanctioned through supplementary grants, and
  - (c) surrenders already made or likely to be made during the year,
- (v) Any other relevant factors.

Any information required from the Accountant General in connection with these estimates should be obtained from him separately.

70-A. Where Revised Estimates of expenditure for the current financial year exceed the sanctioned grant, it should be clearly stated whether the increase has been authorized by competent authority and, if so, attested copies of relevant orders should be appended to the estimates. It is also necessary to indicate how the increase is proposed to

be met (*i.e.*, by re-appropriation of savings within the grant or through supplementary grant). When the Revised Estimates are less than authorized grant, reasons for the savings should also be given. These requirements are applicable to both Part I and Part II estimates.

71. In framing the budget estimates, the estimating authorities should exercise the utmost foresight. All items of receipt and expenditure that can be foreseen should be provided for and care should be taken in consultation with the Accountant General, where necessary, to see that the provision is included under proper heads. Needless to say, although the estimating authorities are asked to provide for all foreseeable items, Finance Division will exercise its right to excise or reduce the provision for any item which it thinks unjustifiable. An exhortation to show foresight is not an invitation to provide for additional items of expenditure without adequate justification. While provision should be made for all items of expenditure that can be foreseen, it is essential that the amount of the provision should be restricted to the absolute minimum requirement. The budget Estimates of non-development expenditure for ensuing year should be accompanied by such details as nominal rolls in the prescribed form, calculation of Allowances, Honoraria, etc. and Other Charges so as to permit proper scrutiny. They should further be supported by a comparative statement in Form S-203 showing the position of past three years actual, the sanctioned grant and the Revised Estimates for current year and the proposed Budget Estimates for next year.

72. In making estimates in respect of fixed charges, it must be borne in mind that what are called fixed establishments are not irrevocably fixed for all items and should be brought under the formal critical review of heads of departments from time to time. Even when there is no thought or intention of making any change in establishments, heads of departments should review the entire estimates of the requirements of their departments. Similarly, sanction to recurring contingent expenditure should also be brought under the review of heads of department from time to time.

73. The following are the main rules for the preparation of the detailed estimates:—

- (i) The Federal Budget is on disbursement basis and not on commitment basis. Only provisions for foreign exchange from own resources, which term includes, cash, bartered commodity and are to be made on commitment basis. The estimates should, therefore, be prepared on the basis of what is expected to be actually received or paid (under proper sanction) during the ensuing year, including arrears of previous years and not merely the demand or the liability of expenditure falling due within the year. The transactions are to be shown gross and in full even where the receipts are treated as deduction from expenditure. In no case the net receipts or the net charge only are to be entered.



- (ii) The budget estimates should only include items which have already been cleared with Finance Division. Any item which is appearing in Part I estimates for the first time should be supported by a copy of the sanction authorizing the continuance of that particular item of expenditure on a permanent basis. Fresh items of expenditure which have been previously agreed to by Finance Division should be included only through Part II estimates. Provision for posts sanctioned for a specific period should, if their continuance be considered necessary, be made through Part II estimates. In such cases, justification should be established to the satisfaction of Financial Advisor concerned before submission of budget estimates.
- (iii) The estimates proposed under the primary units, 'Pay of Officers' and 'Pay of Establishments' should be accompanied by detailed nominal rolls in Form GFR-I.
- (iv) The estimates should further show the charged and other than charged portions of the provision under the relevant primary units separately:—
  - (1) In framing estimates for sanctioned establishment whether permanent or temporary, the full amount of pay and increments likely to be drawn by officers and staff on duty during the year should be included. Suitable provision for leave salary should be made both for officers and establishment on the basis of past actuals with due regard to any known factors which may affect the past actuals. No provision of leave salary should be made for officers and staff of those cadres for which leave reserve has been provided. Provision for those who are on deputation or otherwise absent and unlikely to return to the strength within the period of budget should be excluded, but the names of the personnel on deputation should be shown in the nominal rolls. A lump deduction should be made where experience shows that a saving may occur by reason of posts remaining vacant or for other reasons.
  - (2) When consolidating the detailed estimates in respect of "Pay of Officers" and "Pay of Establishments" the number of posts must be carefully checked and in case of variation in numbers or the amounts of the provisions compared to those in the current year's budget, an explanation should be included in the estimates. If the increase is based on specific Government sanction, a copy of the sanction should be enclosed with the estimates.
  - (3) Provision should not be made in the estimates for posts which it has been decided to leave unfilled. If it is desired to revive any of these posts which has remained vacant for more than a year, prior concurrence of Finance Division should be obtained before including

any provision in the estimates on this account. In all such cases, the relevant estimates should be accompanied by a copy of the sanction.

- (v) For all fixed recoveries and fixed payments (other than establishment charges) an authenticated copy of the sanction fixing the amount should be enclosed.
- (vi) ***Opposite every item of fluctuating charges (such as traveling allowance, contingent charges, official postage, telephone charges, etc.) the actual expenditure in the last three years should be shown in red ink. If estimates of these charges for the ensuing year differ to any appreciable degree from the actuals of the preceding year, full explanation for the variation should be given.***

NOTE.—The estimates of contingent charges should be carefully checked by the Controlling Officers by comparison with past actuals. In the case of contract contingent charges, only the sanctioned amount of the contract grant should be included.

- (vii) The provision for traveling allowance and honoraria under the primary unit Allowances, Honoraria, etc, should be shown distinctly and separate from other allowances.
- (viii) The estimate of receipts and varying charges should not be merely an arithmetical average of three year's figures. The average is a guide but it should not be taken absolutely.
- (ix) Under revenue, the calculation of fixed revenue is to be based on actual demands, including arrears, if any and likelihood of realization during the year. The arrears and current demand are, however, to be shown separately. The estimates of fluctuating revenue may be based on the average of last 3 years' actuals, unless there are any known circumstances to affect these actuals one way or the other.
- (x) Every department will provide for the whole receipt and charge with which it deals finally; thus, when the Pakistan Public Works Department collects revenue on account of civil works, it will estimate for it.
- (xi) Lump sum provision in the budget should not be made or proposed except in most exceptional circumstances, which should be invariably recorded. As far as possible, provision for contingent charges under the primary unit "Other Charges" should be proposed according to the prescribed detailed heads of expenditure so that the number of references to the Financial Advisers / Finance Division is reduced to the minimum.

- (xii) Provision for losses should not be made in the expenditure estimates. If, however, the nature of the work of a department is such that some losses must be regarded as inevitable each year, provision in this behalf may be made with the specific sanction of Finance Division.
- (xiii) Estimates of anticipated revenue both for current and subsequent years will be prepared by each Ministry / Division / Department and rendered to the Accountant General on dates to be prescribed by him;
- (xiv) Part I of the budget which relates to standing charges and Part II estimates relating to fresh charges should be scrutinized finally by the Financial Adviser concerned. He would issue to AGPR / Budget Wing of the Finance Division copies of the Budget orders in respect of Part I estimates and New Item Statements in respect of Part II estimates. The admitted Part I and Part II estimates would be compiled together into relevant "Demands for Grants" by the Finance and Accounts Officer of the Administrative Ministry / Division and sent through the Financial Adviser to the Budget Wing of Finance Division.

### ESTIMATES OF FRESH CHARGES

(Part-II—Non-development)

74. Subject, as provided in Annexure A to this Chapter, proposals if any, involving fresh charges should be submitted by heads of departments and other estimating authorities to the Administrative Divisions concerned not later than the 15th October, each year to permit the latter to undertake an examination of the proposals in their various aspects. It is open to the Administrative Divisions to require heads of departments, etc, to submit proposals for fresh charges in the course of the year without reserving them for a consolidated report at the time of the submission of the budget estimates of the ensuing year and also to require them to submit direct to other Ministries/ Divisions of the Federal Government such of the proposals for fresh charges as require to be considered by the later, in order to ensure that the proper consideration of the proposals from the administrative and financial points of view is completed before the 1st of November.

75. No scheme of fresh charges will be included in the Budget unless it is complete and finally approved. In submitting proposals for fresh charges, administrative difficulties and delays in sanctioning processes should always be borne in mind and not more should be recommended for provision in the budget than is likely to be spent during the course of the financial year.

76. All proposals for fresh charges should be referred to the Financial Adviser not later than November 25<sup>th</sup> of each year. Ordinary, no proposals will be accepted after

that date, but the Financial Advisers will exercise his discretion in admitting provision for items, which have not been completed through all the requisite sanctioning processes. This does not mean that Finance Division will provide for unforeseen items, nor in general admit items into the Budget in regard to which there is insufficient proof that expenditure will be undertaken in the following year.

November 25<sup>th</sup> has been fixed as the latest date for referring proposals to the Financial Advisor, but special efforts should be made by Administrative Divisions to ensure that schemes are prepared and submitted as early as possible so as to avoid rush of work during the last few days. Suitable instructions should accordingly be issued by the administrative Divisions to all authorities subordinate to them.

77. The Financial Adviser will complete the examination of all proposals and transmit by the 20th January of each year fair copies of New Item Statement (Form 5-186) duly verified to the Accountant General, Pakistan Revenue and Finance Division (Budget Wing) together with explanations of variation between (a) the Budget Estimates and Revised Estimates for the current year and (b) the Budget Estimates for the current year and the admitted Part II estimates for the next year.

78. Omitted.

79. The procedure for preparation and submission of estimates for works expenditure under “34-Frontier Regions”, “50-Civil Works” and other Public Works major heads will be regulated *mutatis mutandis* by the rules contained in Appendix 6 to the <sup>5</sup>Federal Public Works Account Code. Proposals for new major works should, just like other fresh item of expenditure be referred to the Financial Adviser for consideration. A consolidated list in Form GFR-2 of all new major works accepted by the Financial Adviser should be sent to him by the Administrative Division concerned by the 20th January. Finance Division will allot a lump sum for new major works under each of the major heads “34-Frontier Regions”, “50-Civil Works” and the distribution of these lump sums among various new works accepted by the Finance Division in principle will be settled in according with the procedure described in Appendix 6 to the <sup>6</sup>Federal Public Works Account Code.

80. Close adherence to the time-table given above is an essential part of the procedure and all departments should make every possible effort to submit their original proposals and subsequent statements in advance of the last dates fixed above. This will also be applicable to Part II-Development Expenditure provided for in the subsequent rules.

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<sup>5</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>6</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

81. For purpose of economic classification of the Federal Government's budget, the provision of contingent charge and other expenditure included under the primary unit, 'Other Charges' will be broken down into the under-noted detailed heads, wherever applicable:—

- (a) Land and buildings, purchase of.
- (b) Plant, machinery, equipment, livestock etc.
- (c) Purchases of Transport (specify whether Motor Cars, Motor Cycles or Cycles).
- (d) Stores, furniture, tents, stationery, etc.
- (e) Repair and maintenance of:—
  - (i) Building and structures, plant machinery and equipments.
  - (ii) Transport (Car, Motor Cycle, etc.)
- (f) Books, Periodicals, newspapers, etc.
- (g) Liveries, uniforms, etc.
- (h) Electricity, gas and water charges.
- (i) Hot and cold weather charges.
- (j) Payments to contingent staff (part time employees such as Sweepers, Farashes, Malis, etc., and charges for supply of drinking water).
- (k) Conveyance allowances paid from contingencies.
- (l) Rewards, bonuses, etc.
- (m) Section-writing and copying charges.
- (n) Royalties paid (details to be given.)
- (o) Stipends, scholarships, prizes, etc.
- (p) Postage and telegram charges.
- (q) Rent:
  - (i) Office Buildings.
  - (ii) Residential Accommodations.
- (r) Telephone and trunk call charges.
- (s) Transportation charges.
- (t) Local rates and taxes.
- (u) Other taxes and duties.
- (v) Grant in aid, contributions, donations (details to be given).
- (w) Payments to other Government Departments, etc, for services rendered (details to be given).
- (x) Expenditure on delegations (details of traveling and other allowances to be given).
- (y) Law charges.
- (z) Printing and publication charges.
- (aa) Entertainments and gifts.
- (ab) Expenditure on fares and exhibitions (details of expenditure on establishment, equipment, etc., to be given).
- (ac) Expenditure on subsidies (details to be given).

- (ad) Surveys and experimental operations (details of expenditure on staff, tools, and plants, etc, to be given).
- (ae) Publicity charges (details to be given).

## **PART II.—DEVELOPMENT**

82. (1) The concept of a workable definition of development expenditure should take into account of following basic considerations:—

- (i) That it creates material assets;
- (ii) That it is designed to keep intact, to enlarge and to improve the physical resources of the country;
- (iii) That it will improve the knowledge, skill and productivity of the people; and
- (iv) That it will encourage efficiency with which available resources are used.

(2) The estimates of development expenditure will include only the schemes approved in according with the prescribed procedure. Simultaneously with the formulation and submission of their Annual Development Program to Planning Division, the administrative Ministries / Divisions will supply a copy of the program to their respective Financial Adviser. This will be accompanied by detailed expenditure estimates for budget provision in respect of individual projects. Other relevant information or material shall be supplied according to the time-table prescribed by Planning Division.

(3) In the case of on-going projects, the estimates should also be accompanied by relevant files in which budget provision was admitted. All new projects for which budget provision is proposed for the first time should be supported by relevant PC I or PC II Form. A statement in PPWD Form 4 showing the provision that may have been separately proposed to Works Division for works expenditure if any, pertaining to a project should also be submitted alongwith the budget estimates. Works Division will compile them according to individual development projects included in the Annual Development Program and furnish a copy to the Budget Wing of Finance Division within three days after the finalization of the Budget estimates in respect of development projects.

(4) While proposing budget estimates for projects/schemes included in the Annual Development Program, the Ministries / Divisions will ensure that there is no overlapping as to be nature and scope of project / scheme included in the ADP between (a) items proposed for the development budget, and (b) those provided for in the non-development budget. In cases where budget provision for carrying out certain activities and operations is made partly through the non-development budget and partly through the development budget (e.g., Plant Protection, Survey of Pakistan, Meteorological services, etc.) the administrative Ministry / Division concerned should present a consolidated picture while referring its budget estimates of development expenditure to the Financial Adviser.

(5) Fair copies of New Item Statements in respect of accepted estimates of development expenditure will be distinctly marked to indicate that the provision relates to development expenditure. Another important point to be kept in view is that the classification of expenditure (i.e., major, minor and sub-heads of accounts) are correctly shown on the NISs and submitted to the Budget Wing of Finance Division within 24 hours of approval by Priorities Committee.

(6) The revised estimates will not in any case exceed the original budget plus supplementary grants already sanctioned minus surrenders and shortfall in utilization of foreign project assistance.

(7) The foreign exchange component of estimates of development expenditure is required to be shown distinctly together with the source from which it will be met (i.e., whether from "own resources" or from "foreign aid"). This information should be furnished in separate statements to be submitted to the Financial Adviser along with the estimates of development expenditure. When the foreign exchange component is intended to be financed (wholly or partly) from foreign aid, the source and type of aid will be invariably indicated in the New Item Statement. The foreign exchange component from "own resources" will be distinguished between each, barter, and / or commodity assistance. Similarly foreign aid will be distinguished between loans and grants / suppliers credit, etc., and the source of foreign aid clearly identified.

(8) Irrespective of its source / type, all foreign aid (loan or grant) is required to be reflected in the expenditure estimates of the relevant projects. The estimates of foreign aid will be cleared with Economic Affairs Division before incorporation in the budget estimates. All foreign aid directly or indirectly received by the Federal Government / Provincial Governments bodies and other agencies should be duly accounted for in the relevant Federal or Provincial sections of accounts as the case may be. In case of foreign aid received by any private body / individual with the approval / guarantee of the Government, all transactions in this behalf shall be made with the knowledge and approval of the respective Government.

(9) Foreign commodity assistance, though classified as foreign aid, is budgeted on the resource side in bulk and is not apportioned to projects even though some of the commodities may be utilized for development projects. Since such commodities have to be paid for in rupees, the portion of expenditure related thereto will be included by the Ministries / Divisions in their requirements of local currency for the relevant projects. This provision will also be clearly distinguished in the relevant New Item Statements.

(10) The provision made for foreign exchange expenditure is not available for rupee expenditure or vice versa and no re-appropriation is permissible between the provision for rupees and foreign exchange expenditure. This should be kept in view while framing the estimates for rupee as well as foreign exchange requirements.

(11) When furnishing the above information the estimating authorities should, as far as feasible, specify the physical targets in quantitative terms e.g., road mileage to be constructed, hospital beds to be provided, number of new school seats to be made available, acreage to be covered by Plant Protection measures, etc., etc.). In cases where quantitative assessment of physical targets is not feasible, the likely achievements should be specified in broad details.

(12) As in the case of non-development budget, details of posts under “Pay of Officers” and “Pay of Establishment” should be given in respect of development budget as well.

(13) The sponsoring agencies will accord priority to foreign aided projects as are in conformity with national objectives.

(14) All schemes may be classified into on-going/new and approved or unapproved, as the case may be, according to the status of the scheme. If the original scheme is revised, approval of the competent authority for revised cost will be obtained before any request for budgetary allocation is made.

(15) No expenditure should be incurred, nor any commitment of funds made for any project not included in the Annual Development Program, nor any work started, contract awarded, any down payment made, letters of credit opened for which there is no budgetary provision.

(16) Ongoing projects which are in fairly advanced stage of completion or such projects as are likely to yield quick return to the Government should be given priority.

(17) All schemes shall automatically qualify for inclusion in the Annual Development Program if these are also included in the short or mid-term plan viz, Five Year Plan, Mid Term Perspective etc. as the case may be and would be given priority over other schemes while making allocation of resources within the sectoral ceilings.

(18) The Annual Development Program will be prepared within the following parameters:—

- (i) Annual Phasing of sectoral allocations in the Medium Term (5 year) plan.
- (ii) Phasing of expenditure on approved projects included in the Medium Term Plan and their present status.
- (iii) Actual resource availability compared with projected resource for the year in the Medium Term Plan.

(19) The agencies concerned will prepare their Annual Development Programmes on the basis of the annual sectoral allocation in the Plan and requirements of individual projects according to their actual status. They will also be required to take into account



the expected utilization of committed foreign aid. Simultaneously, Finance Division will prepare the resource position in order to work out the fiscal surplus and other internal and external resources available for financing the next year's Annual Development Programme. For this purpose, estimates of all revenue and capital receipts will be prepared on the basis of existing taxation. The estimates of revenue surplus and net capital receipts and surpluses of Provinces and Corporations will constitute the net internal resources available, for financing development expenditure. The Economic Affairs Division will furnish the estimates of external assistance.

(20) In order to determine the size of the Annual Development Programme, the following data will be computed:—

- (i) Revenue surplus and net capital receipts on basis of *status quo*;
- (ii) Estimates of external assistance;
- (iii) Likely size of additional taxation effort, and
- (iv) Share of budgetary support in the overall monetary expansion planned for the next year.

(21) Once the size of Annual Development Program is tentatively determined on the above basis, readjustment in priorities and sectoral allocations in the Annual Development Program will be made by Planning Division. Thus a frame-work for the next year's Annual Development Programme will be prepared.

(22) The Priorities Committee, headed by Additional Finance Secretary (Budget) will examine the demands for allocation for individual projects in the light of the total available resources, the revised sectoral priorities, phasing of the projects, availability of foreign assistance and the present status of the projects. The projects-wise allocations made to Ministries / Divisions under each sector will constitute the draft of the public sector annual development programme which will be submitted to the Annual Plan Coordination Committee. The draft will be reviewed by the committee in the light of pre-determined priorities, resource position and representation from various agencies. The Annual Plan Coordination Committee will also review the development requirements of the Provincial Government and make allocation for their Annual Development Programmes. The Provinces will then be required to make adjustments in sectoral and project-wise allocations in the light of overall size and priorities approved by the Annual Plan Coordination Committee. The National Public Sector Annual Development Programme comprising the Federal Programme and the outlines of the Provincial Program will be submitted to the National Economic Council for approval.

(23) The approved project-wise allocations to the Federal agencies will constitute the authority for framing the development demands for grants of these agencies in the Federal Budget. Similarly, the overall size of the Provincial ADPs, and the break-down between expenditure financed from foreign loans and grants will constitute the basis for budgeting of the Federal development assistance to the Provinces. Thus the allocations in

the ADP and their break-down into internal and external expenditure, expenditure not from foreign aid, expenditure from loan and grants will constitute the basis for compilation of the development portion of the Federal Budget.

### III.—CONSOLIDATION OF THE ESTIMATES AND DEMANDS FOR GRANTS.

83. (i) The Budget Wing of the Finance Division will receive Budget Orders in GFR Form I-A in respect of permanent obligation (Part-I) and New Item Statements in GFR FORM 5-186 in respect of temporary obligations (Part-II). Copies of these documents will also be sent to Accountant General, Pakistan Revenue. These two documents will form the basis of compilation of Demands for Grants of individual Ministries / Divisions / Departments and aggregates of budgeted expenditure estimates under various major heads of accounts. The Demand for Grant will be organized in the following manner:—

Demand No.  
*Name of Demand*  
 Major Head.  
*Name of Organization / activity.*  
*Sub-Heads of Appropriation:*  
 Such as.  
 Pay of Officers.  
 Pay of Establishment and so on.  
*Name of next Organization / activity.*  
*Sub-heads of Appropriation.*  
*Next Major Head.*  
*Name of Organization / activity.*  
*Sub-head of Appropriation.*  
*and so on.*

(ii) The existing major heads of accounts in respect of expenditure correspond to various organizations activities , for example , 25-General Administration , 26-Audit, 27-Administrative of Justice, 29-Police, etc. The organizations units to be provided for under 25-General Administration in the case of a Ministry / Division would be Secretariat, attached organizations, subordinate organizations, organizations aboard, etc. The sub-heads of appropriation against which provision will be made for each organization will be (a) Pay of Officers, (b) Pay of Establishments, (c) Allowances and Honoraria, etc., (d) Other Charges, (e) Delegations Abroad, (f) Contributions and Grants. The number of sub-heads of appropriation under each organization will depend on the variety of expenditure incurred by it. Any changes in the prescribed sub-heads found necessary by the departmental authorities or the Accountants General during the course of the year will be introduced only under the formal authority of Finance Division. A sub-head which remains in-operative for three consecutive years will automatically be deleted from the Demands for Grants. Its revival will also require the formal sanction of Finance Division.

NOTE.—Subject to any general or special orders of Government, those sub-heads will be treated as the units of appropriation within the meaning of paragraph 6 and 7 of the Book of Financial Powers. The sub-heads of Demands are distinct from sub-heads of account.

(iii) In the volume of “Details of Demands and Appropriations”, under ‘Pay of Officer’ and ‘Pay of Establishment’ there will be columns for strength showing the strength as it exists in the current year and as proposed for the ensuing year.

(iv) The new items and all fresh recurring charges which are appearing in the Demands for Grants for the next year for the first time, are to be printed in thick type and are to be shown separately under the correct sub-head and properly described.

(v) The charged (non-voted) items should be shown in italics throughout and distinction between non-voted and voted expenditure should be made in all the columns.

(vi) The units “Pay of Officers” and “Pay of Establishments” should be shown as distinct sub-heads. They should not be mixed up with other sub-heads.

(vii) Leave salary should be shown as a distinct item and classified under the head “Pay of Officers” or “Pay of Establishment” as the case may be.

(viii) The distribution of the totals between voted and non-voted of the sub-heads of a grant should agree with those given in the “Details of Demands and Appropriations” under each sub-heads.

(ix) Combined establishments the charges of which are distributed between the Federal Government and a Provincial Government or between two Departments of Federal Government should be exhibited to their full amount in one place, and the portions recoverable from the Provincial Governments or other Departments, as the case may be, shown under the sub-head “Establishment charges recovered from other Governments, Departments, etc.” Lump sum amounts recoverable from other Governments should be exhibited under the same head without any details. Lump sum payments being similarly exhibited under the head, “Establishment charges paid to other Governments, Departments, etc.”

#### **IV. —COMMUNICATION AND DISTRIBUTION OF GRANTS.**

84. (1) The grants voted by the legislature, together with any sums sanctioned for non-votable expenditure will be communicated by Finance Division to the Administrative Division and the Accountant General concerned. The Administrative Division will then make arrangements for distributing the sanctioned funds, where necessary, among the controlling and disbursing officers subordinate to them in accordance with the

instructions laid down in clause (2) of paragraph 122. The Accountant General will render such assistance in the distribution of grants as may be settled in each case.

(2) Subject to any special rules or orders of Government, the distribution of grants should usually be effected as under:—

- (i) The whole or part of the appropriation for a primary unit may be placed at the disposal of a controlling or disbursing officer, or the primary unit may be broken up into a number of secondary units (each of which will cover either one or a number of detailed heads of accounts) and the appropriation for any of these, wholly or in part, may be placed at his disposal.
- (ii) A controlling officer at whose disposal an appropriation for a primary or secondary unit has been placed, may out of it allot funds for expenditure on a specific item or on a group of items.
- (iii) Any distribution of appropriation among specific items or groups of items, which may be made by a disbursing officer for purposes of his control over the expenditure, will not be recognized by the Accountant General and should not be intimated to him.

85. An appropriation is intended to cover all the charges including the liabilities of any of past years, to be paid during the year or to be adjusted in the account of it. It can be authorities by competent authority at any time before but not after the expiry of the financial year. Any unspent balance lapses and is not available for utilization in the following year.

86. *Omitted.*

## **V.—INCURRING OF EXPENDITURE IN ANTICIPATION OF FUNDS**

87. In the event of the orders communicating the allotment of funds under paragraph 114 not being received before the commencement of the financial year, disbursing officers may authorize expenditure in anticipation of funds on pay and other charges on the basis of that incurred in the last month of the preceding year.

NOTE.—Appendix 6 to the <sup>7</sup>Federal Public Works Account Code lays down the rules for incurring expenditure in the Pakistan Public Works Department in anticipation of funds. These rules will apply *mutatis mutandis* to the expenditure on works executed by other departments, except where the controlling authority directs otherwise.

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<sup>7</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

## VI.—CONTROL OF EXPENDITURE

88. The authority administering a grant is ultimately responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within the grant. In order that the control of departments over such expenditure may be effective and real and that the controlling officer should be in a position from month to month to estimate the likelihood of savings in and excesses over grants, and appropriations, the procedure laid down in the following rules should be observed by all departments and Controlling and disbursing officers sub-ordinate to them, except where the Ministry of Finance have agreed in writing to some other procedure.

89. (1) The head of each department will be responsible for controlling expenditure from the grant or grants at his disposal, and will exercise his control through the Controlling Officers, if any, and the , disbursing officers subordinate to him.

(2) Control over expenditure must be exercised with reference to the grant as it stands from time to time. It is the duty of the head of the department to distribute the grant as voted by the Legislature or, in the case of non-voted appropriation, as sanctioned by the <sup>8</sup>President, among the various Controlling and disbursing officers subordinate to him, so far so this has not been done by the Ministry of Finance. In so doing he must take into account lump sum cuts made by the sanctioning authority. He must similarly distribute any increases or reductions subsequently made in the grant or in any part of it by the competent authority, whether the alternations is due to a supplementary grant, to a lump reduction or to a re-appropriation. When making his distributions, he must invariably communicate to the officer concerned the complete accounts classification of each item distributed, including the major, minor and detailed heads of account and the primary unit. Such distribution is however, not essential in the case of provision for pay of officers and of establishments. In making a distribution, it is always open to the head of a department to keep a portion of the grant as an undistributed reserve in his own hands.

(3) The following procedure must be followed by every disbursing officer in submitting claims for money:—

- (i) He must attach to each bill a slip in Form G.F.R. 3, which will be returned by the Treasury Officer, with the cash or cheque, after noting there-on the voucher number and the date assigned to the bill.
- (ii) He must enter on each bill the complete accounts, classification of the proposed expenditure, from major head down to detailed head of account and state whether the charge is voted or non-voted. When a single bill includes

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<sup>8</sup>Substituted by Ministry of Law Notification No.F.13(1)/59-D&L, dated 24-1-1961, Gaz. Of Pak., Extra., Pp.102-103, as issued *vide* their Notification No.F.2(18)/60-Lagis., dated 24-1-1961, Gaz. Of Pak., Pp.71-72.

charges falling under two or more detailed heads, the charges must be distributed accurately over the respective heads.

- (iii) Except in the case of bills for the pay of officers or of establishments and for allowances drawn with pay, he must enter on each bill and on each slip in form G.F.R. 3, the progressive total of expenditure up-to-date under the sub-head or sub-heads to which the bill relates, including the amount of the bill on which the entry is made.

(4) In order to enable all concerned to watch expenditure against those portions of grants which are peculiarly liable to fluctuation, the following procedure must be followed in respect of all bills other than those for pay of officers or of establishments and for allowances drawn with pay:—

- (i) Every disbursing officer and in respect of his own expenditure from portions of the grant retained in his own hands, every Controlling officer and head of department, must maintain a separate register in Form G.F.R. 4 for such minor or sub-head of account with which he is concerned. In this must be entered the necessary particulars of the charges drawn on each bill under the appropriate primary unit and detailed head.
- (ii) On the third day of each month, a copy of the entries in this register, so far as these record sums actually drawn from the treasury during the preceding month, must be sent in full detail, by the officer maintaining it to the Head of the departmental or other Controlling Officer. As certain of the entries in each month will represent bills which were not actually cashed before the end of that month, the copy sent will include a few entries of a previous month and exclude a few made in the month for which the return is submitted. With the copy must be forwarded all the slips in Form G.F.R. 3 which relate to the bills entered in it. If there be no entries in the register in any month, a “nil” statement must invariably be sent.
- (iii) In order to watch the receipt of the returns prescribed in the foregoing sub-clause, the Controlling officer must maintain a broad-sheet in Form G.F.R. 5, in which a serial number will be allotted to each individual disbursing officer. This broad sheet must be carefully watched and reminders sent if any returns are not received by the 7<sup>th</sup> of the month, since the accuracy of the controlling officer’s accounts will depend upon the receipt of complete returns. The serial number allotted to each disbursing officer must be communicated to the Accountant General.
- (iv) On receipt of the returns from disbursing officers, the controlling officer must carefully examine them and must satisfy himself:—

- (1) that progressive expenditure has been properly noted on the slips and the available balances worked out;
  - (2) that the accounts classification has been properly given;
  - (3) that expenditure up-to-date is within the grant;
  - (4) that the returns have been signed by the disbursing officers; and
  - (5) that all relevant slips in Form G.F.R. 3 have been attached. If he finds defects in any of these respects, he must take immediate steps to rectify them.
- (v) When all disbursing officer's returns for a particular month have been received and found to be in order the Controlling officer must prepare a statement in Form G.F.R. 6, in which he will incorporate:—
- (1) the totals of the figures supplied by disbursing officers;
  - (2) the totals taken from his own registers in Form G.F.R. 4; and
  - (3) the totals of adjustment under the various detailed heads which will be communicated to him by the Accountant General, on account of transfer entries and expenditure debited to the grant through accounts current.

If the Controlling officer be not the head of the department, he must forward to the latter authority a copy of this statement supporting it by the slips in Form G.F.R. 3; and the copies of Form G.F.R. 4, submitted by disbursing officers and by a copy of the month's entries in the register in Form G.F.R. 3.

If any adjustment communicated by the Accountant General affects the appropriation at the disposal of a subordinate disbursing officer, the fact that it has been made must be communicated by the Controlling Officer to disbursing officer concerned.

- (vi) On the receipt of all the necessary returns, the head of the department must prepare an account in Form G.F.R. 7, showing the complete expenditure from the grant at his disposal up to the end of the preceding month.

The figures of expenditure upon pay of officers and establishments and upon allowances drawn with pay will be communicated to him by the Accountant General, as prescribed in sub-paragraph (5) below.

- (vii) In May of each year the head of the department must forward to the Accountant General a copy of his account for April in Form G.F.R. 7. In subsequent months it will suffice to send an abstract of the expenditures up-to-date under the various heads of disbursement in three columns, showing:—

- (1) expenditure up to the end of the preceding month;
- (2) expenditure during the month just concluded ; and
- (3) total expenditure up-to-date, being the total of (1) and (2).

The subsidiary records in forms G.F.R. 4 and 6 will be retained by the head of the department in his own office, unless in any case the Accountant General requires that the whole or any part of them should be sent to him with the statement.

- (viii) The head of the department and the Accountant General will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General's books. Unless in any case there are special rules or orders to the contrary such as those contained in paragraph 90, the reconciliations should be made monthly the initial responsibility resting with the Accountant General. The reconciliation need not be very close; its extent should be determined by the following considerations:—

- (1) that the account figures finally published will be those maintained by Accountant General and
- (2) that the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.

(5) Expenditure on the pay of officers and establishments is not, as a rule, liable to violent fluctuations. Moreover, the provision for such expenditure is frequently not distributed among disbursing officers. It is therefore unnecessary to watch such expenditure through the forms and registers prescribed in sub paragraph (4) above. The figures of such expenditure will be communicated monthly by the Accountant General, to the head of the department, who must enter them in his account form G.F.R. 7 and watch the progress of expenditure against the grant.

(6) The head of the department and his Controlling Officers must further take steps to maintain a careful watch over expenditure incurred from time to time on important nonrecurring objects, such as grants and contributions purchase of rations and purchase of uniforms. It is necessary to deal with such items separately from the account of ordinary monthly expenditure since they occur once or twice only in the course of a year. The head of the department or controlling officer must decide for himself what method of watching such expenditure he will adopt. In some cases he may prefer to keep the entire grant under his own control and to order disbursing officers who wish to spend money against it to apply to him for a special allotment. In other cases, he may prefer to distribute the grant and to order his disbursing officers to report expenditure against it as soon as they incur such expenditure, separately from their ordinary monthly accounts.



Whatever method be adopted it is essential that he should keep himself informed not only of actual expenditure against such grants but also of liabilities which have been incurred and must ultimately be met from them. Without such information, no adequate control over expenditure can be exercised.

(7) Under the procedure prescribed in these rules, a head of department or controlling officer should be in a position from month to month to estimate the likelihood of saving or excesses and to regularize them in accordance with the instructions laid down in paragraph 94 *et seq.* The processes involved should receive the personal attention of the heads of departments and controlling officers and must on no account be left to be conducted entirely by subordinates.

90. The procedure outlined in sub paragraphs (3) to (5) of the preceding paragraph will not apply to departments of the Federal Government and subordinate and attached offices at the headquarters of the Government of Pakistan, which are under the audit control of the Accountant General, Pakistan Revenues. The special procedure to be adopted by those departments and offices is laid down in the late Government of India Finance Department Office Memorandum No. D-2839-B, dated the 8<sup>th</sup> July, 1933, which is reproduced as Annex B to this Chapter.

NOTE. 1.—Special rules for the control of expenditure under public works are laid down in appendix 6 to the <sup>9</sup>Federal Public Works Account Code. These rules apply *mutatis mutandis* to works expenditure under '34-Tribal Areas.'

NOTE.2.—Special rules for the control of expenditure in other departments to which the procedural rules in sub paragraphs (3) to (5) of paragraph 89 do not apply will be contained in the departmental regulations and the manuals of the Accountants General concerned.

91. The Accountant General will warn the department concerned immediately of the first appearance of any excessive proportionate outlay under any grant or under any primary unit of appropriation. It must be clearly understood, however, that the authority administering a grant and not the Accountant General is ultimately responsible for the control of expenditure against the grant.

92. The Ambassador for Pakistan in the United Kingdom as disbursing authority for charges in England will incur expenditure within the budget allotments under the respective grants as communicated to him by the Ministry of Finance. The head of the department or controlling officer in Pakistan will be responsible for keeping watch over expenditure under the unit 'charges in England' with reference to the grant as a whole

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<sup>9</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

and obtain from the Accountant General details of monthly expenditure adjusted in his accounts from time to time.

### **VII.—PROVISION OF FUNDS FOR WORKS EXECUTED THROUGH A DIFFERENT AUTHORITY**

93. In order to ensure that a department undertaking a work on behalf of another does not exceed the sanctioned estimates without the authority of the employing department, the department responsible for providing the funds should intimate to the department undertaking the work the sanctioned grant within which the expenditure is to be incurred. The department incurring the expenditure shall be responsible not only for seeing that the allotment placed at its disposal is not exceeded but also that any anticipated savings are notified and surrendered in time. In cases where an excess is anticipated, the department incurring the expenditure shall be responsible for obtaining the additional allotment in proper time through the employing department.

### **VIII. —SURRENDER OF ANTICIPATED SAVINGS**

94. A department or disbursing officer may find in the course of the year that the expenditure under some sub-head is likely to be less than the provision in the Budget. The saving may be due to one or more of the following causes:—

- (i) Actual postponement of expenditure;
- (ii) Real saving due to economy; and
- (iii) Normal savings due either—
  - (1) To original over-estimating; or
  - (2) To the usual administrative causes, e.g., casualties, etc.

Saving due to cause (i) should in no circumstances be used for re-appropriation to meet new items of expenditure without the sanction of Government. Unless savings due to cause (ii) have been made deliberately to provide for an unforeseen emergency, they should not ordinarily be utilized in the course of the year for new items of expenditure, as it is desirable that all such new items should be considered together at the time of the preparation of the Budget.

<sup>10</sup>[95. “All anticipated savings should be surrendered to Government immediately these are foreseen but not later than 15<sup>th</sup> May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time (*see* paragraph 98). However, savings accruing from funds provided through Supplementary Grant after 15<sup>th</sup> May shall be surrendered to

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<sup>10</sup> Rule 95 substituted vide Finance Division’s O.M. No.F.3(26)R-12/86, dated December 14, 1986.

Government immediately these are foreseen but not later than 30<sup>th</sup> June of each year. No savings should be held in reserve for possible future excesses.”]

96. It is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the lapse of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure, which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

## **IX. EXPENDITURE NOT PROVIDED FOR RE-APPROPRIATIONS AND SUPPLEMENTARY GRANTS**

### GENERAL RULES

97. Expenditure for which no provision has been made in the original budget estimate of the current financial year should rarely, if ever, be incurred.

98. It may, however, be found that an excess is likely owing to either (1) an unforeseen emergency, or , (2) under-estimating or insufficient allowance for factors leading to the growth of expenditure. In the case of an excess of either type, the head of the department or Controlling officer concerned should proceed as follows:—

- (i) He should in the first place examine the allotments given to other disbursing officers under the same detailed head inside the unit of appropriations, and transfer to the disbursing officer who requires an additional allotment such sums as can be permanently or temporarily spared. Since appropriation audit will ordinarily be conducted against total allotments for a unit. There is here no question of re-appropriation in the technical sense of the word. The process amounts to nothings more than redistribution, which the Controlling officer can ordinary affect without reference to any other authority.
- (ii) Should he find such redistribution impossible, he should examine the allotments against other detailed heads inside the primary units of appropriation, with the object of discovering provable savings and effecting a transfer. Where such redistribution is feasible, he should, if he has been invested with the necessary powers, carry it out. Otherwise, he should obtain the sanction of the competent authority.
- (iii) If provision of funds from within the primary unit proves to be impossible, an examination of the whole grant should be undertaken to see whether there are likely to be savings under any of the other units of appropriation due to

cause (iii) described in paragraph 94, which can be utilized to meet it. If so, he should proceed as indicated in clause (ii) above.

- (iv) If such savings are not available, it should be seen whether special economies can be effected under other sub-heads. If funds cannot be provided by either of these methods, it will have to be considered whether the excess should be met by postponement of expenditure or whether an application for a supplementary grant should be made. In either case, application will have to be made to the Ministry of Finance through the Administrative Department concerned and the course recommended by the latter stated. Normally, an application for a supplementary grant will not be entertained by Government unless the anticipated excess is due to a cause beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. All application for supplementary grants should be accompanied by a full explanation of the reason for the excess and of the impossibility of providing funds to meet it.

#### RE-APPROPRIATION OF FUNDS

99. Re-appropriation, which implies the transfer of funds from one primary unit of appropriation to another such unit within a grant, can be sanctioned under formal orders of a competent authority, only when it is known or anticipated that the appropriation for the unit from which funds are to be diverted will not be utilized in full, or that savings can be effected in the appropriation for that unit in the manner indicated in paragraph 94. In no case it is permissible to re-appropriate from a unit with the intention of restoring the diverted appropriations to that unit when savings become available under other units later in the year. Any allotment or re-appropriation within a grant or appropriation may be authorized at any time before but not after the expiry of the financial year to which such grant or appropriation relates.

NOTE.—The powers of re-appropriation conferred upon subordinate authorities (vide schedule III to the Book of Financial Power) are also subject to the condition specified in paragraph 8 and 9 of that Book and such other general or specific restrictions as may be imposed by Government in this behalf.

100. An application for additional appropriation of funds should ordinarily be supported by a statement in form G.F.R. 8 (or other special form as may be authorized by departmental regulations) showing how the excess is proposed to be met. In all orders sanctioning re-appropriation, the reasons for savings and excess of Rs.1,000 or over and the primary units (and secondary units, where necessary), affected should be invariably stated. The authority sanctioning the appropriation should endorse a copy of the order to the Accountant General, concerned.

101. Copies of orders affecting the expenditure in England should also be communicated to the Director of Audit and Accounts to the Ambassador for Pakistan.

#### SUPPLEMENTARY GRANTS

<sup>11</sup> [102. All applications for Supplementary Grants under paragraph 98 of GFR be submitted so as to reach Ministry of Finance by 31<sup>st</sup> May at the latest. Administrative Ministries/Departments should not, however, hold up applications till that day but should forward each application to Ministry of Finance as soon as a Supplementary Grant becomes necessary. Finance Division would not entertain any request for a Supplementary Grant beyond 31<sup>st</sup> May of the respective financial year.]

103. On receipt of an application for a supplementary grant, the Ministry of Finance will review the position of the grant as a whole with reference to the known actuals of the year to date and actuals and estimates for previous years. If after this examination, the Ministry of Finance comes to the conclusion that it should be possible for the Administrative Department to meet the expenditure within the sanctioned grant, either from normal savings or by special economies or in the last resort by judicious postponements of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to the Assembly. If, on the other hand, the Ministry of Finance considers that a supplementary grant will be necessary, a demand will be placed before the Assembly as soon as possible.

104. The supplementary grants and appropriation referred to in the preceding paragraphs are such as are required by extra expenditure on the normal activities or the department. Expenditure on a new service, in the technical sense, and on new items, such as, new buildings new roads, etc., for which no provision exists in the budget, may be incurred in the middle of the year only in exceptional cases. Government is averse, on general principle, to admitting such demands in the course of the year. In case, however, the necessity to incur such expenditure is urgent, the Administrative Department should explain clearly why it was not provided for in the original Budget, and it cannot be postponed for consideration in connection with the next Budget. The Ministry of Finance, if satisfied on these points, will consider whether it would not be reasonable to ask the department concerned to curtail its other expenditure so as to keep the total within the grant. Ordinary, no new service or item will be accepted by the Ministry of Finance unless the department concerned can guarantee that the extra expenditure will be met from normal savings or by special economies within the grant. Cases which involve a supplementary grant will normally be accepted by the Ministry of Finance only if they relate to matters of real imperative necessity, or to the earning or safe-guarding of revenue. In such cases the demand for a supplementary grant, or for a token grant in respect of a 'new service' if the expenditure can be met by re-appropriation, will be presented to the Legislature as soon as practicable after the need arises.

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<sup>11</sup> Modified by Finance Division's D.O.No.F.3(6)R.12/75-632, dated 12th May, 1981.

## INEVITABLE PAYMENTS

105. It is an important financial principle that money indisputably payable should not, as far as possible, be left unpaid, and that money paid should under no circumstances be kept out of accounts of a day longer than is absolutely necessary even though the payment is not covered by proper sanction. It is no economy to postpone inevitable payments and it is very important to ascertain, provide for in the budget estimates, liquidate and record the payment of all actual obligations at the earliest possible date.

NOTE.—When demands (original or supplementary) are placed before the Legislature suitable provision should always be made for anticipated liabilities; and the provision in Note 3 below paragraph 321 that adjustment should not be made in the previous year's accounts in certain circumstances should not be used as a cloak to cancel the results of defective budgeting. The onus of providing that the disbursement could not have reasonably been anticipated should lie on the Controlling officer.

105-A. Every disbursing officer shall maintain a register of liabilities in G.F.R. 10-A in which he should enter all those items of expenditure for which (i) payment is to be made by or through another officer (ii) budget allotment or sanction of a higher authority is to be obtained or (iii) payment would be required partly or wholly during the next financial year or years.

106. A disbursing officer may not on his own authority authorize any payment in excess of the funds placed at his disposal; but absence of funds should not necessarily prevent the payment of any sums really due by Government. If the disbursing officer is called upon to honor a claim which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question.

## X.—APPROPRIATION ACCOUNTS

107. The Appropriation Accounts mainly depend on explanation furnished by heads of department, etc. to the Accountant General as to the cause of variation between the appropriations and the expenditure. It is most important, therefore, that all references from the Accountant General in connection with the Appropriation Accounts should be dealt with as promptly as possible. The explanation furnished of variations between appropriation and expenditure or of any apparent failures to exercise adequate financial control over expenditure should be concise, accurate and fully informative, and such vaguely worded phrases as "due to overestimating", "covered by re-appropriation" or "re-appropriations proved unnecessary or inadequate" should be avoided. The questions in which the Public Accounts Committee are ordinarily interested are (1) Whether the variation was inevitable, and (2) whether it could not have been foreseen. If the explanations indicate, with sufficient clearness the answers to both of these questions the number of points on which additional information may be required would be very

materially reduced. The same principle applies also to cases of financial irregularities proposed for inclusion in the Appropriation Accounts or the Report thereon.

## ANNEXURE A

(See paragraph 68)

Procedure for the preparation and submission of the detailed budget estimate of the  
<sup>12</sup>Federal Government, (CIVIL).

### ESTIMATES FOR AGENCY SUBJECTS OTHER THAN CIVIL WORKS

The Provincial Governments will in these cases send up their estimates of expenditure other than that for Federal Civil Works after the usual scrutiny by the Accountant-General in two parts, Part II constituting all new items of expenditure and Part I of the rest of the estimates. Both the parts will be sent to the Administrative Division concerned so as to reach it not later than the 15<sup>th</sup> October, Part II, will be dealt with in accordance with the procedure outlined in paragraph 77 *et seq.*, for proposals relating to new items. Part I will be scrutinized by the Administrative Division which will forward its remarks to the FA., concerned before the 1<sup>st</sup> November whose orders on the estimates will be communicated to the Accountant General for incorporation in his consolidated estimates.

In the case of revenue the Accountant General will, after discussion with Provincial Government, incorporate the estimate in Part I.

The instructions contained in rule 7 below apply also to Federal Civil Works entrusted to the agency of Provincial Government.

### ESTIMATES OF THE AUDIT DEPARTMENT.

The procedure for dealing with these estimates will be same as that prescribed above for estimates relating to agency subject, the Auditor General taking the place of the Provincial Governments. The detailed scrutiny of the estimates will be done by Finance Division which is the Administrative Division in respect of this subject.

### ESTIMATES OF WORKS EXPENDITURE UNDER "50-CIVIL WORK" AND OTHER PUBLIC WORKS MAJOR HEADS.

The detailed rules regarding the preparation and submission of budget estimates for Federal Public Works are contained in paragraph 79 and in Appendix 6 to the

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<sup>12</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>13</sup>Federal Public Works Account Code. The rules in that Appendix apply *mutatis mutandis* to works expenditure, under “34-Frontier Regions”.

#### CERTAIN ESTIMATES PREPARED BY ACCOUNTS OFFICERS.

These comprise mainly the estimates for superannuation allowances and pensions and interest on miscellaneous obligations. The Accountants General will prepare these in accordance with such Instructions as may be issued by Government and incorporate them in the consolidated estimates submitted by them to Finance Division by the 15<sup>th</sup> of December. No orders will be issued by Finance Division on these estimates; they may be incorporated by the Accounts Officers in the consolidated estimates submitted in January after allowance for any modifications which may be considered necessary in the light of later information.

#### ANNEXURE B

(See paragraph 90)

(Extract from the late Government of India, Finance Department Office Memorandum No.2839-B., dated the 8<sup>th</sup> July 1933, as adopted.)

Special procedure regarding control of expenditure for heads of Accounts relating to Departments of the <sup>14</sup>Federal Government and their subordinate and attached offices at the Headquarters of the Government of Pakistan.

The Controlling Officer shall maintain a detailed statement of cash payment in Form G.F.R. 10 with the headings of the columns altered to suit individual circumstances. Into this shall be incorporated the totals by sub-heads of each bill paid by cash with the date of its encashment. In the case of payments made to the Bank on behalf of officers it will be sufficient to show the anticipated approximate date of payment provided it is in the correct month of payment.

2. To record charges of the nature of the following items a register in similar form but with the title ‘Detailed Statement of adjustments’ shall be kept:

- (1) *Work bills and telephone charges.*- When the charge is accepted by the disbursing officer concerned.
- (2) *Charges for stores obtained through the Pakistan Stores Department (Department of Supply).*- When intimation of the charges is made to the

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<sup>13</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>14</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.



Controlling Officer either by the Stores Department or by the Accountant General, Pakistan Revenues.

- (3) *Passage debits.*- When intimation of the debit is made by the Accountant General, Pakistan Revenues to the Controlling Officer.
- (4) *Passage contributions.*- As the monthly liability accrues.
- (5) *Charges on railway warrants.*- When intimation of the charges is made by the Accountant General, Pakistan Revenues, and
- (6) *Other adjustments.*- When communicated by the Accountant General, Pakistan Revenues, if not already otherwise incorporated in the register.

3. These monthly totals shall then be taken to an expenditure control form – Form G.F.R.11.-Suitably modified to suit individual circumstances. The progressive totals to end of any given month shall be worked out by the 7<sup>th</sup> (day) of the next month and control based on these figures.

4. A clerk in the office of each Controlling officer concerned may bring his accounts to the office of the Accountant General, Pakistan Revenues for reconciliation of monthly totals up to the end of November and January with the cash accounts maintained in the Accountant General, Pakistan Revenues' office on dates which may be separately determined in each case, the office concerned taking the initiative in the matter. The clerk will also have to ascertain that all adjustments incorporated in the office of the Accountant General, Pakistan Revenues, are also incorporated in his own accounts though many adjustments incorporated in his own accounts will not have been incorporated up to that time in the books of the Accountant General, Pakistan Revenues. His books will have to include under cash payments charges which he is aware have already been made in other Accounts Circles though they have not so far appeared in the Accountant General, Pakistan Revenues accounts through the Exchange Account.

5. The instructions given below should be carefully observed:-

- (1). The discrepancies discovered during the checking of the accounts for the periods ending in November and January will be recorded in a special register one copy of which will be retained by the Accountant-General and the other by the department concerned. Within a week of the completion of the register the Accountant-General will send to the department a memorandum showing the discrepancies entered in the register and the action taken by his office to reconcile them. This memorandum should be returned in original as quickly as possible with the necessary comments and explanations. Further reference will then be made, if necessary until all the discrepancies are reconciled.
- (2). After the closing of the accounts for February and March, the Accountant-General will send to each department concerned a statement showing:-

- (a) the amounts adjusted during the month under the various sub-heads.
- (b) the amounts of book of debits adjusted during the month under those sub-heads in the same details as at present, and
- (c) progressive actuals under each sub-heads.

These statements should be compared with the books maintained in the department and any discrepancies should be promptly brought to the notice of the Accountant-General.

(3). Accountant-General will obtain the concurrence of the departments concerned before accepting any book debits affecting their accounts but in the case of debits raised under standing orders, and when a voucher contains a record of acceptance by an officer of the department concerned after actual adjustment to enable the latter to account for them. No further concurrence of that department on the debits needs to be obtained. The debits adjusted under standing orders should, however, be intimated to the department concerned.

6. Departmental accounts shall also be maintained in respect of the sub-heads “pay of Officers” and “pay of Establishments” firstly because it is a simple matter, secondly because the accounts figures are much too late to be of use to the departments for the purpose of control of expenditure and thirdly, because the reconciliation of department accounts with the accounts kept in the office of the Accountant-General, Pakistan Revenues may bring to light some cases of misclassification in the accounts office.

7. Controlling officers who have to obtain monthly statements from subordinate officers may do so in Form G.F.R. 10 suitably modified separately for cash and adjustment. All these may be consolidated into a statement showing monthly totals by sub-heads from which the expenditure control form-Form G.F.R. 11- may be prepared.

8. The Controlling officers are authorized to vary the general procedure to meet individual cases in consultation with the Accountant-General, Pakistan Revenues, if such a course should result in a simplification of work. In case of disagreement between the Accountant-General, and the Controlling Officer, the points should be referred to the Ministry of Finance for orders.

## **CHAPTER 6.—ESTABLISHMENT**

### **I.—ALTERATIONS OF ESTABLISHMENT**

108. The powers of sanction of various subordinate authorities in the Civil Department in the matter of creation of permanent or temporary posts are specified in schedules I and II to the Book of Financial Powers. The powers of subordinate authorities in the Railway Department are laid down in the Financial Codes and Regulations of that department.

All proposals for additions to establishment, whether permanent or temporary, or for any increase in the emoluments of existing posts, should be scrutinized, with the greatest care by heads of departments and other authorities concerned. In submitting such proposals, the instruction contained in the following paragraphs should be carefully observed.

109. When the entertainment of a new establishment or a change, temporary or permanent, is proposed in an office, a letter fully explaining the proposal and the conditions which have given rise to them, together with the proposition statement if necessary under para. 111 should be submitted to the competent authority. In this letter should be set out *inter alias*:—

- (i) The present cost, either of the section or sections affected, or of the total establishment as the circumstances of the case may indicate to be necessary;
- (ii) Details of the pay of the post or posts and the number of posts which it is proposed to add or modify; and
- (iii) As accurate an estimate as possible of the extra cost involved.

NOTE. 1.—In determining the extra cost, allowance, whether fixed or variable, should be included.

NOTE. 2.—The authorities submitting the proposals should take into account any claims to pensions that may arise in consequence of their proposals with reference to Article 429 of the Civil Service Regulations and certify to their having done so in their proposals.

110. If the expenditure is proposed to be incurred in the current year, the proposals should show clearly whether it can be met within the grant or appropriation of the year. If the expenditure can be met by re-appropriation, a re-appropriation statement prescribed in Para. 100 should be submitted with the proposals.

111. Whenever any large scale or complicated proposals are made for the revision of existing or the creation of new establishments (including all proposals which require the sanction of Government), the latter explaining the proposals should be accompanied by a proposition statement in Form G.F.R. 12 and submitted through the Accountant General who will verify the correctness of the statement.

112. The details to be shown in proposition statements should be determined by the following principles:—

- (i) The proposition statement should relate strictly to the section or part of the office affected by the proposals. As regards the other parts or

sections of the office neither details nor figures of total cost need be included.

- (ii) Where a section consists of both Class IV and superior servants details need be given only of class affected, if a saving of labour will result from the adoption of this procedure.
- (iii) Where the pay of any post, existing or proposed, rises from a minimum to a maximum by periodical increments, the average, monthly cost, and not the actual or the commencing cost, must be given. The average monthly cost for the purpose of this rule should be calculated in the manner prescribed in the Finance Department letter No. F. 39 II-Ex 1-31, dated the 2nd April, 1931 as amended from time to time [vide Government orders printed below Fundamental Rule 9 (31) ].
- (iv) The fixed allowance referred to in Note 1 below Para. 109 should be entered in the proposition statement but the variable allowances need not be included therein.

## II.—VARIATION IN SANCTIONED PAY OF A POST.

113. The head of an office is not at liberty to re-adjust the pay of Government servants by giving one Government servant more and another less than the sanctioned pay of his post; nor may he distribute the pay of an absentee otherwise than as provided in that rules governing the service to which the Government servant belongs. But in the case of non-gazetted establishments divided into separate units or cadres carrying different scales of pay, there is no objection to excess appointments being made in a lower unit or cadre against an equal or greater number of vacancies of left unfilled in the higher.

## III.—TRANSFER OF OFFICE

114. Every transfer of charge of a gazetted officer should be reported by post on the same day to the Accountant General. The report should be made in Form TR I unless any other form has been duly authorized and should simultaneously be sent to the head of the department or other controlling authority concerned.

115. In cases in which the transfer of charge involves assumption of responsibility for cash, stores, etc, the following instructions should be observed:—

- (i) The cash book or imprest account should be closed on the date of transfer and a note recorded in it over the signature of both the relieved and the relieving officers, showing the cash and imprest balances, and the number of unused cheques, if any, made over and received by them respectively.

- (ii) The relieving officer in reporting that the transfer has been completed should bring to notice anything irregular or objectionable in the conduct of business that may have come officially to his notice. He should examine the accounts, count the cash, inspect the stores, count, weigh and measure certain selected articles in order to test the accuracy of the returns. He should also describe the state of the account records.
- (iii) In the case of any sudden casualty occurring or any emergent necessity arising for an officer to quit his charge, the next senior officer of the department present will take charge. When the person who takes charge is not a gazetted officer, he must at once report the circumstances to his nearest departmental superior, and obtain orders as to the cash in hand, if any.

NOTE. 1—The special procedure to be followed when there is a change in the incumbency of independent charge of a treasury is laid down in Rule 44 of the Treasury Rules.

NOTE. 2—The additional procedure to be followed by an Accountant General, etc, in making over charge of his function in connection with the Charitable Endowments and other Trust Accounts is laid down in Appendix, 16.

#### IV.—DATE OF BIRTH

116. Every person newly appointed to a service or a post under Government should at the time of the appointment declare the date of his birth by the Christian era with as far as possible confirmatory documentary evidence such as matriculation certificate, municipal birth certificate and so on. If the exact date is not known, an approximate date may be given. The actual date or the assumed date determined under para 117 should be recorded in the history of service, service book, or any other record that may be kept in respect of the Government servant's service under Government and once recorded, it cannot be altered, except in the case of a clerical error, without the previous orders of the Local Administration.

NOTE. 1—Ministries / Divisions of the Federal Government exercise the powers of a Local Administration for the purpose of this rule.

NOTE. 2— Heads of departments are authorized to exercise this power in the case of non-gazetted Government servants under their control.

117.(1) If a Government servant is unable to state his exact date of birth but can state the year, or year and month of birth, the 1st July or the 16th of the month, respectively, may be treated as the date of his birth.

(2) If he is only able to state his approximate age, his date of birth may be assumed to be the corresponding date after deducting the number of years representing his age from his date of appointment.

(3) When a person who first entered Military employ is subsequently employed in a Civil department, the date of birth for the purpose of the Civil employment should be the date stated by him at the time of enrolment, or if at the time of enrolment he stated only his age, the date of birth should be deduced with reference to that age according to the method indicated in sub-para. (2) above.

NOTE.—Cases in which the date of birth has been deduced from the age at appointment or enrolment by any other method, need not be reopened.

#### V.—LEAVE APPLICATIONS

118. Subject to any special rules or orders issued by the competent authority, all applications for leave should be submitted to the sanctioning authority concerned on Form G.F.R. 13.

#### ANNUAL RETURNS OF NON-GAZETTED ESTABLISHMENTS.

119. Deleted.

#### VI.—SERVICE BOOKS

120. The detailed rules regarding the maintenance of service books are contained in the Supplementary Rules 197 to 203 and in Articles 188 and 189 of the Audit Code.

121. (1) At a fixed time early in the year the service books should be taken up for verification by the head of the office who, after satisfying himself that the services of the Government servant concerned are correctly recorded in each service book, should record in it a certificate in the following form over his signature:

“Service verified up to (date) from (the record from which the verification is made)”

NOTE.—The verification of service referred to above should be in respect of all service qualifying for pension whether permanent, temporary or officiating.

(2) The head of the office in recording the annual certificate of verification should, in the case of any portion of service that cannot be verified from office records, distinctly state that for the excepted periods (naming them) a statement in writing by the Government servant, as well as a record of the evidence of his contemporaries, is attached to the book.

When, however, a non-Gazetted Government servant is transferred from one office to another, the head of the office under whom he was originally employed should record in the service book under his signature the result of the verification of service, with reference to pay bills and acquittance rolls, in respect of the whole period during which the Government servant was employed under him, before forwarding the service book to the office where the services are transferred.

(3) When non-gazetted Government servants are officiating in gazetted posts, their service book should be kept by the head of the office to which each such Government servant permanently belongs but they are confirmed in such posts, their service books should be forwarded to the Accountant General office for record.

#### VII.—SERVICE ROLLS

122. Services rolls for Government servants, when they are maintained under Supplementary Rules 204 and 205, should be taken up every year for verification of service and record of necessary certificate in the manner laid down in para. 121.

#### VIII.—ARREAR CLAIMS

123. Save as provided in rule 136 of the Treasury Rules, no claims to pay and allowances of a Government servant, which are not preferred within six months of their becoming due, can be paid without an authority from the Accountant General.

NOTE.—For the purpose of this rule, the date on which the claim is presented at the treasury or any other office of disbursement should be considered to be the date on which it is preferred.

124. Claims of Government servants to arrears of pay or allowances or to increments, or in respect of any underpayments, which have been allowed to remain in abeyance for a period exceeding one year may not be investigated by an Accountant General, except under the special orders to competent authority.

NOTE.—Ministries and Divisions of the Federal Government exercise full power to sanction investigation of arrear claims, subject to the restrictions laid down in paras 125 and 126.

Subject to the restriction laid down in paras 125 and 126, Heads of Local Administration and heads of departments have been empowered to exercise this power in respect of claims not more than three years old, and to delegate it at their discretion to a subordinate authority which appoints the Government servant by whom the claim is made.

125. Claims against Government, which are barred by time under the provisions contained in section 3 read with the First Schedule of the Limitation Act of 1908 or under any other provisions of law relating to limitation, should ordinarily be refused and no claim on account of such a time-barred item should be paid without the sanction of Government. The onus is upon the claimant to establish a claim to special treatment for a time-barred item, and it is the duty of the authority against which such a claim is made to refuse the claim until a case for other treatment is made out. All petty time-barred claims are to be rejected forthwith and only important claims of this nature considered.

It is the duty of the authority against which a claim is made to consider in the first instance the question of a time-bar before submitting it to the Accountant General for the issue of authority for payment. The Accountant General will refuse payment of all claims found to be time-barred until the sanction of Government has been obtained.

126. All petty claims of a government servant more than three years old, other than those that affect his pension, and all such claims for whose delayed submission an adequate explanation is not forthcoming should be rejected forthwith. Sanction to investigation of claims over six years old should not be accorded unless and until it has been ascertained from the Accountant General concerned that the relevant records are available and have not been destroyed and the Ministry of Finance has been consulted.

126-A. The authority competent to authorize the investigation of a belated claim should be told why the claim was not submitted when it became due.

In respect of non-gazetted Government servants whose pay and allowances are drawn on establishment bills by the Heads of Offices, the responsibility for making claims rests on the latter and they should invariably see that all claims are presented within six months of their falling due.

The time limits prescribed in these instructions should be calculated from the date on which the charge becomes payable. In the case of sanction accorded with retrospective effect, the charge does not become payable before it is sanctioned; the time limits should, therefore, be calculated from the date of sanction and not from the date from which the sanction taken effect.

## **CHAPTER 7.—CONTINGENCIES**

### **I—INTRODUCTORY**

127. The rules in this Chapter are supplementary to the general rules of procedure prescribed in Chapter V of Part V of the Treasury Rules and have to be applied, where necessary in conjunction with them.



Special rules applicable to particular departments and administrations are contained in the Manuals, Codes, etc, of the departments or administrations concerned.

128. The different classes into which contingent charges incurred on the public service are divided, and the conditions governing them, are laid down in Chapter V of Part V of the Treasury Rules. The classification to be adopted in each department or office is regulated by general or special orders of Government.

NOTE.—Contingent charges are to be recorded and treated in the accounts and charges of the month in which they are actually disbursed from treasury.

129. Subject to any general or specific rules or orders, such as those contained in Annexure A to Appendix 8, restricting their general financial powers to sanction expenditure, Heads of Local Administrations are authorized to exercise full powers in respect of contingent charges of offices directly subordinate to them.

## **II—POWERS OF SUBORDINATE AUTHORITIES TO SANCTION CONTINGENT CHARGES**

130. (1) The financial powers of subordinate authorities to sanction contingent expenditure are regulated generally by the orders embodied in Appendix 8 and such other general or special orders as may be issued by Government in this behalf.

Subject as aforesaid, the head of an office may incur or sanction expenditure on contingencies within the amount of appropriation placed at his disposal for the purpose, provided that:—

- (i) In cases where any special rule, restriction, limit or scale has been prescribed by competent authority regarding any particular item or class of contingent expenditure, it should be strictly observed;

NOTE.—Special rules, restrictions, etc, prescribed by Government regarding individual items of contingencies are laid down in Annexure-A to Appendix-8.

- (ii) Contingent expenditure of an unusual character or involving departure from any general or special rule or order made by Government should not be incurred, nor should any liability be undertaken in connection therewith, without the previous sanction of Government.

(2) In respect of contract contingent charges for which a lump sum is placed annually at the disposal of a disbursing officer, no formal sanction will be required for expenditure incurred within the annual allotment, except in so far as the authority fixing the contract allotment issues directions to the contrary.

(3) The head of an office may authorize any gazetted officers serving under him to incur expenditure under sub-para (1) above, subject to the conditions specified in Treasury Rule 142.

131. In the case of non-recurring contingencies, the competent authority may, where this course is more convenient, accord sanction by signing or countersigning the bill or voucher, whether before or after the money is drawn, instead of by a separate sanction.

### **III—PERMANENT ADVANCES**

132. Permanent advances may be granted to officers who may have to make payments before they can place themselves in funds by drawing on the treasury. They are subject to the following rules:—

- (i) The amount of the advance will be fixed by Government, or by the Heads of Local Administrations, as the case may be except in cases falling under clause (ii).
- (ii) Heads of departments may, unless Government or the Head of a Local Administration otherwise directs, sanction the grant of permanent advances for offices subordinate to them, up to the amount advised as appropriate by the Accountant General concerned. Permanent advances for offices of heads of departments must, however, be sanctioned by the next superior administrative authority.
- (iii) Applications for the grant or revision of a permanent advance must be submitted to the sanctioning authority through the Accountant General concerned who will advise as to the appropriate amount of the advance. In cases falling under clause (ii) above, if there is any difference of opinion between the Accountant General and the sanctioning authority on this point, the matter should be referred for the orders of Government.

NOTE.1—The applications for permanent advances should be accompanied by a statement showing month by month for the preceding twelve months the amounts of contingent bills cashed with classified details of items of expenditure.

<sup>15</sup>[NOTE.2—It has, therefore, been decided that the FAs / DFAs may fix special imprest for P.O.L. supplies without referring the matter to the AGPR, in relaxation of Para 132 (iii) above, subject to the following conditions:—

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<sup>15</sup> Note.2 inserted vide Finance Division's No.3(15)E.V/80-R.12, dated 22<sup>nd</sup> March, 1981.

- a. in no case the special imprest for P.O.L. supplies shall exceed Rs.50,000/-
  - b. concurrence of AGPR shall be obtained later in each case before 30.06.1981, furnishing the requisite details mentioned in the Note.1 below para 132 (iii).], above.
- (iv) As these advances involve the permanent retention of money outside the treasury, they must not be larger than is absolutely essential.
  - (v) These advances should not be multiplied unnecessarily. An officer's advances should meet the needs of every branch of his office. If he has subordinates who require petty sums, he should spare a small portion of his own advance for their use rather than apply for separate advances for them, taking acknowledgments from them in the same way as he himself furnishes acknowledgments to the Accountant-General and retaining them in his office.
  - (vi) The advance is intended to provide, on the responsibility of the officer entrusted with it, for emergent petty advances of all kinds, though it is seldom that they will be needed for other than contingent charges; thus, if a class IV servant is required to travel by rail, his fare must sometimes necessarily be advanced from this amount.
  - (vii) The holder of a permanent advance is responsible for the safe custody of the money placed in his hands and he must at all times be ready to account for the total amount of the money.
  - (viii) In the case of transfer of charges and yearly on the 15th July, each officer holding a permanent advance must send an acknowledge to the Accountant General of the amount due from and accountable for by himself as on the 30th June preceding.

NOTE. 1—The cost of service books required for office establishment should be met, in the first instance, from the permanent advance of the office concerned; the permanent advance being subsequently recouped from the amount realized by the sale of the books to Government servants.

NOTE. 2—Advances may be made of the actual railway fare or / and road mileage to all non-gazetted police officers, but such advances and their repayment need not appear in Government accounts. Traveling allowance bills may be made out for the full claims admissible as soon as the journeys are completed and any advances made out of the permanent advance may be recovered out of the amounts drawn from the treasury on such traveling allowance bills.

#### IV—CONTROL OF EXPENDITURE

133. For purposes of control and audit, Government will issue orders specifying the nature or object of contingent charges of particular disbursing officers which should be classed as countersigned contingent charges to be drawn and accounted for in accordance with the procedure prescribed in rules 308 *et seq* of the Treasury Rules.

Expenditure incurred by a disbursing officer on objects classed as countersigned contingencies must come under the direct supervision and scrutiny of the head of the department or the Controlling Officer who will sign the detailed bills relating to them. Monthly detailed bill in respect of countersigned contingent charges incurred by each officer should be submitted to the Controlling authority concerned for detailed scrutiny and transmission after countersignature to the Accountant General. Full details of such charges need not be entered in the abstract bills presented for payment at the treasury. A competent authority may in respect of specified items of countersigned contingent charges require the detailed contingent bills to be sent to the Controlling authority for scrutiny and countersignature before it is presented for payment at the treasury.

NOTE.—The provision of this para. do not apply to contingent charges off heads of departments and other Controlling authorities, which will be drawn and accounted for in accordance with the procedure laid down in the following para.

134. No detailed bills need be submitted to a higher authority for contingent charges which are not classed as countersigned contingencies, each bill presented at a treasury should, therefore, contain full details of the expenditure, supported by necessary sub-vouchers for individual payments included in the bill.

135. The duties and responsibilities of disbursing and Controlling officers with regard contingent expenditure incurred on the public service are defined in rules 295 and 296 of the Treasury Rules. The head of each Department should issue such subsidy instruction as may be necessary for the guidance of Controlling and disbursing officers subordinate to him.

136. Chapter 5 of these rules contains detailed instructions as to the general procedure for the control of expenditure against appropriation. The following special instructions are laid down for the control of contingent expenditure:-

- (i) Where the appropriation for contingent charges covers expenditure on a number of distinct and individually important objects or class of expenditure, such appropriation should be distributed by the Controlling authority among the important items comprised in it. If some of the items are not important, those items taken as a whole may be treated as a single important item for this purpose. The expenditure on each important item should be watched and controlled separately against the allotment for it, especially when the charges

are of a fluctuating nature. The contingent register prescribed in Treasury Rule 298 should be so designed that this can be done conveniently.

- (ii) For non-countersigned contingencies, the controlling authority should obtain the information required by the controlling authority for checking the expenditure against the appropriation. If, in any month, the expenditure exceeds the monthly proportion of the appropriation for the year, the disbursing officer should send a report to the controlling authority along with the detailed bill, furnishing special reasons for incurring the excess expenditure.
- (iii) For non-countersigned contingencies, the controlling authority should get period statements from each disbursing officer (monthly or at least quarterly) of the progressive expenditure compared with the allotment under each item for which there is a specific appropriation or allotment. If the expenditure is progressing too rapidly, he should instruct the disbursing officer to curtail it to the necessary extent. He should also, during his local inspections scrutinize the contingent registers of the offices under his control and satisfy himself generally that the charges are necessary and not excessive, the rates correct, the sanction obtained adequate, etc.

## **V—SPECIAL RULES RELATING TO PARTICULAR KINDS OF CONTINGENCIES**

### **CONTRACT CONTINGENCIES**

137. When under any special order of competent authority a lump sum is placed annually at the disposal of a disbursing officer for expenditure on specified items of contingencies without further restrictions, the officer incurring expenditure against the lump sum allotment should be held entirely responsible for the regularity of such expenditure and for any expenditure in excess of such allotment until the excess is sanctioned by competent authority.

138. The head of a Local Administration and the <sup>16</sup>Federal Board of Revenue may sanction an increase not exceeding Rs. 6,000 a year in a contract grant for contingent expenditure. They may sanction the substitution of a contract grant for varying budget allotments in respect of heads of contingent expenditure for which countersignature is required, on condition that the amount of the contract grant does not exceed by more than Rs.6,000 the total sum provided under those heads in the budget estimates of the year in which the change is made.

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<sup>16</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. of Pak., Extra., Pp.435-436, dated 01-8-1975.

## CONTINGENCIES REGULATED BY SCALES

139. Contingencies regulated by scales include such charges as liveries to clause IV servants, rewards for destruction of wild animals, diet and conveyance charges to witnesses and the like. The authority prescribing the scale should lay down the conditions precedent to the application of the scale, making it clear whether the bills must be countersigned before or after payment and what certificate should support the bills. It should be the duty of the controlling officers to see that the charges incurred are in accordance with the prescribed scales and the conditions which govern them.

## VI—EXPENDITURE FOR OTHER OFFICERS

140. The conditions under which a department of Government may make charges for services rendered or articles supplied by it and the procedure to be observed in dealing with such charges are laid in the Account Code, Volume I and in rule 316 of the Treasury Rules. When a Government officer makes purchases or incurs expenditure through an officer in another district and the amount to be paid on account of contingent expenditure incurred in this way is not less than Rs.50 payment may be made by Government Drafts, but otherwise every public officer who incurs expenditure in this way must treat it as expenditure of his own office, and not demand recoupment from the officer at whose request he, as an agent incurs the expenditure. The charge must, however, be taken as expenditure of the department to which the officer requiring the expenditure is attached and therefore an officer should address his application for any service to the principal officer of his department in the district indented on e.g., a police officer should ask the District Superintendent, not the Magistrate to purchase blankets for him. The Magistrate in such a case would pass on the indent, or the voucher if he has supplied any articles to the police officer who would deal with the charge if it is less than Rs.50 as a final one of his own office, applying to the proper authority for an extra appropriation if his own should fall short before the end of the year. The responsibility for obtaining proper sanction should always rest with the originating officer.

NOTE. 1.—This rule is not applicable when purchases are effected in the capital town of a province the cost may then be set by Government Drafts if it is not less than Rs.25 and by postal Money Order if it is less than Rs.25.

NOTE. 2— The rule does not also apply to expenditure chargeable to local funds, which should always be recovered.

## CHAPTER 8.—STORES

### I—INTRODUCTORY

141. The chapter contains the general rules applicable to all departments regarding stores required for use in the public service. Detailed rules and instructions

relating to the various departments e.g. the Defense Railways, Pakistan Post Office Telegraph and Telephone, Dept, Public Works, Directorate General of Supply and Development, Survey of Pakistan. Stationary and Printing, and other departments responsible for or concerned in large purchases, manufactures or consumption of stores, are contained in the departmental regulations relating to the departments concerned.

NOTE.—The term ‘stores’ used in this chapter applies generally to all articles and materials purchased or otherwise acquired for the use of Government including not only expendable and issuable articles in use or accumulated for specific purposes. But also articles of dead stock of the nature of plant, machinery, instruments, furniture, equipment fixtures etc.

142. Expenditure on stores incurred in the Civil departments is included under contingent expenditure (except where it is treated otherwise, e.g., stores relating to works), and subject to what is provided in the following rules, is governed generally by the rules which apply to such expenditure.

## **II— PURCHASE AND ACQUISITION OF STORES**

### **AUTHORITIES COMPETENT TO PURCHASE STORES**

143. Subject to any special rule or order applying to any particular department, and authority, which is competent to incur contingent expenditure, may sanction the purchase of stores required of use in the public service in accordance with the provisions contained in the following paras. Such purchases are also subject to the usual restrictions regarding the existence of necessary appropriation and to any monetary limits and other conditions prescribed generally or in regard to specific articles or classes of articles (Cf. Annexure A to Appendix 8) The powers of subordinate authorities in the matter of purchase of stores are laid down in Appendix 8 and Annexure-B thereto.

Special powers delegated to purchasing officers of the Directorate General Supply and Development, Defense, Railways, Pakistan Post Office, Telegraph and Telephone Department, Public Works, etc. department are laid down in the respective departmental regulations.

The powers of the Controller of Printing and Stationery and other officers to purchase stationery and printing stores, office machinery, appliances, etc, are specified in Appendix 10.

### **RULES AND INSTRUCTIONS GOVERNING THE PURCHASE OF STORES**

144. (1) Save as provided below, all purchases of stores for use in the public service should be regulated in strict conformity with the store rules and the subsidiary

instructions which are respectively reproduced in Appendix 9 and Annexure A to this chapter.

Special rules relating to the purchase of stationery and printing stores, including office machinery and applications etc, are contained in Appendix 10.

(2) The procurement of stores required on mobilization or during the continuance of military operations will be regulated by special rules and orders issued by Government in this behalf.

145. Purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents at the same time care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

Where scales of consumption or limits of stores have been laid down by competent authority, the officer ordering a supply should certify on the purchase order that the prescribed scales or limits are not exceeded.

146. Purchase Orders should not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders.

147. (1) All indents sent out to the (Heads of Pakistan Missions abroad) (whether by formal indent, letter or telegram), should state clearly and accurately the grant number and the head of account to which the cost of the stores is debitable, the amount of appropriation provided and an estimate of cost of each item.

The indents should be prepared in such form and in accordance with such general or special instructions as may be issued by Government in this behalf.

(2) Indents should not be sent out so late in the financial year that they cannot possibly be complied with and paid for within that year. If the Head of a Mission abroad receives any indent which he cannot possibly comply with before the end of the financial year, he will carry it over to the following financial year under intimation to Government.

(3) If it is essential to send out an indent to foreign countries before the sanctioned appropriation has been communicated to the authority concerned, the consent of the Ministry of Finance should be obtained if the estimated amount exceeds such limit as may be prescribed by Government in this behalf. In such cases the words the Ministry of Finance has agreed to indent being executed should be written on the indent.



(4) The purchasing officer should distinguish very carefully between stores to be bought through the agency of the Head of a Mission abroad and stores merely to be delivered to them for dispatch and shipment through their agency. *See* also Treasury Rule 383.

#### RECEIPT OF STORES

148. All materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charges by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

#### ISSUE OF STORES

149. When materials are issued from stock for departmental use, manufacture, sale, etc, the officer in charge of the stores should see that an indent in the prescribed form has been made by a properly authorized person, examine it carefully with reference to the orders or instructions for the issue of stores and sign it, after making suitable alternations under his dated initials in the description and quality of material, if he is unable to comply with the requisition in full. He should then prepare and sign the form of the invoice attached to the indent according to the supply actually made. The indent should be returned at once to the requisitioning officer for signature. When materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched, or from his duly authorized agent.

In case of stores issued to a contractor, the cost of which is recoverable from him, the acknowledgment should give full particulars of the materials issued, including the recovery rates and the total value chargeable to the contractor.

#### TRANSFER OF CHARGE OF STORES

150. In cases of transfers, the officer in charge of stores should see that the stores in his custody are made over correctly to his successor and a proper receipt taken from him.

Every departmental officer is bound to take over charge of departmental stores which, from the death or departure of the person lately in charge or from any other cause, may be left at or near his station, without adequate protection. For detailed instruction *see* para 115.

### III—CUSTODY AND ACCOUNTS OF STORES

#### GENERAL

151. The head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from loss, damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

152. The form of stock accounts mentioned in the preceding para. should be determined with reference to the nature of the stores, the frequency, of the transaction and the official requirements of each department or office in which they are used. The general and essential principles in accordance with which such accounts are to be kept are laid down in the following paras.

It is not, however, intended that these rules should replace the detailed store accounting rules prescribed in the departmental regulations of various departments or in any special orders which apply to any particular department unless a competent authority has held that the existing rules are defective and should be brought into harmony with the general principles laid down below. Where audit of the accounts of stores and stock has been undertaken by the Auditor General, the Accountant General concerned will bring to notice cases in which there is a hiatus to be filled in by the application of these rules and in which losses to Government could have been avoided by the use of these rules.

153. Separate accounts should be kept of:—

- (i) “Dead Stock” such as plant, machinery, furniture, equipment, fixture; and
- (ii) Other stores.

#### DEAD STOCK

154. An inventory of the dead stock should be maintained in all government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by transfer, sale, loss etc.) and the balance in hand for each kind of article. The instructions given below should be carefully observed by all concerned.

- (i) The inventory should be priced whenever the items have to enter into the block account maintained for a Government commercial undertaking or the

value of the items is necessary in order to enable Government to calculate the charge to be levied upon private persons or bodies. As regards other items, a numerical inventory would suffice, except for articles costing above Rs.25.

NOTE.—For the purpose of numerical inventory, articles of a similar description such as tables, durries, carpets, etc, should be put into separate categories, each category comprising articles of the same measurement and make and manufactured with the same metal or wood or other material.

- (ii) The inventory should ordinarily be maintained at the site of the dead-stock. Whether it is desirable, in any particular case, to depart from this general principle or to maintain additional consolidated inventories elsewhere should be decided on the merits of each case.
- (iii) The inventory should be checked by the competent administrative authority once a year and a certificate of the result of check recorded.
- (iv) Articles of dead stock should be verified at least once a year and the result of verification recorded on the inventory. All discrepancies noticed must be properly investigated and brought to account immediately so that the inventory may represent the true account.
- (v) When articles of dead stock e.g., tools and plant are lent to local bodies, contractors and others, the hire and other charges as determined under Rules prescribed by competent authority should be recovered regularly.
- (vi) Government libraries and museums should maintain up to date catalogues as well as prescribed stock accounts and inventories.

#### OTHER STORES

155. A reliable list, inventory or account of all stores in the custody of Government officers should be maintained in a form prescribed by competent authority to enable a ready verification of stores and check of accounts at any time and transactions must be recorded in it as they occur.

156. Priced lists recording both quantities and values should be maintained in cases where the stores are intended to be converted into money, or where it is desired to distribute their cost over the works, items or objects on which they are actually used. In such cases, the expenditure on stores must be charged to a stores suspense head in the first instance.

157. Purely numerical inventories i.e. recording quantities only, will suffice for articles costing up to Rs.25 when the article are intended solely for the service of the department keeping them and it is not desired to distribute their cost. In such cases the expenditure on stores must be charged off finally to the service concerned.

NOTE.—In some cases it may be found necessary to show prices and measurements, etc, vide note below para. 154 (i) against some articles, say, when for facility of identification or other reason, it is desirable to distinguish costly articles from cheap articles bearing the same general description otherwise.

158. The lists, inventories or accounts of stores should in all cases be subject to such internal check as may be prescribed by competent authority, whether or not they are subject to any check by the Accountant General.

159. A physical verification of all stores should be made at least once in every year under rules prescribed by competent authority, and subject to the condition that the verification is not entrusted to a person—

- (i) who is the custodian, the ledger, keeper, or the accountant of the stores to be verified, or who is a nominee of, or is employed under the custodian, that the ledger keeper or the accountant; or
- (ii) who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified.

The verification should never be left to low paid subordinates and in the case of large and important stores, it should be as far as possible, entrusted to responsible officer who is independent of the superior executive officer in charge of the stores.

160. A certificate of verification of stores with its results should be recorded on the list, inventory or account, as the case may be, where such a verification is carried out.

161. In making a physical verification the following instructions should invariably be observed:—

- (i) verification must always be made in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him;
- (ii) all discrepancies noticed should be brought to account immediately, so that the stores account may represent the true state of the stores; and
- (iii) shortages and damages, as well as unserviceable stores, should be reported immediately to the authority competent to write off the loss.

162. Balances of stores should not be held in excess of the requirements of a reasonable period or in excess of any prescribed maximum limit. In order to ensure the observance of this rule, a periodical inspection should be made by a responsible officer, who must submit a report of surplus and obsolete store to the authority competent to issue the orders for their disposal (*see* para 166). The inspection should, unless there be good reason to the contrary, be made six-monthly in the case of perishable stores and once a year in the case of other stores. Stores remaining in stock for over a year should be considered surplus unless there is any good reason to treat them otherwise.

163. Where a priced inventory is maintained; it is essential that, the values recorded there-in shall not be materially in excess of the market value of the stores. The head of the department concerned must issue instructions to govern.—

- (i) The fixation of prices with reasonable accuracy.
- (ii) The periodical review and revision of rates, and
- (iii) The agency to be employed in periodical revaluation.

NOTE.—The ‘market value’ of an article, for this purpose, means the cost per unit at which the article or an article of a similar description, can be procured at a given time at the Stores Godown, from some suitable public markets.

164. All profits and losses due to revaluation, stock-taking or other causes, should be duly recorded and adjusted where necessary. Formal sanction of competent authority should be obtained in respect of losses, even though no formal correction or adjustment in the accounts is involved.

165. (1) Losses due to depreciation should be analyzed, and recorded under following heads, according as they are due to:—

- (i) Normal fluctuation of market prices;
- (ii) Fair wear and tear;
- (iii) Lack of foresight in regulating purchases;
- (iv) Neglect after purchase.

(2) Losses not due to depreciation should grouped under the following heads—

- (i) Losses due to theft or fraud;
- (ii) Losses due to neglect;

- (iii) Losses due to an act of God and other calamities such as fire, enemy action etc;
- (iv) Anticipated losses on account of surplus-age of obsolete stores or of purchases in excess of requirements;
- (v) Other losses due to damage etc.

#### SALE AND DISPOSALS OF STORES AND WRITES OFF OF STORES

166. The previous sanction of competent authority should be obtained to the writing off of all losses, deficiencies or depreciation in the value of stores—(*see* schedule V to the Book of Financial Powers).

167. Subject to any subject rules or orders applicable to any particular department, stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value [vide col. (4) of schedule V to the Book of Financial Powers].

Each order declaring stores as unserviceable should record the full reasons for condemning them and how the condemned stores are to be disposed of i.e. whether by sale, public auction or otherwise. The head of the office should record full particulars regarding all condemned stores in suitable list from which their disposal can be watched.

NOTE.—These instructions do not apply to the Defense, Railways, Pakistan Post Office, Telegraph & Telephone Department and other special departments whose procedure in this regard is regulated by separate orders contained in the departmental regulations.

168. Sales to private persons of stores other than those which are found to have become obsolete or unserviceable are regulated by special rules and orders applicable to particular departments. When stock materials are sold to the public or any other department or authority at their full value, a suitable percentage as determined by competent authority should be added to the book value to cover charges on account of supervision, storage and contingencies. This addition may, however, be waived by the officer empowered to sanction the sale in the case of surplus stock which in his opinion would otherwise be un-sale-able.

#### OPIUM STOCK IN THE CUSTODY OF TREASURY OFFICERS

169. The opium in store must be kept in the treasury strong room and not elsewhere and all receipts into and issues from stock should be entered in a store register maintained for the purpose over the initials of the Treasury Officer. The Treasury Officer

should give out opium to the Treasurer as required for sale to the public; an account of opium so issued to and sold by him being kept by the treasurer in a sub register in suitable form to be determined by the Treasury Officer. The Treasury Officer should see that all issues to the Treasurer are entered up in the register and the proceeds of opium sold are duly credited into the treasury account. The balance of opium in the hands of the Treasurer should be checked by the Treasury Officer at least once every month. No more opium should be issued to the Treasurer than is necessary to meet current demands.

#### **IV—AUDIT OF STORES AND STOCK ACCOUNTS**

170. When audit of the accounts of stores and stock kept in any office or department is undertaken by the Auditor General, it will be conducted in accordance with the regulations embodied in Appendix 11.

#### **V—MISCELLANEOUS**

##### **DEPARTMENTAL AND OTHER CHARGES ON IMPORTED STORES**

171. A surcharge at the rate fixed by Government from time to time to cover departmental expenses and marine insurance is added by the Heads of Missions abroad to the invoiced price including freight of all stores obtained through him by Provincial Governments, commercial departments (Railways, Irrigation Works, Pakistan Post Office, Telegraph and Telephone Department etc.) Government commercial undertakings, Local Funds, private individuals, etc, in calculating the cost debitable to or recoverable from, the various sources.

NOTE. 1.—When under special arrangements a contractor undertakes to deliver stores at a port in Pakistan, the surcharge leviable will be for departmental charges only.

NOTE. 2.—The extra charge for marine insurance covers the risk of losses during the voyage to Pakistan and not losses between the ship's side and shore.

NOTE. 3.—The adjustment of the surcharge will be made by the Head of Mission concerned for Pakistan. A similar extra charge at the prescribed rates should be made in Pakistan for stores imported from foreign countries for the <sup>17</sup>Federal Government but eventually transferred to Provincial Government etc.

NOTE. 4.—In making recoveries from the agents of vessels on account of short delivery of stores, the surcharge should not be added to the invoiced value of the stores (including freight).

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<sup>17</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

172. A charge at the rate fixed by the Government from time to time is levied by the Heads of Missions abroad to cover departmental expenses on the sales of stores made on behalf of Provincial Governments and Commercial Departments of the Federal Government. An additional charge at the rate fixed by the Government from time to time is also levied to cover marine insurances etc, when freight is arranged for and paid by the Heads of Missions concerned.

#### GENERAL AVERAGE

173. (1) "General average" is the adjustment made among the owners of vessel and of cargo in the event of loss or damage occurring to the vessel. It may be explained that, where, under the presence of a common danger an extraordinary expenditure or sacrifice becomes necessary for the salvation of both the ship and its cargo the burden thus incurred is proportionately distributed upon all the interests that have been benefited by the sacrifice. A familiar example is throwing overboard a cargo for safety such circumstances, a ship declares a "General average".

(2) Claims for contribution to general average in respect of vessels carrying Government stores between the United Kingdom and Pakistan are to be referred to the (Ambassador) for Pakistan in the United Kingdom for settlement. Such claims give no lien on the stores which are to be delivered in accordance with the conditions for freight not-with-standing any claims for contribution to average.

(3) Claims in respect of vessels carrying Government stores other than those covered by sub-para (2) will be dealt with in Pakistan by the Accountant General, Lahore or Pakistan Revenues as the case may be, or by such other officers as may be nominated by Government in this behalf, in accordance with the following instructions:—

- (i) When a Shipping Company declares a 'General average' with regard to the cargo on board a particular ship in accordance with the provisions on the bill of lading, it may, before giving delivery of cargo consigned to Government require the appropriate officer referred to above, to sign a bond on behalf of Government agreeing to abide by the ultimate award in connection with 'General average', and also to make to deposit. This should be referred to the Government Solicitor for advice, where necessary, as to whether the case is, or is not one for a General average. If he so reports, the bond should be signed, and the payment made to the shipping company, and a separate account kept of the payment.
- (ii) The adjustment will, after some time, be presented by the shipping company, Government in it will be credited (1) with the deposit, (2) for any special losses of its charge (3) for any special expenditure incurred by it, and debited with share of any general losses of expenditure, as well as any particular



expenditure for its benefit and the resulting balance offered to or demanded from it.

The net loss to Government on the whole matter should be treated as expenditure but pending final settlement, all transactions connected with a case of loss, which is to be the subject of a General average. Adjustment should be passed on to a suspense or other appropriate head of account opened in the books of the Account Office in connection with the case.

- (iii) The cases are usually very complicated and the final settlement of each case has to be made under orders of Government, full particulars of the ship, the cargo, the amount claimed and the circumstance under which 'General average' had been declared should therefore be furnished to Government for each case in which a payment on this account is made to a shipping company.

Copies of all correspondence subsequent to the initial deposit should also be sent to Government and further action taken under such directions as may be given by Government in each case.

NOTE.—The amount demanded by the shipping company may be drawn on a contingent bill and paid to its local representative.

#### PURCHASE FOR LOCAL BODIES

174. In the absence of special orders to the contrary the cost of all stores, purchased for Local Bodies, must be prepaid in cash. In the case of purchases made through the Head of Missions abroad the rupee deposits made on account of stores specially imported for them should be converted at the current rate of exchange and the cost in sterling of the stores supplied (including sea freight payable outside Pakistan), together with the extra charges mentioned in para 172, should be adjusted month by month against the deposit.

175. *Deleted.*

**ANNEXURE A**

*Instructions for the guidance of officers who are required to make purchases of stores required for the Public Service.*

(See Para 144)

**PREAMBLE TO THE RULES IN PART I OF APPENDIX 9**

The policy of Government is to make their purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency and the following rules, which are applicable to the purchase of stores (other than printing and stationery stores) for the Federal Government are prescribed in accordance with this policy. These rules supersede all previous orders on the subject.

In order to give effect to the above policy preference in making purchases will be given in the following order:—

First, to articles which are produced in Pakistan in the form of raw materials, or are manufactured in Pakistan from raw materials produced in Pakistan provided that the quality is sufficiently good for the purpose;

Secondly, to articles wholly or partially manufactured in Pakistan from imported materials provided that the quality is sufficiently good for the purpose;

Thirdly, to articles of foreign manufacture held in stock in Pakistan provided that they are of suitable type and requisite quality;

Fourthly, to articles manufactured abroad which need to be specially imported.

Ministries and Divisions of the Federal Government, or officers specially authorized in this behalf, may when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in Pakistan either wholly or in part.

The rules express a definite preference for articles which are produced in Pakistan in the form of raw materials or are manufactured in Pakistan from raw materials produced in Pakistan and also for articles wholly or partly manufactured in Pakistan from imported materials. They also extend a preference (but not in price) to articles of foreign manufacture stocked in Pakistan over those which have to be specially imported.

2. The difference in the character of the preference which may be given should be carefully noted. In the case of the first two categories mentioned in the preamble the

condition is that the quality is sufficiently good for the purpose, and for the third category that the articles are of suitable type and requisite quality. This means that articles coming under the first two categories should be accepted unless it is considered that the quality is definitely not up to the standard required even though imported articles may be considered to be of better quality.

3. The other kind of preference referred to in these rules is a price preference, and it is enjoined that a limited price preference may be given to articles produced or manufactured in Pakistan either wholly or in part by officer especially authorized. It should be noted that no price preference should be given to articles falling in the third category over those which come within the last category.

4. A strict comparison with prices prevailing abroad is not required, but the underlying principle is that the preference to be accorded to Pakistan products or to imported stocks is to be tempered by the consideration of economy.

5. The degree of price preference that may be allowed to Pakistan products has not been specially provided for in the rules because Government intends to retain entirely in their own hands, for the present, the power to grant such a preference. Ordinarily a limited degree of price preference in favor of articles produced or manufactured in Pakistan will be justified for one or other of the following reasons:—

- (a) when the industry in question is expected to fill a vital gap in the economic life of the country and is likely to take a firm root in the soil in the near future;
- (b) strategical necessity;
- (c) to prevent any sudden dislocation of the labor market on a large scale;
- (d) to regulate and control foreign competition especially during period of temporary trade depression abroad.

6. Every proposal for the grant of a price preference should be referred by the purchasing officer concerned through the proper channel, to the <sup>18</sup>Federal Government in the Administrative Department concerned. The latter will, before passing final orders, consult the Ministry of Industries. It will devolve on the latter to co-ordinate the action to be taken under this head by the different Ministries and Divisions of the <sup>19</sup>Federal Government.

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<sup>18</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>19</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

Rule 1 *in Appendix 9 (PART I)*.—Save as provided in Rules 7 and 8 all articles required to be purchased for the public service shall be purchased on the condition that delivery shall be made in Pakistan for payment in rupees in Pakistan.

7. It should be carefully noted by all purchasing officers that the purchase in Pakistan of all articles (with the exception of the classes of stores specified in Rules 7, 7A and 8), required for the Public Service is obligatory.

8. Indents for stores, other than the classes of stores specified in Rules 7, 7A and 8, should not be sent to the Heads of Missions abroad but the stores should be obtained by calling for tenders in Pakistan in accordance with the rules.

9. It should be clearly stated in all invitations to tender, issued by purchasing officers in Pakistan, that tenders must provide in their tenders for delivery in Pakistan, and that payment for the articles will be made in rupees in Pakistan.

10. With reference to the principles of preference mentioned in the preamble, tenders should be requested to furnish information in regard to the country of manufacture and or origin of the material used in the manufacture of the articles.

11. Purchasing officers may exercise full discretion regarding the point or place of delivery to be specified in their invitations to tender. They may specify C.I.F. or F. O. R., Pakistan Port, F. O. R. place of dispatch, in Pakistan or Free Delivery receiving station in Pakistan. Where tenders are invited for plant and equipment, in which the erection of the plant at site is to be undertaken by the successful tender appropriate terms in regard to delivery at site should be included in the invitation to tender or in the general specification.

12. When specifying the point or place of delivery, purchasing officers should endeavour to lay down terms which will give all tenderers equal opportunities to put forward their lowest prices. For instance, in many cases tenderers abroad may be unable to tender for delivery F.O.R. Pakistan port or free delivery receiving station in Pakistan and may only be able to tender on the basis of delivery C.I.F. Pakistan port with payment in rupees in Pakistan against shipping documents. Such tenders should be considered as coming within the meaning of Rule 1 and should be accepted if satisfactory in other respects.

13. Except in special cases full payment for the stores should not be made against shipping documents but only after delivery of stores has been taken by the receiving officer and they are found to be satisfactory in every respect.

Rule 2 *in Appendix 9 (PART. I)*.—Tenders shall be invited in Pakistan and abroad also when considered desirable, for the supply of all articles which are purchased under Rules 1 to 4, unless the value of order to be placed is small or sufficient reasons to be

recorded, exist which indicate that it is not in the public interest to call for tenders. No tender, which fails to comply with the condition as to delivery and payment prescribed in Rule 1, shall be accepted.

14. The rule authorizes the issue of invitations to tender to firms abroad "when considered desirable". The discretion to invite such tenders will vest in the head of the department concerned, e.g., Directorate General of Supply and Development, the General Manager of the Railway concerned in the case of all State Railways, and the Master General of Ordnance in the case of the Ministry of Defense.

15. Tenders should be invited abroad as well as in Pakistan whenever it is considered necessary or desirable to do so in order to obtain adequate publicity and so ensure economical purchase. These considerations will apply mainly to the categories of stores which have to be obtained by indent on the Heads of Missions abroad and when dealing with the purchase of such classes of stores it is essential that tenders should be invited abroad in order to obtain wide competition and utilize all possible sources of supply.

16. If the response to any invitation to tender indicates that, owing to inadequate publicity or some other reason, favorable tenders have not been received, then fresh tenders should be invited and measures taken to bring the invitation to tender to the notice of all possible tenderers.

17. When the circumstances of a particular case indicate the desirability of obtaining tenders from firms established abroad, who have no branches or agencies in Pakistan, a sufficient supply of tender forms with the relevant documents specifications and drawings should be sent as soon as possible to the Ambassador for Pakistan in U. K. The latter will give such publicity to the demand as he may consider to be the most suitable for the purpose, by advertisement in the newspapers or otherwise. Demands estimated to cost Rs.20,000 or over will, as a rule, be advertised by him.

Intending tenderers established abroad will be instructed by the Ambassador for Pakistan in U. K. to apply to him for the tender forms, copies of which will be supplied by him on payment in sterling of the charges (if any) to be fixed by him in each case. The tenderers will at the same time be instructed to submit their tenders direct to the purchasing officer concerned in Pakistan and not to the Ambassador for Pakistan in U. K. and the order will be placed by the former direct with the successful tenderer.

18. When it is desired to have the recommendations of the technical advisers of the Head of Mission abroad e.g., the Consulting Engineers, Naval Architects, etc., on the tenders, before a decision is reached as to the placing of the order, it should be stipulated in the invitation to tender that a complete duplicate of the tender should be delivered to the Head of Mission abroad on the same date as that fixed for the submission of the tenders in Pakistan. The Heads of Missions will arrange for the examination of the

tenders by the appropriate technical authority and will telegraph his recommendations to the purchasing officer concerned in Pakistan. For the work connected with this examination of tenders, the Heads of Missions will make a fixed charge against all commercial and other Departments who are not entitled to utilize the services of the Head of Mission free of cost.

19. It should be made clear on every tender form that the stores must be delivered in Pakistan, that payment will be made in Pakistan in rupees, and that any tender which does not comply with these conditions will not be considered. Tenderers abroad should also be required to specify their agents in Pakistan through whom delivery will be arranged and payment received, and who when so required, will arrange for erection at site and for the carrying out of such tests on completion as may be specified in the contract.

20. No account adjustment will be made between the Heads of Missions offices and the Purchasing Department in Pakistan for the value of tender forms sent to London and issued on behalf of the Purchasing authorities in Pakistan and the expenditure on advertisements, postage charges, etc., in the Heads of Mission's Office.

21. When considering the desirability of calling for tenders abroad it is important that purchasing officers in Pakistan should bear in mind the necessity of allowing sufficient time for the receipt and publication of invitations to tender, the receipt of the tender forms by tenderers, and the preparation and dispatch of the tenders to Pakistan.

22. The following is an approximate estimate of the time required:—

Time required for sending the forms from Pakistan to London.

By ordinary Mail..... about 30 days.  
By Parcel Mail .....about 30 days.  
By Air Mail .....about 5 days.

Time taken in London in advertising and issuing forms of tenders, say 10 days.

Times required by tenderers to prepare and dispatch tenders average, says, 14 days.

Time required for forwarding the tenders to Pakistan.

By ordinary Mail.....about 30 days.  
By Parcel Mail.....about 30 days.  
By Air Mail..... about 5 days.

If American tenders have to be awaited about three weeks will require to be added to the above figures and in cases of complicated engineering schemes it will be necessary to allow a longer time to tenderers for the preparation of their tenders.

23. Rule 2 does not preclude the use of limited or single tenders nor does it require that tenders should be called for where it is clearly not in the public interests to do so. The following procedure for obtaining tenders should be followed as far as practicable.

Tenders should be obtained:—

- 1) By advertisement (open tender).
- 2) By direct invitation to a limited number of firms (limited tender).
- 3) By invitation to one firm only (single tender or private purchase).

24. The 'open tender' system i.e., invitation to tender by public advertisement should be used as a general rule and must be adopted subject to the exception noted below in all cases in which the estimated value of the tenders to be received is <sup>20</sup>Rs.40,000 or over.

25. *Deleted.*

26. When in the circumstances stated in paragraph 15 it is decided to invite tenders from abroad the procedure described in paragraphs 17 and 18 should be followed.

27. The 'limited tender' system should ordinarily be adopted in the case of all orders the estimated value of which is less than <sup>21</sup>Rs.40,000.

28. For the purposes of the limited tender and single tender procedure, the purchasing officers will maintain a list of firms, both Pakistan and foreign, of known reliability who have been able to satisfy them that they possess the necessary equipment and facilities for the supply of stores which they offer. The list should be subjected periodically to examination and revision, and any application from a firm for inclusion in the list should be considered on its receipt. Before the name of a firm is added to the list, such enquiries as may be considered necessary should be made by the purchasing officer to ascertain the ability of the firm to execute contracts satisfactorily. From this list the names of firms to be invited to tender should be selected.

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<sup>20</sup> Amended vide Finance Division's O.M.No.F.1(7)R.12/88-Exp-III/2002, dated 26<sup>th</sup> March, 2002.

<sup>21</sup> Amended vide Finance Division's O.M.No.F.1(7)R.12/88-Exp-III/2002, dated 26<sup>th</sup> March, 2002.

29. Such a list is already maintained by the Directorate General of Supply and Development and that department will, on receipt of a request, furnish purchasing officers with such information as he may possess regarding the capability and standing of any firm approved by him.

30. The 'single tender' system may be adopted in the case of small orders, or when the articles required are of a proprietary character and competition is not considered necessary. A small order shall be interpreted to mean for this purpose an order the total value of which does not exceed <sup>22</sup>Rs.4,000. In all such cases, however, the purchasing office should consider whether it is not feasible to enter into a rate or running contract for the articles in question or to utilize the rate or running contracts entered into by the Directorate General of Supply and Development.

31. The 'limited tender' system may, however, be adopted instead of the 'open tender' system even when the estimated value of the tenders to be received is not less than Rs.5,000 in the following cases :

- (a) When sufficient reasons exist which indicate that it is not in the public interests to call for tenders by advertisement. In every such case the reason must be recorded by the purchasing officer and communicated to the Accounts and / or Audit Officer concerned confidentially, if necessary;
- (b) When the indenting officer certifies that the demand is urgent and any additional expenditure involved by the elimination of open competition must be incurred. In all such cases the indenting officer must place on record the nature of the urgency and why the demand could not be anticipated.

32. When tenders are invited by public advertisement the issue of the tender forms need not be restricted to firms whose names are on the list of approved contractors. Firms not on the list should on enquiry be informed that they are at liberty on payment of the prescribed fee to tender for advertised requirements. When a tender which appears to be satisfactory has been received from an unknown firm steps should be taken before any order is placed to ascertain whether the firm is capable of executing the work in a proper manner. If the enquiries prove satisfactory the order, or a portion of it, may be placed with the firm. If the order or a portion thereof is satisfactorily executed the name of the firm should be added to the list of approved contractors.

*Rule 3 in Appendix 9 (Part I).*—All articles, whether manufactured in Pakistan or abroad, shall be subject to inspection before acceptance, and articles for which specifications and for tests have been prescribed by competent authority shall be required to conform to such specifications and / or to satisfy the prescribed test or tests which may

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<sup>22</sup> Amended vide Finance Division's O.M.No.F.1(7)R.12/88-Exp-III/2002, dated 26<sup>th</sup> March, 2002.



be carried out during manufacture or before or after dispatch from the suppliers' premises.

*Rule 5 in Appendix 9 (Part I).*—In the case of important construction works let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when specifications and / or tests have been prescribed for such articles they shall conform to such specifications and / or shall satisfy such tests.

33. The object of Rules 3 and 5 is to emphasize the importance of ensuring that articles purchased for the public service conform to the specifications which may be prescribed by competent authority, and the necessity for careful inspection of all stores before acceptance. The appropriate specifications should be annexed to or quoted in the invitations to tender, and it should be stipulated in the conditions of contract that the articles supplied will be subject to inspection and / or tests prescribed in the specifications before acceptance.

34. When tenders for important construction works are invited the officer concerned should also stipulate in the invitations to tender that the articles required for the construction of such works must comply with the specifications prescribed for such articles. The articles should be inspected and / or tested in accordance with the provisions of the specifications before acceptance.

35. All purchasing officers should pay special attention to these points, and should take steps to ensure that adequate inspection arrangements are made in each case.

36. When articles are obtained from abroad which require inspection and / or test during manufacture and before shipment, arrangements should be made by the purchasing officer concerned for such inspection and / or tests to be carried out by the Head of Mission concerned. Any further inspection and test considered necessary or desirable after receipt of the articles in Pakistan should be arranged for by the Purchasing Department. The services of the Director-General of Supply and Development can be utilized in connection with such inspection and tests.

37. As soon as a contract for articles which require inspection and / or test during manufacture or before shipment, from abroad has been awarded, four complete copies of the accepted tender with specifications drawings, conditions of contract and all other relevant documents, should be sent to the Head of Mission concerned with complete instruction for inspection and the full address of the manufacturers. The contractors should be informed that inspection during manufacture or before shipment will be carried out by the Head of Mission concerned and should be asked to instruct his representatives in the country of manufacture to communicate direct with the mission concerned.

38. With regard to the inspection of articles obtained or manufactured in Pakistan all purchasing officers can, if they so desire, utilize the services of the Supply

and Development Department for the inspection and / or test during manufacture and before dispatch.

39. In the case of orders for plant and machinery, whether purchased in Pakistan or obtained from abroad which include erection and test at site of work, arrangements for inspection and test after erection at site can also be made through the Department of Supply and Development.

*Rule 4 in Appendix 9 (Part I)*—Important plant, machinery and iron and steel work shall be obtained only from firms approved by the Director-General of Supply and Development and specified in the list issued by him from time to time.

40. The intention of this Rule is to ensure that plant, machinery and other engineering equipment, bridge girders, roof trusses, which form important components of a project shall be obtained from firm which possess workshops and appliances capable of turning out work of the desired standard.

41. The lists referred to in this Rule will be maintained and issued from time to time to all purchasing Departments by Department of Supply and Development. They will include the names of firms in Pakistan and abroad which have been approved for the supply of important plant, machinery, and iron and steel work.

42. Applications for inclusion in the lists mentioned in this Rule should be made to Department of Supply and Development direct by the firms with a full statement of the reasons which in their opinion justify such inclusions.

43. Cases may arise in which tenders may be received from firms whose names do not appear in the lists of approved firms. If the tenders are *prima facie* satisfactory, they should not be summarily rejected, but a reference should be made to Director-General of Supply and Development who will if considered necessary make enquiries in regard to the capabilities and standing of the tendering firms and will intimate the result of the enquiries to the purchasing officer concerned.

*Rule 6, in Appendix 9 (Part I)*.—Nothing in these rules shall be deemed to prohibit the purchase of articles by one Department or Railway from another.

(NO INSTRUCTIONS)

*Rule 7 in Appendix 9 (Part I)*.—The articles enumerated in Schedule A, or any other articles of a special or unusual character may, when suitable and economical purchases cannot be made in accordance with the preceding rules, be obtained without reference to those rules, subject to the following conditions:—

- (a) Where the value of the purchase exceeds Rs.5,000, the purchasing officer shall place on record his reasons for not effecting the purchase in accordance with the preceding rules.
- (b) The purchasing officer may at his discretion either obtains the article that he requires by indent on the Head of Missions abroad, or purchase it direct from manufacturer or dealers abroad. Where resort is had to direct purchase from manufacturers or dealers abroad, tenders shall, whenever practicable, be first obtained.
- (c) When articles are purchased abroad under this rule through the agency of the Heads of Missions abroad payment shall be made by that department. In other cases payment shall be made:—
  - (i) in countries other than Great Britain and Northern Ireland direct to the suppliers by the purchasing officer:
  - (ii) in Great Britain and Northern Ireland, through the Ambassador for Pakistan in U. K.

44. This and the following Rules are in the nature of exceptions to the principle enunciated in Rule 1. Before availing himself of the discretion given by this Rule, it will be incumbent on every purchasing officer to take all possible steps to assure him-self that the stores of the requisite qualities cannot be obtained in Pakistan at suitable prices in accordance with the provisions of Rule I. In order to ensure that the underlying principles of the Rules are not violated, a copy of all orders for stores placed abroad, whether on the Head of Mission or directly on the suppliers, under this Rule, should be forwarded to Department of Supply and Development for scrutiny, and also for the purpose of compilation and publication of a list every two months of all such orders placed abroad.

45. It will be noted that under this Rule “articles of a special or unusual character” may be obtained by indent on the Head of Mission or purchased direct from manufactures or dealers abroad. It should be clearly understood that the expression “articles of a special or unusual character” is not to be taken as covering generally the case of articles not produced or manufactured in Pakistan, such as, locomotives, boilers, plant and machinery, etc., etc. The expression “articles of a special or unusual Character” is intended to give purchasing officers liberty to obtain direct from manufactures or through the Head of Mission concerned articles such as spare or replace parts of non standard appliances and other articles which cannot conveniently be obtained by calling for tenders on a rupee basis. For example, a purchasing officer may require a replace part for a machine tool of a particular type and make. The manufacturer may not be represented in Pakistan and he may be able to tender for delivery and payment in Pakistan. Again, a special type of machine may be invented and produced by a

manufacturer who is not represented in Pakistan and who will only agree to supply his machine on his own conditions of sale.

46. It should be noted that the inclusion of “Scientific Instruments” in item (VIII) of schedule A under this Rule is not intended to permit the purchase of drawing, surveying, and other Mathematical Instruments, either from manufacturers or dealers direct or through the Head of Mission. Indents for such instruments should be placed with the Mathematical Instruments office of the Director-General, Survey of Pakistan.

*Rule 7-A in Appendix 9 (Part I).*— The purchasing officer shall obtain by indent on the Head of Mission, all articles not produced in Pakistan and required to be purchased for the public service, stocks of which are not available in the country or could not be made available within the time such articles are required to be brought into service.

In all such cases the purchasing officer shall, before forwarding the indent, place on record his reasons for not affecting the purchase in accordance with the preceding rules and also sign on the indent a certificate on the following form:—

“I certify that from enquiries made I am satisfied that the article / articles included in this indent is / are not at present available in this stock in Pakistan and cannot be made available within the time such articles are required to be brought into service.

Dated.....

Purchasing officer.”

(NO INSTRUCTION)

*Rules 8 in Appendix 9 (Part I).*—Lethal weapons, munitions of war, technical apparatus and equipment, and any other stores required by the Naval, Military or Air Forces of Pakistan for which drawings patterns, specifications or designs have been issued, prescribed or announced by the Pakistan Government or Commander-in-Chief in Pakistan, shall be obtained by indent on the Head of Mission unless they are available in Pakistan in accordance with the prescribed drawing, pattern, specification or design. Any departure from the rule, requires sanction of Government.

47. To ensure that indents on the Head of Mission will be issued under this Rule only when stores of the categories mentioned are not available in Pakistan, the Ministry of Defence will issue instructions to all stores purchasing officers under them that a copy of all orders placed abroad should be sent to the Director General of Supply and Development for scrutiny; in all cases of doubt, the indent should be sent to that Department for prior scrutiny. Purchases made from abroad under this Rule (Except of special classes of military stores), will also be included in the monthly publication referred to in paragraph 44.

48. The purchase of military stores not falling under the categories mentioned in this Rule is regulated by the same rules as apply to purchases made by Civil Department. Purchases can, therefore, be made for delivery outside Pakistan and for payment in non Pakistani currency only to the extent provided for in Rule 7.

### SCHEDULE A

(See Rule 7)

- (i) Seeds.
- (ii) Cinchona Bark.
- (iii) Articles for experimental purposes.
- (iv) China, glass, cutlery, plate, crockery and perishable fabrics including linen for residences, which are furnished by Government.
- (v) Copper, Zinc and other non-ferrous metals produced in Australia or America.
- (vi) Timber produced in Australia and North America.
- (vii) Such articles as the Superintendents of Vaccine Depots may require for the preparation of vaccine lymph.
- (viii) Chemicals and scientific instruments.
- (ix) Preserved and tinned foodstuffs.
- (x) Articles required for <sup>23</sup>President's residence.

## CHAPTER 9—WORKS

### I.—INTRODUCTORY

176. For purposes of administration and control, <sup>24</sup>Federal buildings and other works are divided broadly into the following class:—

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<sup>23</sup>Substituted by Ministry of Law Notification No.F.13(1)/59-D&L, dated 24-1-1961, Gaz. Of Pak., Extra., Pp.102-103, as issued *vide* their Notification No.F.2(18)/60-Lagis., dated 24-1-1961, Gaz. Of Pak., Pp.71-72.

<sup>24</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

- (i) Military works.— i.e., buildings, defense works and ancillary services intended for different branches of the Defense Services, which are carried out by or on behalf of the Military Engineer Services; and
- (ii) Public works.— i.e., Civil Works and Irrigation, Navigation, Embankment and Drainage Works under the administrative control of the Public Works Department; and
- (iii) Buildings and other works under the administrative control of department using or requiring them. These comprise *inter alia*—
  - (1) all works pertaining to the Railways, Pakistan Post Office, Telegraph and Telephone, Forest, Salt, Lighthouse, Broadcasting and other quasi-commercial departments and undertakings;
  - (2) Works pertaining to the Mints;
  - (3) Archaeological works in connection with conservation of ancient monuments;
  - (4) works relating to construction and maintenance of civil aerodromes;
  - (5) any other works or class of works allotted under orders of Government to the department using or requiring them.

NOTE.—Subject to any general or special rule or order of Government to the contrary, the term, administrative control as applied to works implies *inter alia* the assumption of full responsibility for the construction, maintenance and upkeep of buildings and other works and the provision of funds for the execution of those functions. (See Article 33 of the Account Code, Vol. I.)

177. Subject to the observance of the following general rules, the initiation, authorization and execution of works allotted to particular departments should be regulated by detailed rules and orders contained in the respective departmental regulations and by other special orders applicable to them.

## II.—GENERAL RULES

178. Except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection within until—

- (i) Administrative approval has been obtained from the authority appropriate in each case;

- (ii) Sanction, either special or general, of competent authority has been obtained authorizing the expenditure;
- (iii) a properly detailed design and estimate has been sanctioned; and
- (iv) funds to cover the charge during the year have been provided by competent authority (*see* also para. 93).

If, in any case, whether on grounds of urgency or otherwise, an executive officer is required by superior authority to carry out a work or incur a liability which involves an infringement of these fundamental rules, the orders of such authority should be conveyed in writing. On receipt of such written orders or, in cases of emergency, on his own responsibility, the officer may proceed to carry out the necessary work, subject to the condition that he immediately intimates to the Accountant General concerned that he is incurring an un-authorized liability and states approximately the amount of the liability which he is likely to incur.

179. (1) The powers delegated to various subordinate authorities to accord administrative approval and sanction to expenditure upon, and to appropriate and re-appropriate funds for, works are regulated by the orders contained in the Book of Financial Powers and other special orders contained in the respective departmental regulations.

(2) For purposes of approval and sanctions, a group of works which forms one project should be considered as one work, and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a group of works is not avoided by the fact that the cost each particular work in the project is within the powers of approval or sanction of any authority subordinate thereto.

NOTE.—While no officer may sanction any estimate for a work which cannot be fully efficient unless other works are also sanctioned if the cost of all such works collectively exceeds his powers of sanction, it is not the intention that two or more works should be regarded as forming part of a group of work merely because they are of the same nature, if they are otherwise mutually independent.

180. The authority granted by a sanction to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any anticipated or actual savings on a sanctioned estimate for a definite project should not, without special authority, be applied to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.

181. Any development of project thought necessary while a work is in progress, which is not fairly contingent on the proper execution of the work as first sanctioned, should be covered by a supplementary estimate.

182. To facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a schedule of rates for each kind of work commonly executed should be maintained in each locality and kept up to date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates, used in the estimate are arrived at.

183. When the works are given out on contract, the general principles laid down in paras 18 and 19 should be carefully borne in mind.

### III.—WORKS UNDER THE ADMINISTRATIVE CONTROL OF THE PUBLIC WORKS DEPARTMENT

184. Subject as provided in para. 176, provision for expenditure on all buildings, communications and other works required by civil departments, which Government has not specifically allotted to such departments, should be included in the Grant for “Civil Works”, to be administered and accounted for by the Public Works Department. No such work may be financed partly from funds provided in a departmental budget and partly from the budge for civil works.

The term ‘Civil Works’ used in this rule embraces all works chargeable to the heads “50-Civil Works” and “81—Capital Account of Civil Works” outside the Revenue Account.

NOTE.—Separate grants are obtained for expenditure on Irrigation, Navigation, Embankment and Drainage works in charge of the Public Works Department.

185. The rules and instructions contained in Appendix 6 to the <sup>25</sup>Federal Public Works Account Code should be strictly observed by all authorities responsible for the preparation of budget estimates and administration of funds allotted for <sup>26</sup>Federal Public Works.

186. The financial powers of different authorities responsible for or concerned in the execution of <sup>27</sup>Federal Public Works and of appropriating and re-appropriating funds allotted for expenditure, upon such works are laid down in the <sup>28</sup>Federal Public Works

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<sup>25</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>26</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>27</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>28</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.



Department Code, the <sup>29</sup>Federal Public Works Account Code and other special rules made by Government for application to special classes of works. The general rules contained in these codes, which govern the accord of administrative approval and sanction to and allotment of funds for <sup>30</sup>Federal Public Works, will apply *mutatis mutandis* when such works are executed by the Public Works Department of a Governor's province on behalf of the <sup>31</sup>Federal Government. But, subject to any general or special order of the Provincial Government, officers employed on such works will exercise in respect of them the same powers of technical sanction as they exercise in respect of provincial works and carry out the works under rules and procedure prescribed by the Provincial Government concerned.

187. Similarly, when <sup>32</sup>Federal Public Works are entrusted to the agency of the Military Engineer Service for execution or maintenance, administrative approval and expenditure sanction will be accorded and funds allotted, by the authority concerned under the rules contained in the <sup>33</sup>Federal Public Works Department Code; the Military Engineer Services will then be responsible for design, specification and execution in accordance with the rules and procedure prescribed in the Regulations for those services, (*See* Appendix C to the Regulations for the Military Engineer, Services.)

188. In provinces and areas in which the Pakistan Public Works Department operates, namely, in Punjab, Sind, N.W.F.P. and Baluchistan all <sup>34</sup>Federal Public Works will be executed by the Pakistan Public Works Department unless in any particular case such works have been entrusted under special orders of Government to the Provincial Government or to any other agency:

Provided that where for administrative or economic reasons the maintenance of any <sup>35</sup>Federal building in charge of the Public Works Department is entrusted to any other civil department, original works and special repairs costing Rs.2,500 or less and all ordinary repairs irrespective of cost, in respect of such buildings may be carried out by the head of the department concerned in accordance with such special instructions as may be issued to him by the Public Works Department. Provision for expenditure on such works should be made in the Budget for "50-Civil Works" under a special sub-head "Petty construction and repairs by Civil Departments", subdivided into two secondary units (i) works and (ii) repairs, from which allotments will be made by the Public Works

<sup>29</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>30</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>31</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>32</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>33</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>34</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>35</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

Department to heads of civil departments carrying out the works and while full budgetary and financial control in respect of such works will remain with the Public Works Department, the charges incurred by the civil departments may be drawn under the rules and procedure governing contingent expenditure. (*See* also Para 310 of the <sup>36</sup>Federal Public Works Account Code).

189. In provinces and areas where the Pakistan Public Works Department does not operate, a competent authority may, subject to such restrictions as it may think necessary to impose, assign to heads of civil departments, the execution of petty works and repairs costing Rs.2,500 or less relating to buildings under the administrative control of the Public Works Department, provided that such works do not form part a bigger program. When such assignment has been made, the charges incurred by the civil department may be drawn and accounted for as contingent expenditure of the department concerned.

190. In all other cases in which a civil department is entrusted with the execution of <sup>37</sup>Federal Public Works, the departmental officer carrying out the work should act as a Public Works disburser and be guided generally by the rules and procedure which apply when works are carried out by the Public Works Department.

#### IV.—WORKS UNDER THE ADMINISTRATIVE CONTROL OF OTHER CIVIL DEPARTMENTS

191. (1) Save where any particular departments (e.g., Salt, Forest, Archaeology, Broadcasting, Light-house, etc.), has been authorized by Government to execute all or specified classes of departmental works without reference to the Public Works Department or the Military Engineer Services, and subject to any special rule or order issued by Government to apply to special classes of works, all original works and special repairs costing more than <sup>38</sup>Rs.25,000 relating to buildings and other works, the administrative control of which vests in other civil departments, should be executed through the agency of the Public Works Department, <sup>39</sup>Federal or Provincial, as the case may be, or through the Military Engineer Services where it is not convenient for the Public Works Department to undertake the work. In exceptional cases in which the Public Works Department or the Military Engineer Services is not employed for the execution of such works or repairs, the Accountant General should invariably be consulted at the initial stage, i.e., prior to an agreement being entered into with an architect or contractor, so that suitable provision may be made as far as possible for normal audit and financial control.

<sup>36</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>37</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>38</sup> Amended vide Finance Division's O.M. No.F.3(14)R-12/88, dated April 05, 1988.

<sup>39</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

(2) The provisions of paras 186 and 187 will apply *mutatis mutandis*, when such works are executed through the Public Works Department or any other department or authority.

NOTE.—The rules and instructions laid down in Appendix 6 to the <sup>40</sup>Federal Public Works Account Code are applicable *mutatis mutandis* to works expenditure on works chargeable to the major heads ‘34-Tribal Areas’.

When such works are executed through the Military Engineer Services the rules contained in Appendix C to the Regulations for the Military Engineer Services will apply.

192. When works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department. The guiding principles laid down by the Accountant General, Pakistan Revenues are reproduced in Annexure A to this chapter.

NOTE.—Expenditure on work of petty constructions and repairs costing Rs.2,500 or less relating to buildings under the administrative control of a civil department, other than the Public Works Department, may be drawn and charged as contingent expenditure of the department concerned provided that where any individual item or such petty works costing Rs.2,500 or less forms part of a bigger Program, the expenditure should be treated as ‘Works expenditure’ of the department carrying out the work.

#### V.—SPECIAL RULES FOR SANITARY, WATER SUPPLY AND ELECTRIC INSTALLATIONS TO GOVERNMENT BUILDINGS, ETC.

193. (1) Subject as hereinafter provided, all works and repairs in connection with sanitary, water supply and electric installations to Government buildings, where such buildings are not in charge of the Military Engineer services or of Railways, should be carried out by or through the agency of the Public Works Department, except in special cases under the orders of Government.

In the case of Pakistan Post Office Department the Superintendent Post Offices and Railway Mail Service/ 1st Class Post Masters and in the case of Telegraph and Telephone Department the Divisional Engineers are authorized to execute departmentally all works and repairs connected with sanitary and water supply installations to the Pakistan Post Office and Telegraph and Telephone Building up to a limit of Rs.250/- and

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<sup>40</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

Rs.500/- respectively, provided that the estimate for each work so executed has received the sanction of the competent authority.

NOTE.—The rules relating to the provision of these installations in Government buildings occupied as residences are laid down in Rules 45-A and 45-B of the Fundamental Rules and the Supplementary Rules issued there-under.

(2) As a general exception to this rule, the Pakistan Post Office and Telegraph and Telephone Department is authorized to execute works and repairs in connection with electric installations in Pakistan Post Office and Telegraph and Telephone buildings.

(3) The electric installations in Government buildings, etc., (including ground lighting arrangements) under the administrative control of the Director of Civil Aviation in Pakistan constitute another exception to this rule. In their case, the Directorate is left free either to execute such works and repairs departmentally or to employ the agency of the Public Works Department or the Military Engineer Services at their discretion.

(4) At places where the Pakistan Public Works Department operates (*See* para. 188), and where there is no staff of that department, the procedure for the execution of works and repairs in connection with sanitary, water supply and electric installations in Government buildings under the administrative control of <sup>41</sup>Federal Civil Department should be as follows:—

- (i) all works and repairs costing up to Rs.300 in the case of electric installations and Rs.1,000 in the case of sanitary and water supply installations should be executed departmentally;
- (ii) all estimates for such works and repairs to be carried out locally should be submitted for prior scrutiny to the Chief Engineer, Pakistan Public Works Department, and
- (iii) all installations costing over Rs.2,500 should be inspected annually and the remainder biennially by an officer of the Pakistan Public Works Department.

(5) *Deleted.*

194. The provision and maintenance of sanitary, water-supply and electric installations in Military and Railway buildings and other works and such provisions in civil buildings in charge of the Military Engineer Services are governed by special rules prescribed in the departmental regulations.

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<sup>41</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

195. Expenditure incurred by civil departments in connection with these installations, where it does not exceed Rs.2,500 may be charged as contingent expenditure of the department carrying out the work.

#### VI.—MISCELLANEOUS RULES

196. No authority lower than the Head of a Local Administration is competent to authorize the acquisition of a building by purchase, even though the purchase of the required accommodation may have been sanctioned by competent authority. In all such cases, a survey and valuation report by the Public Works Divisional Officer should be submitted to the Head of the Local Administration.

197. No public building, which is not a purely temporary structure may be sold or dismantled without the sanction, previously obtained, of Government if its book value exceeds Rs.10,000 or, in other cases, of the Head of the Local Administration or Chief Engineer, Pakistan Public Works Department, as the case may be.

198. In respect of buildings available for occupation as residences, capital and revenue accounts are prepared periodically by the Accountant General in accordance with the directions given in the Account Code, Volume IV and any further orders that Government may issue in this behalf. All officers concerned should furnish the Accountant General annually with the necessary data in respect of such buildings in such form as may be prescribed by the Accountant General.

199. Local Administrations may sanction expenditure on ceremonies connected with the inauguration of important public works, e.g., the laying of foundation stones of public buildings, the opening of canals, the opening of bridges, other than those constructed from railway funds, etc., up to the limit of Rs. 2,500 in each case.

NOTE.—The expenditure on such functions should be limited to the minimum absolutely necessary and the (Ministry of Finance) should be afforded full justification for any such contemplated outlay before any commitments are entered into with regard to it.

200. The preparatory stages of a major work may take anything from three months to a year and attempts to expedite the execution of works contrary to Code rules lead to bad estimating and computing and, to actual losses of money. These unfortunate results have been commented upon adversely by the Public Accounts Committee on various occasions, and it is desirable that the tendency to rush the preparatory stages for works should be checked. The Chief Engineer and his subordinate officers, should accordingly take, in all cases, such time as is considered necessary for the preparation of proper estimates, the grant of technical sanction, and the invitation and examination of tenders and refrain from entertaining request from administrative departments for special treatment. In emergent cases, however, where circumstances warrant a departure from methods laid down by the Codes, the Public Works Department may issue special instructions on a reference received from the administrative department concerned.

**ANNEXURE A***(See Para. 192)*

*General Principles laid down by the Accountant General Pakistan Revenues regarding the accounting of expenditure on 'works' executed by Civil Officers.*

For every work there should be a duly sanctioned detailed estimate. Copies of sanctions to estimates are to be communicated to the Accountant General by the sanctioning authority as soon as a sanction is accorded. If, however, the number of works sanctioned is large such sanctions may conveniently be communicated through a monthly statement in P.W.D. Form No. 34. Copies of sanctions to contracts, establishment charge to works or any other financial sanctions should be communicated to the Accountant General, individually.

2. Payments for all works done by contract of materials purchased should be made on the basis of measurements recorded in Measurement Books (C. P. W. A. Form 23). A muster roll in C. P. W. A. Form 21 should be prepared for works done by daily labour. It is desirable that C. P. W. A. Form 24 or 27 should be used for payment to contractors. If any establishment is entertained on monthly wages whose pay is chargeable to a work, C. P. W. A. Form 29 may be used for payment of their wages. The rules regarding the preparation and check of these documents will be found in Chapter X of the <sup>42</sup>Federal Public Works Account Code.

3. Separate contingent bills should be prepared for expenditure relating to 'Works' duly supported by sub-vouchers in forms referred to in paragraph 2 above. The name of work as given on the sanctioned estimate should be noted conspicuously on each sub-voucher as well as in the bill itself.

4. At the end of a month every disbursing officer will render to the Accountant General, the following monthly accounts so as to reach him by the 8<sup>th</sup> of the next month:—

- (i) *Schedule of works expenditure (C. P. W. A. Form 64).*—Showing expenditure incurred during the month and total charges up to date in respect of every work in progress. All payments pertaining to a work during a month will be posted in column 5 of the form quoting voucher number and date in column 7 and all works in progress will be shown in this schedule.

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<sup>42</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

- (ii) *Contractor's ledger in C. P. W. Form 43.*—This account need only be prepared in accordance with Section G of Chapter X of the <sup>43</sup>Federal Public Works Account Code, if any intermediate payment on running account is made to a contractor. It is not required in cases where every payment to contractor is final.
- (iii) *Account of receipts and issues of Tools and Plant purchased by or belonging to the departmental office in C. P. W. A. Forms 13 and 14.*—To be prepared in accordance with paragraphs 145 and 146, <sup>44</sup>Federal Public Works Account Code.

5. In respect of articles of Tools and Plant purchased in connection with 'work' and annual Register to show receipts, issue and balances will have to be maintained in C. P. W. A. Form 15 in accordance with paragraphs 147 *et seq.*, of the <sup>45</sup>Federal Public Works Account Code. The register may be annually closed as soon after the month of December as possible, the book balance being physically verified and certified and sent to the Accountant General by the officer concerned so as to reach him on or before the 15<sup>th</sup> of February every year.

6. A copy of the Register of buildings in charge of every disbursing officer should be sent to the Accountant General in P.W.D. Form No. 25.

## CHAPTER 10.—MISCELLANEOUS EXPENDITURE

### I.—GENERAL

201. The term 'miscellaneous expenditure' applies generally to all expenditure in the civil departments, which does not fall under the category of pay and allowances of Government servants, pensions, contingencies, grants-in-aid, contributions, stores or works.

The powers delegated to subordinate authorities to sanction items of miscellaneous expenditure as defined above, for which no special power, scale or limit has been prescribed by any Act, rule, code or order are specified in Schedule IV to the Book of Financial Powers.

NOTE.—Grants-in-aid and contribution may, however, been dealt with in this chapter for the sake of convenience.

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<sup>43</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>44</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>45</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

202. Miscellaneous expenditure is subject generally to the rules of procedure which apply to contingent expenditure, except in so far as it may be governed by any special rules or orders made by competent authority.

## **II—REFUNDS OF REVENUE**

203. Refunds of revenue are broadly classified as:—

- (i) refunds to which the claimants are legally entitled, and
- (ii) refunds which are made *ex gratia*, Government being under no legal obligation to make them.

NOTE 1.—Refunds of revenues are not regarded as expenditure for purpose of grants or appropriations.

NOTE 2.—Remissions of revenue allowed before collections are to be treated as reduction of demands and not as refunds.

204. Subject to the provisions of the relevant Acts, and rules made thereunder, the sanction necessary for refunds of revenue will be regulated by the orders of the Local Administrations and by departmental rules and orders contained in the departmental manuals, etc.

The sanction may either be given on the voucher itself or quoted in it, a certified copy being attached when such orders are not separately communicated to the Accountant General.

205. Before a refund of any kind, otherwise in order, is allowed, the original demand or realization, as the case may be, must be traced and a reference to the refund should be so recorded against the original entry in the cash book or other documents as to make the entertainment of a double or erroneous claim impossible. Any acknowledgment previously granted should, if possible, be taken back and destroyed and a note of the repayment recorded on the counterfoil of the receipt.

NOTE.—The instructions contained in this para do not apply to the refunds of revenue on tobacco and industrial salt vide Treasury Rule 401.

## **III—GRANTS-IN-AID, CONTRIBUTIONS, ETC.**

### **GRANTS TO PUBLIC BODIES, INSTITUTIONS, ETC.**

206. The sanction necessary for payment of grants-in-aid or contributions to educational and other institutions, local bodies and Co-operative Societies, and of



educational scholarships is regulated by the orders contained in para 13 of the Book of Financial Powers and detailed rules made by Local Administrations under the powers vested in them. The following instructions are issued for the guidance of sanctioning authorities in the matter of according sanctions for grants-in-aid.

207. (1) Unless in any case Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant. In the case of non-recurring grants for specified objects, the order should also specify the time limit within which the grant or each installment of it is to be spent.

(2) Only so much of the grant should be paid during any financial year as is likely to be expended during that year. In the case of grants for specific works or services such as buildings, water supply schemes and the like, the sanctioning authority should use its discretion in authorizing payments according to the needs of the work. The authority signing or countersigning a bill for grant-in-aid under Treasury Rule 406 should see that money is not drawn in advance of requirements. There should be no occasion for a rush for payment of these grants in the month of June.

(3) Before a grant is paid to any public body or institution, the sanctioning authority should as far as possible insist on obtaining an audited statement of the account of the body or institution concerned in order to see that the grant-in-aid is justified by the financial position of the grantee and to ensure that any previous grant was spent for the purpose for which it was intended. It is not essential for this purpose, however, that the accounts should be audited in every case by the Pakistan Audit Department and it will be sufficient therefore if the accounts are certified as correct by a registered accountant or other recognized body of auditors. In the case of small institutions, which cannot afford to obtain the services of a registered accountant or other registered body of auditors, the sanctioning authority may exercise its discretion of exempting any such institution from the submission of accounts audited in this fashion.

The authority sanctioning a grant, while communicating the sanction to the Accountant General, should state whether the audited statement of accounts has been received when required, or whether the grantee has been exempted from submitting the statement.

NOTE —This order applies both to non-official institutions and to semi-official ones, such as Public Clubs, etc.

208. In cases in which conditions are attached to the utilization of a grant in the form of specification of particular objects of expenditure or the time within which the money must be spent, or otherwise, the departmental officer on whose signature or counter-signature the grant-in-aid bill was drawn should be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions

attaching to the grant, unless there is any special rule or order to the contrary. The certificate should be furnished in such form and at such intervals as may be agreed between the Accountant General and the head of the department concerned. Before recording the certificate, the certifying officer should take steps to satisfy himself that the conditions on which the grant was sanctioned have been or are being fulfilled. For this purpose he may require the submission to him at suitable intervals of such report statements. etc., in respect of the expenditure from the grant as may be considered necessary. Where the accounts of expenditure from the grant are inspected or audited locally, the inspection or audit report as the case may be, will either include a certificate that the conditions attaching to the grant have been or are being fulfilled or will give details of the breaches of those conditions.

209. Unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied conditions:—

- (i) that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority; and
- (ii) that any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government.

#### EXPENDITURE FROM DISCRETIONARY GRANTS

210. When under orders of competent authority, an allotment for discretionary grant is placed at the disposal of a particular officer, the expenditure from such grants will be regulated by general or special orders of the Local Administration, specifying the objects for which the grants can be made and any other condition that should apply to them. Such grants must be non-recurring, *i.e.* not involving any future commitments.

#### OTHER GRANTS

211. Grants, Subventions, etc., other than those dealt with in the fore-going paras., can be made only under special orders of Government.

### IV.—COMPENSATION TO CIVIL OFFICERS FOR LOSS OF PROPERTY

212. (1) All cases in which it is proposed to grant compensation to any civil officers for the accidental loss of his property should be referred to Government for orders through the Administrative Department concerned.

(2) Compensation will not ordinarily be granted to a Government servant for any loss to his property, which is caused by an act of God as, earthquake, floods, etc., or which is due to ordinary accident, which may occur to any citizen, e.g., loss by theft, or

as the result of a railway accident, fire, etc. The mere fact that, at the time of the accident, the Government servant is technically on duty or is living in Government quarters in which he is forced to reside for the performance of his duties will not be considered as a sufficient ground for the grant of compensation. These points should be borne in mind while submitting proposals to Government.

### V—SPECIAL POLITICAL EXPENDITURE

213. The following rules have been prescribed for the regulation of expenditure incurred in connection with special political missions and, subject to such special orders as may be issued by Government in particular cases, these rules should be observed by all officers placed in charge of such missions.

(I) For the purposes of account and audit the expenditure should be broadly divided into two classes:—

Class I.—Charges requiring the sanction of Government, either specific or general—

#### PAY AND ALLOWANCES

1. Pay of gazetted Government servants.
2. Pay of fixed establishment (both permanent and temporary).
3. Sumptuary allowance.
4. Outfit allowance.
5. Traveling allowance (if different from that admissible under the prescribed rules).
6. Free rations.
7. Compensation for dearness of provisions.
8. Other special allowances, if any.

Class II.—Charges which may be incurred by the officer-in-charge at his discretion within the amount of the sanctioned appropriation—

#### INITIAL CHARGES

1. Purchase of tents.
2. Purchase of camp furniture and equipment.
3. Purchase of transport equipment.
4. Purchase of Toshakhana articles.
5. Purchase of mess equipment.
6. Purchase of transport animals.
7. Supply of warm clothes.

## RECURRING CHARGES

8. Transport charges i.e., camel, mule and cooly-hire.
9. Purchase of stationery.
10. Compensation—
  - (i) to camp followers for loss of transport animals.
  - (ii) to villagers for damage to crops, etc.
11. Rewards and Khilats.
12. Secret Service expenditure.
13. Dak arrangements.
14. Mehmani to tribesmen and chiefs.
15. Payments to guides.
16. Improvements of roads.
17. Service telegrams and postage.
18. Fees and keep of transport animals.
19. Construction of boundary Pillars.
20. Miscellaneous expenses.

(2) (i) Officers entrusted with such expenditure are required to submit, as early as possible, detailed estimates of probable expenditure classified as above. Under “Pay and Allowances” present emoluments and the special pay and other allowances proposed should be clearly indicated. If the grant of traveling allowances, other than those authorized under rule is in any case recommended, the precise nature (e.g., increased daily or mileage allowance, etc.), of the concession should be specified and when free carriage is allowed it should be explained to what extent the ordinary or special traveling allowance should be reduced. The classes of officers entitled to rations, either free of charge or on payment, should be specified. A scale should be proposed for the issue of rations on payment as also, if necessary, for “compensation for dearness of provisions”. No expenditure should be incurred under Class I in excess of the amounts sanctioned.

(ii) As regards expenditure under Class II, a fairly approximate estimate of the initial charges 1 to 7 can be prepared. The estimates for “Recurring charges” can, in the first instance, be a rough forecast only, but as soon as the officer is in a position to do so, a revised estimate should be submitted. Expenditures under Class II may be incurred up to the limit of the estimates under each head when these have been approved and under “Recurring charges” appropriations may be transferred from one head to another, provided the total allotment is not exceeded.

NOTE.—The classes of servants to whom warm clothing is to be granted and the maximum amount per head should be laid down in addition to the total grant for the purpose.

(3) An officer-in-charge of a special political mission should supply himself with funds by cheques drawn on treasuries against letters of credit as laid down in clause

(i) of Treasury Rule 418 and accounts of expenditure incurred by him should be rendered to the Accountant General in accordance with the procedure laid down in clauses (ii) to (iv) of that rule.

(4) A supply of stationery as well as of Pay, Traveling Allowance and Contingent Bill forms should be obtained from the Controller of Printing Stationery and Forms, Karachi, and all charges should be drawn on the regular forms.

(5) Advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them.

(6) A Store Account in Form G.F.R. 14 should be kept of the articles purchased for the Toshakhana, which at the close of mission should be submitted through Government to the Accountant General.

## **CHAPTER 11.—DEBT AND MISCELLANEOUS OBLIGATIONS OF GOVERNMENT**

### **I.—RUPEE DEBT**

214. The management of Public debt in Pakistan and the maintenance of accounts relating thereto are vested in the State Bank of Pakistan. A substantial part of the work falls, however, on treasuries and sub treasuries.

215. The procedure to be followed in treasuries and other Government offices in dealing with securities of rupee loans issued by Government and in making payment of interest in respect thereof is regulated by the provisions of the Public Debt Act 1944 (XVIII of 1944) as amended from time to time, and the statutory rules issued there-under. Detailed rules, based mostly on the statutory rules referred to above, and the supplementary orders issued by Government from time to time are to be found in the Government Securities Manual issued under the authority of Government.

NOTE.—Unless there be anything repugnant in the subject or context, and without prejudice to the provisions of the law and the statutory rules mentioned above, the rules in the Government Securities Manual in so far as they deal with the procedure relating to disbursement of money from, and payment of money into, the Public Account are to be regarded as rules framed under the constitution. Likewise, the rules in the Manual which prescribe the form of initial accounts to be kept at treasuries in respect of payment of interest of Government Securities, repayment of principal of terminable loans, receipt of subscriptions to new loans and of other allied transactions and the form in which the account of such transactions are to be rendered to the Accountant General, should be regarded as directions given by the Auditor General with the approval of the President and will be subject to any directions contained in this behalf in Volume II of the Account Code.

216. Treasury Bills, Prize Bonds and Savings Certificates issued by the Government from time to time are special forms of Government Securities, which are issued and repaid under special rules and orders made by Government in this behalf. (See. also rules 593, 594 and 598 of the Treasury Rules).

## II.—PROVIDENT FUNDS

217. The term 'Provident Funds' is strictly applicable to all 'Provident Funds', within the meaning of the Provident Funds Act, 1925 (XIX of 1925), as amended, have been constituted for the benefit of Government servants including Railway employees under the administration of the Federal Government. The procedure relating to the recovery of subscriptions to, and withdrawals from, such funds will be regulated strictly in accordance with the provisions of the respective Provident Fund Rules and the subsidiary instructions contained in Section III of Part VIII of the Treasury Rules.

The legal aspect of the provisions in the Provident Funds Rules has been dealt with the "Memorandum explanatory of Government Provident Fund Rules vis-a-vis the law on the subject" which has been prepared by Government in consultation with its legal advisers (Appendix 12). The Memorandum, as stated in the preface thereto is not exhaustive and exceptional cases may arise which are not covered by the instructions in the Memorandum but it will be found useful in dealing with the generality of cases arising under various Provident Fund Rules.

218. The following instructions should be carefully observed by heads of offices with a view to the correct preparation of the Fund Schedules referred to in Treasury Rules 604:—

- (i) A complete list of subscribers to each fund should be maintained in each disbursing office in the form of the schedule.
- (ii) Each new subscriber should be brought on this list and any subsequent changes resulting from his transfer or in the rate of subscription, etc., clearly indicated.
- (iii) Except where it is otherwise provided in the rules of the fund concerned, changes in the monthly rates of subscription will be permissible only from the first of July each year i.e., with effect from the pay for June drawn in July.
- (iv) When a subscriber dies, quits the service or is transferred to another office, full particulars should be duly recorded in the list.
- (v) In the case of the transfer of a subscriber to another office, the necessary note of transfer should be made in the list of both the offices.

- (vi) From this list the monthly schedule to be appended to the pay bill should be prepared and agreed with the recoveries made before the submission of the bill to the treasury for payment.

### III.—SERVICE AND OTHER FUNDS

<sup>46</sup>Federal Employees Benevolent Fund.

<sup>47</sup>Federal Employees Group Insurance Fund.

Postal Insurance Fund.

219. Contributions, donations, etc., recoverable, and benefits payable, in respect of the funds specified above will be regulated in accordance with the Rules of the respective funds and the subsidiary instructions contained in Treasury Rules 602 and 611.

220. Subscriptions to <sup>48</sup>Federal Employees Benevolent Fund from both Gazetted and non-Gazetted employees and Group Insurance Fund in case of Gazetted Officers only are realized in cash by deduction from the pay bills in accordance with the orders of the Government.

NOTE.—It must be distinctly understood that in the case of the General Family Pension Fund, the Hindu Family Annuity Fund and the Bengal Christian Family Pension Fund, Government exercises no supervision over the management of the Funds and in no way responsible for their solvency.

221. A detailed list of the subscriptions realized in cash on behalf of each fund showing the date and amount of each receipt and the name of the person on whose behalf it is paid in, should be submitted by the Treasury Officer to the Accountant General with the cash account of each month. This list will be a copy of a register maintained in the treasury.

222. The deposit accounts of these funds on the Government book will be credited with interest at such rates and at such intervals as may be prescribed by Government in each case.

NOTE.—An important difference with regard to interest is made between subscriptions paid by deduction from pay-bills and subscriptions paid in cash, no interest being allowed for the month of payment on cash subscriptions received after the 4<sup>th</sup> of the month, whereas subscriptions deducted from a bill bear interest as though they had been received on the first of the month.

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<sup>46</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>47</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>48</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

## CHAPTER 12—LOCAL FUNDS

### I.—INTRODUCTORY

223. (1) The transactions of local funds (as defined in Treasury Rule 652) are not included as such in the Public Account, except in so far as their cash balances may be deposited with Government under Treasury Rule 653 and accounted for under the deposit head “Deposits of Local Funds”. The function of Government in regard to such deposits is that of a bank (see Treasury Rule 654).

(2) The main classes of local funds are:—

- (i) District Funds;
- (ii) Municipal Funds;
- (iii) Cantonment Funds;
- (iv) Port and Marine Funds;
- (v) Other miscellaneous Funds.

NOTE.—The expression ‘local body’ as used in this Chapter means the authority legally entitled, or specially empowered by Government, to administer a local fund.

224. The financial transactions between Government and local bodies will be regulated by the following rules and by such other general and special orders as may be issued by Government in this behalf.

### II.—GRANTS TO LOCAL BODIES

225. The payment of the various classes of grants to local bodies will be governed by general instructions contained in paras 206 to 209 and by such special orders as may be issued by Government in regard to each class grant.

### III.—LOANS TO LOCAL BODIES

226. The detailed procedure to be followed in connection with the grant of loans to local bodies will be regulated by the provisions of the Local Authorities Loans Act and other special Acts and by rules made thereunder (see also Para 237).

### IV.—CHARGES RECOVERABLE FROM LOCAL BODIES

227. Unless any of the following arrangements have been authorized by Government, a local fund should be required to pay in advance the estimated amount of charges to be incurred or cost of services to be rendered by Government on account of the Fund:—



- (i) Payments as made by Government may be debited to the balances of the deposits of the local fund in Government books;
- (ii) Recovery from the local fund may be postponed till the time when Government has to make payment for the charges;
- (iii) Payments may be made as advances from Government funds in the first instance, pending recovery from the local fund.

228. Any amount due to Government by a local body, including any amount overdue for payment in respect of loan, is subject to recovery by adjustment from any non-statutory grant sanctioned for payment to it. The authority signing or countersigning a bill for such a grant should see that this rule is observed as far as practicable.

#### V.—REVENUE COLLECTED ON BEHALF OF LOCAL BODIES

229. Unless it be expressly authorized by law, proceeds of taxes, fines or other revenues levied or collected by Government may not be appropriated direct to a local fund without passing them through the general revenue account of Government, whether or not such taxes, fines etc., are earmarked from the start for the purposes of the fund.

230. Subject to the provisions of relevant Acts and rules made thereunder, adjustments with local bodies in respect of revenue and other moneys raised or received by Government on their behalf will be made in such manner and on such dates as may be authorized by general or special orders of Government.

#### VI.—USE OF SERVICE POSTAGE STAMPS

231. Service Postage stamps may not be used by a local fund officer or any Government officer acting in a capacity connected with a local fund (such as, Chairman or Secretary of a local fund committee), but they may be used on the correspondence of a public officer acting as such, even though the correspondence relates to the affairs of a local body.

NOTE.—Telegraphic messages, the charges, for which are to be borne by local funds, should be classified as 'Private' and not as 'State'.

#### VII.—AUDIT OF ACCOUNTS

232. Subject to the provisions of any law or rule having the force of law, the accounts of local bodies will be audited by the Pakistan Audit Department under general agreement reached between Government and the Auditor General. The agreement extends also to the accounts of other non-Government bodies or institutions, which, under

any general or special order of Government have to be audited through Government agency.

233. Audited fees on the basis of daily rates prescribed by Government from time to time will be charged for the audit by the Pakistan Audit Department of the accounts of local and other non-Government funds, excluding Port Trusts and other funds for the audit of which the rates of fees recoverable are prescribed by law or by rules having the force of law.

Nothing contained in this para. shall be held to override any special instructions of Government exempting any particular local body or institution, wholly or partially from the payment of audit fees.

234. Omitted.

## **CHAPTER 13—LOANS AND ADVANCES**

### **I—INTRODUCTORY**

235. Loans and advance made by Government fall under the following main heads:—

*A. Loans and advances bearing interest-*

- (i) Loans to Provincial Governments.
- (ii) Loans to States which have acceded to Pakistan.
- (iii) Loans to Local Funds, Private individuals, etc. These Comprise—

- (1) Loans to Major Port Trusts;
- (2) Loans to Municipalities;
- (3) Loans to District and other Local Fund Committees;
- (4) Loans to Land-holders and other Notabilities;
- (5) Advances to cultivators under various Acts;
- (6) Advances under special law;
- (7) Miscellaneous loans and advances.

- (iv) Advances to Government servants for building houses and for purchase of conveyances, etc.

*B.—Interest-free Advances-*

- (i) Advances repayable—comprising mostly miscellaneous advances to Government servants for various public purposes.

(ii) Permanent advances.

NOTE.—Although the advances to Government servants for journeys on tour and for other miscellaneous purposes specified at items (ii) to (iv) of para. 270 are debited to the service heads concerned, (vide Note below para. 270) they have been dealt with in this chapter for the sake of convenience.

236. The rules in this chapter should be observed generally by all departments, etc., in making loans and advances of public money, unless there be any special rule or order of Government to the contrary.

## II—GENERAL RULES

### SANCTION

237. (1) The grant of loans and advances in cases mentioned in clauses (i), (ii) and (iii) under “A—Loans and advances bearing interest” in Para 235 will require the sanction of Government.

NOTE.—The powers delegated to Heads of Local Administrations and other subordinate authorities to sanction loans and advances to local bodies, etc., in particular cases are embodied in the Manuals of the Accountant General concerned.

(2) The powers delegated to subordinate authorities to sanction loans and advances to Government servants are regulated by the orders contained in para. 256 *et seq.* Detailed rules relating to Permanent Advances are contained in Para. 132.

### ESTIMATES

238. Provision should be made in the Budget for all loans and advances, which can be foreseen. Heads of Local Administrations and other estimating authorities should, therefore, make a timely estimate both of the gross advances and recoveries of the coming year and should communicate it to the Accountant General for inclusion in his estimates.

### CONDITION OF REPAYMENTS

239. Recoveries of loans granted to Provincial Governments and States which have acceded to Pakistan are governed by special orders of Government which must specify the terms and conditions under which loans are to be granted and repaid in each case.

Recovery of the amounts advanced to Government servants is governed by the detailed instructions laid down in paras. 252 and 256, *et seq.*

240. The following general instructions apply to all loans and advances to local bodies, etc., other than advances to cultivators, etc., which are governed by special rules, and subject to the provisions of relevant Acts or rules made thereunder, the conditions under which the loans are granted should be regulated accordingly:—

- (i) A specific term should be fixed which should be as short as possible within which each loan or advance should be fully repaid with interest due.
- (ii) The term is to be calculated from the date on which the loan completely taken up or declared by competent authority to be closed.
- (iii) The repayment of loan should be effected by installments, which should ordinarily be fixed on a half-yearly basis, due dates for payment being specially prescribed.
- (iv) Installments paid before the due date will be taken entirely to principal unless, of course, any interest for a preceding period is overdue.

241. When a loan of public money is taken out in installments, the first half-yearly repayment should not be demanded until six months after the last installment is taken; meanwhile simple interest only should be realized. But should it appear that there is an undue delay on the part of the debtor in taking out the last installment of a loan, the authority sanctioning the loan may at any time declare the loan closed, and order repayment of capital to begin. The Accountant General will bring to notice any delay that appears to him to require this remedy and he will take this step whether there are any dates fixed for taking of installments or not.

NOTE I.—If in any case particular dates have been fixed for the payment of interest or the repayment of installments of a loan, then such repayments should not begin until the second of the half-yearly dates so fixed, after the loan has been completely taken up simple interest only being recovered on the first half-yearly date after the completion of the loan. For example, supposing a loan the interest on which is recoverable half-yearly to be completely taken up on 31<sup>st</sup> March and the interest to be payable on 30<sup>th</sup> June and 31<sup>st</sup> December, the first half-yearly installment in repayment of principal will not be due until 31<sup>st</sup> December following, simple interest only will be due on the intermediate 30<sup>th</sup> June.

NOTE 2.—These instructions are applicable *mutatis mutandis*, to loans the repayments of which are made by other than half-yearly installments.

NOTE 3.—It must be remembered that the calculation fixing the amount of equal periodical installments, by which an advance is repaid with interest presupposes punctual payment of the installments, and that, if any installment is not punctually repaid, the fixed installment will not in the end discharge the loan.

242. Borrowers should be required to adhere strictly to the terms settled for the loans made to them. Modifications of these terms in their favour can be made subsequently only for very special reasons.

### INTEREST

243. (1) Interest should be charged at the rate prescribed by Government for any particular loan or for the class of loans concerned.

(2) A loan bears interest for the day of advance, but not for the day of repayment. Interest for any shorter period than complete half-year should be calculated as  $\frac{\text{number of days} \times \text{yearly rate of interest}}{365}$  unless any other method of calculation is prescribed in any particular case or class of cases.

### DEFAULTS IN PAYMENT

244. (1) Any default in the payment of interest upon a loan or advance, or in the repayment of the principal, will be promptly reported by Accountant General to the authority which sanctioned the loan or the advance. On receipt of such report, the authority concerned should immediately take steps to get the default remedied.

NOTE.—The responsibility of the Accountant General under this rule refers only to the loans the detailed accounts for which are kept up by him. (*See* para. 247).

(2) The authority which sanctions a loan may in so far as the law allows enforce a penal rate of compound interest upon all overdue installments of interest or principal and interest.

### IRRECOVERABLE LOANS AND ADVANCES.

245. A competent authority may remit or write off any loans or advances owing to their irrecoverability or otherwise. (*See* Para 47).

246. In respect of Revenue and other advances, for the detailed control, accounting and supervision of which departmental officers are responsible, it is the duty of the departmental authorities concerned, as soon as any such advance is ascertained to be irrecoverable, to take the necessary steps to get it written off the accounts under the sanction of competent authority, and to advise the Accountant General, in order that he may make the necessary adjustment in the accounts. Irrecoverable advances written off should nevertheless be registered by the Departmental authorities in a separate account or record, in order that any possible eventual recovery may be made.

## ACCOUNTS AND CONTROL

247. Subject to such general or specific directions as, may be given by the Auditor General in this behalf, detailed accounts of individual loans and advances other than those mentioned below will be maintained by the Accountant General who will watch their recovery and see that the conditions attached to each loan or advance are fulfilled.

In the case of Revenue and other advances mentioned in Rules 664 and 668 of the Treasury Rules, the responsibility for supervision, accounting and control devolves upon the departmental authorities and detailed rules and instructions governing them are contained in the departmental regulations.

## ANNUAL RETURNS

248. Each Accountant General will submit to Government an annual statement showing the details of outstanding loans and advances borne on his books under the head "Loans and Advances by the Federal Government". The statement will be submitted in Form G. F. R. 15 not later than the 31st December of the following year.

## **III.—LOANS AND ADVANCES TO GOVERNMENT SERVANTS**

### GENERAL

249. Subject to the provisions of Rule (xi) in Para. 253-A, the rules in paras 253-A to 271 do not ordinarily apply to Government servants who are not in permanent Government employ. As the pay of such persons does not constitute adequate security for a loan, advances should not ordinarily be granted to them. In special cases, however if the circumstances admit of the provision of adequate security, advances may be granted in accordance with the terms of these rules to officiating or temporary Government servants without substantive appointment under general or special sanction of the Ministry of Finance.

250. It is not permissible to sanction a loan or advance to a Government servant which involves a breach of any of the basic principles laid down in para 10. In any case in which a cash grant would be within the powers of sanction of a particular authority, the grant of an advance not exceeding the cash grant will not require the sanction of a higher authority.

251. Simple interest at the rate fixed by Government for the purpose should be charged on advances granted to Government servants for building houses and for the purchase of conveyances under paras 253-A and 256 to 263 and for passages the grant of which is regulated by the rules in para 264. The interest should be calculated on balances outstanding on the last day of each month.

NOTE 1.—In cases, where pay bills for a month are disbursed before the end of the month, an installment in repayment of an advance received through the pay bill will be taken as having been refunded on the first of the following month, the normal date for the disbursement of pay.

NOTE 2.—If in any particular case any advance is drawn in more than one installment, the rate of interest recoverable should be determined with reference to the date on which the first installment is drawn.

NOTE 3.—In the case of a Government servant who dies before retirement and against whom recoveries are due on account of house building and/or conveyance advances, no recovery shall be made in respect of interest charges thereon. In case recoveries on account of interest charges may be in progress at the time of death no recovery shall be made in respect of the remaining amount of interest charges.

252. All advances are subject to adjustment by the Government servants receiving them in accordance with the rules applicable to each case. When an advance is adjustable by recovery, the amount to be recovered monthly should not be affected by the fact of the borrowing Government servant going on leave of any kind with leave salary or his drawing subsistence grant. The sanctioning authority may in exceptional cases order a reduction in the amount of the monthly installment, provided that in the case of interest bearing advances to Government servants, the whole amount due should be completely recovered within the period originally fixed.

NOTE 1.—In the case of drawl of leave salary ex-Pakistan conveyance and house building advances can be repaid in cash in rupees provided they were drawn in rupees.

NOTE 2.—If an officer who has drawn a house building advance or a conveyance advance in Pakistan rupees is posted abroad there is no objection to his repaying the outstanding balance of the advance in Pakistan rupees, either in a lump sum or by the usual monthly installments.

253. In the case of interest-bearing advances to Government servants, an authority empowered to deal with an application for an advance should not issue an order of sanction until the Accountant General has certified that funds are available in the year in which the payment of the advance will be made.

## **INTEREST—BEARING ADVANCES**

### **HOUSE-BUILDING ADVANCES**

253-A. Advances to Government servants for the construction of houses are regulated by the following rules:—

1—Advances may be made under the sanction of Ministries of the Government of Pakistan, Heads of Departments, and Heads of Circles in the Pakistan Post Office and Telegraphs and Telephone Department, to Government servants, who desire to build houses, for occupation by themselves, at any place in Pakistan. No advance is ordinarily permissible to a Government servant who is likely to retire before complete recovery can be affected.

NOTE 1.—*deleted.*

NOTE 2.—Advances will be granted for the construction of new houses. Advances will also be granted for purchasing a newly constructed house, or for completely reconstructing a house already owned by the Government servant concerned, or for extending/renovating a house already owned by the Government servant concerned.

*Government decision.*—House Building Advance for the purchase of flats in multi-storied buildings may be granted to Government servants to the extent and subject to the usual conditions prescribed for the admissibility of house building advance. This shall be subject to the following further provisions:—

- (a) Before receiving the amount of the advance, or payment of the amount to the construction agency direct (vide para 2 below), the Government servant concerned shall be required to execute an Agreement in the prescribed form attached; and after the purchase of the flat is complete, to execute and register the Mortgage deed in the prescribed form as security for repayment of the amount advanced with interest;
- (b) Satisfactory evidence shall have to be produced within 3 months of the drawl of the advance to show that the amount has been spent on the purchase of flat. This can be done by showing the valid legal receipt issued by the Construction Agency concerned in token of the purchase deed.

2. Where a Government servant desires that the payment of the advance sanctioned under the above orders be made direct to the construction agency, he may indicate it in his application for the grant of advance. In such a case, the Drawing and Disbursing Officer shall arrange for the direct payment of the sanctioned amount to the agency concerned and obtain a valid receipt in the name of the Government servant from that agency and hand over the same to him.

NOTE 3.—House building advances for construction/purchase of houses in Azad Kashmir territory may also be granted to the Federal Government servants domiciled in Azad Kashmir subject to usual conditions.



NOTE 4.—Government servants are entitled to draw advances for construction of houses either from the Government or from the House Building Finance Corporation but not from both.

(i) *Deleted.*

(ii) All such advances must be *bona fide* required for the purpose of building suitable houses for the personal residence of the officers concerned, and if more is advanced than shall be actually expended for the purpose, the surplus shall be refunded to Government.

(iii) Advances for the construction of new houses may be drawn in two equal installments. The first installment will be paid on the production of documents establishing proprietary rights in the land and the second installment will be paid only when the house reaches plinth level. Advances granted for reconstruction, purchase, extension or renovation of houses may, however, be drawn in one installment, provided all other conditions governing the execution and registration of mortgage deed, etc., are duly fulfilled and the Government interest is fully secured. The repayment shall commence from the month immediately after the grant of the second installment or six months after the drawl of the first installment whichever is earlier. The repayment shall be completed in 10 years in the case of a former superior service Government servant and in 20 years in the case of a former class IV Government servant, provided that the age of the Government servant concerned at the time of repayment of first installment is below 47 years in the former case and below 38 years in the latter case. In the case of those who would at the time of such repayment be attaining the age of 47 years or 38 years, as the case may be, the number of installments by which recovery is effected, shall be so regulated as to enable the recovery of the total amount advanced, including interest, possible before the date on which the officer would be reaching the age of 60 years.

NOTE 1.—The bills for the drawl of the advances when presented to audit should be accompanied by a certificate in the following form from the Controlling Officer in the case of gazetted officers and the drawing officer in respect of non-gazetted Government servants.

Certified that Mr. \_\_\_\_\_ who has been granted a House-Building Advance of Rs. \_\_\_\_\_ has \*produced documents stating proprietary rights in the land on which the house is proposed to be built \*satisfied me that the house has reached the plinth level.

Signature of Controlling/Drawing Officer.

\*This portion may be deleted if the bill is drawn for the second installment.

NOTE 2.— Utilization certificate shall be furnished in the following manner:—

1. Where the house building advance is drawn in installments.—At the end of six months of each installment.
2. Where full advance is drawn in one installment.—At the end of one year from the drawl of advance.

(iv) No advance shall exceed <sup>49</sup>24 months pay of a former superior service Government servant, and 36 months pay of a former Class IV Government servant, to whom it is made. Not more than one advance shall be made to a Government servant for the same house or for another house at the same station, or at any other station.

A second advance may, however, be granted to a Government servant for the construction of a house in Islamabad provided he has fully repaid the advance previously drawn from the Government with interest thereon.

<sup>50</sup>Eligible Government employees may be allowed a second house building advance for construction of a house anywhere in Pakistan, subject to the condition that the first house building advance, plus interest thereon, has been repaid.

<sup>51</sup>Third House Building Advance may be allowed to Government servants, provided he has fully repaid the advances previously drawn from the Government with interest thereof, if any. All other conditions for grant of HBA will continue to apply. The budgetary allocations shall be distributed for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> advances at the ratio of 70%, 20% and 10% respectively so that the right of those employees who have applied for the first/second advance may be protected.

NOTE 1.—The full advance will be admissible only to those who are less than 47 years of age in the case of former superior service Government servants and 38 years of age in the case of former Class IV Government servants on the date of the repayment of the first installment of the advance. In the case of those former superior service Government servants who are above the age of 47 years and those former Class IV Government servants who are above the age of 38 years, the amount of the advance should be reduced so much as would enable the recovery at the rate of not more than 1/4<sup>th</sup> of the Government servants pay in any one month of the total amount advanced including interest, possible before the retirement of the Government servant. For instance, a former superior service Government servant who is 55 years of age on the date on which recovery of the advance is to commence, should get a house building advance equal to his 15 months pay (  $\frac{1}{4} \times 60$ , i.e., the number of months for which the Government servant has still to serve).

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<sup>49</sup> The number “24” substituted with the number of “36” in terms of para-22 of Finance Division’s O.M.No.F.1(1)-Imp/83, dated:-18-08-1983.

<sup>50</sup> Para inserted vide Finance Division’s O.M.No.7(10)-Reg.7/81-Dy, dated:-02-07-1995.

<sup>51</sup> Para inserted vide Finance Division’s O.M.No.3(1)-R-7/2016-33, dated:-30-01-2019.

NOTE 2.—The advances may be revised on the request of the Government servants concerned subject to the following conditions:—

- (i) The increase in pay otherwise than by accrual of time scale increments is not less than 20%.
  - (ii) The net amount payable against the revised sanction be arrived at after the adjustment of any amount drawn against the original sanction, whether that amount, or any portion thereof, has been repaid or not.
  - (iii) The installments of recovery shall be re-fixed so as to recover the total amount minus the amount already repaid within the maximum period originally prescribed.
  - (iv) The revision will be admissible only if the event entitling the Government servant for the revision of the advance takes place within a period of 12 months prescribed for the completion of house from the date of the drawls of the first installment of advance for construction, as distinct from the installment for development charges.
  - (v) The revision will not be allowed, if the house has been completed and occupied by any one.
  - (vi) If the mortgage deed already executed and registered stands for the advance originally sanctioned, the mortgagor may be required to execute a new separate deed in form G.F.R. 34. The new deed should also be registered under the Registration Act.
- (v) Advances will be recovered by the deduction of monthly installments, of not less than 20% of the pay of the Government servant concerned from his pay bills. In the case of those who at the time of the repayment of the first installment of the advance are more than 47/38 years of age, the rate of recovery will be such higher rate than 20% of pay as would enable the recovery of the principal together with interest possible before the retirement of the officer. The authority sanctioning an advance may permit recovery to be made in a smaller number of installments, if the officer receiving the advance so desires. The amount of interest calculated in accordance with para.251 will be recovered in one or more installments, each such installment being not appreciably greater than the installments by which the principal was recovered.

The recovery of interest will commence from the month following that in which the whole of the principal has been repaid.

NOTE 1.—The amount of the advance to be recovered monthly should be fixed in whole rupees except in the case of the last installment when the remaining balance, including any fraction of a rupee, should be recovered.

NOTE 2.—The installments should be recovered in cash during the periods of leave without pay. If the Government servant fails to pay any such installments in cash, the arrears of installments falling due during period of leave without pay should be recovered in lump sum from the first payment of pay or allowances which may become due to the Government servant at the end of that leave.

(vi) In order to secure Government from loss consequent on a Government servant dying or quitting the service before complete repayment of the advance with interest accrued thereon in accordance with para 251, the house so built together with the land it stands upon must be mortgaged to Government, by whom the mortgage will be released on liquidation of the full amount due.

NOTE.—The mortgage bond will be prepared in form G.F.R. 23 and the reconveyance in form G.F.R. 24.

(vii) The officer must satisfy the sanctioning authority regarding his title to the land upon which the house is or is proposed to be built.

NOTE 1.—This rule does not preclude the grant of an advance to a person who does not possess full proprietary rights in the land upon which he intends to build, provided the sanctioning authority is satisfied that the applicant has a lease of which the un-expired portion is of a term and value sufficient to justify the grant of advance, and that there is no danger of the lease lapsing or of Government being unable to dispose of it, should it become necessary to foreclose the mortgage. In examining the mortgagor's title, care should be taken to see that the lease does not prevent any sub-demise by the lessee (the mortgager). The mortgage bond in such cases will be prepared in form G.F.R. 25.

In cases in which ground rent, municipal taxes and similar dues are payable to local authorities on account of land taken on lease, the sanctioning authority may, at its discretion ask the Government servant taking the advance to produce for inspection receipts for these payments within fifteen days of their falling due. If the sanctioning authority finds that such dues have not been paid by the borrower, steps may be taken to recover the said dues including interest thereon, if any, from the pay of the Government servant concerned for payment to the parties concerned.

NOTE 2.—The applicant's title to the property should be examined by the sanctioning authority before the advance is actually paid, and in cases where there is any doubt as to the validity of that title, the Revenue and Registration authorities or if technical legal advice is necessary, the Law Officers of Government should be consulted.

It should be seen that he has undisputed title to the land on which it is proposed to build and that there will be no legal obstacle to the property being mortgaged to Government, and that Government will have the right of foreclosing on the conditions mentioned in the mortgage bond.

NOTE 3.—This rule does not also preclude the grant of advances for the purpose of building houses on plots of land taken on lease from Government in Nazimabad, Karachi. The grant of an advance in such cases is, however, subject to the condition that the applicant executes an agreement in form G.F.R. 26. Advances sanctioned under this note will be made in installments.

NOTE 4.—The Head of the Office in the case of a non-gazetted Government servant and the Controlling Officer in the case of a gazetted Government servant should when asking for the authority for payment, send to the principal Auditor concerned a certificate either in the bill in which the advance is drawn, or separately, to the effect that the mortgage bond in form G. F. R. 23/25 has been executed by the Government servant taking the advance and that it has been duly registered.

NOTE 5.—This rule does not preclude the grant of advances for the purpose of building houses on plots of land acquired in Karachi through the co-operative housing societies registered under the Bombay Co-operative Societies Act, 1925 even though in such cases the Government servant concerned becomes entitled to a lease of 99 or 50 years only on the completion of the house on the plot allotted. The grant of the advance will be subject to the condition that the Government servant shall not acquire land from the societies concerned on such terms and conditions as will prevent him from alienating the land.

Advances on account of development charges will be allowed when the societies demand these charges from the Government servant concerned. At the time of the drawl of such advances the Government servant must sign an agreement in Form G.F.R. 27. He should be required, as soon as it is possible for the societies to allot the land to him, to produce original documents showing that the land has actually been allotted to him. When he has been allotted land and wishes to draw further advances for the construction of a house, advance will be allowed up to a maximum of 50% of the total house building advance sanctioned in his case. At the time of drawl of this installment he must be called upon to execute an agreement in Form G.F.R. 31. This installment is intended to enable him to start building the house and to complete at least the plinth. As soon as practicable and in any case, not later than three months from the date of the drawl of this installment, he must produce a certificate from the Executive Engineer appointed by the Government for the purpose to the effect that the plinth has been finished. Thereafter, he should be asked to execute a mortgage deed in Form G.F.R. 25. Further installment will be allowed on the fulfillment of the above conditions.

NOTE 6.—Advances may also be given where considered necessary for the purchase of land or for leasing land on which to construct a house, if the other conditions laid this paragraph are satisfied and the total amount of the advance for the purchase or leasing of the land and the construction of the house does not exceed 24 months pay of the officer concerned.

The Government servant should sign an agreement in form G.F.R. 28 at the time of taking an advance for the purchase of land and the amount should not exceed what is required for the purpose. A mortgage deed in Form G.F.R. 29 should be executed before any further advance is drawn for the purpose of constructing the house. The mortgage deed must be registered within 4 months of its execution.

The Government servants who acquire land on lease, should sign an agreement in form G.F.R. 27 at the time of taking an advance for the leasing of the land and the amount should not exceed what is required for the purpose. A mortgage deed in form G.F.R. 25 should be executed before any further advance is drawn for the purpose of constructing the house.

The mortgage deed must be registered within 4 months of its execution.

In order to save Government from loss, the applicant's title to the property should be carefully examined by the sanctioning authority and the instructions laid down in Appendix 20 should be followed.

(viii) *Deleted.*

(ix) Applications for advances must be made through the applicant's departmental superior, who will record his opinion as to the necessity for the assistance solicited. The applicant must certify that the sum is to be expended in building only, and pledge himself that, should there be any surplus funds after the house is completed, they will be at once refunded to Government.

(x) The last pay certificate granted to Government servants under advances must specify the original amount of such advance, the amount repaid and the balance together with interest accrued in accordance with para 251 remaining due.

(xi) Advances may be granted to Government servants subject to the following conditions:-

(a) The temporary Government servant has completed at least 10 years continuous service. However, the temporary Government servants in National Pay Scales No. 1 & 2 will be eligible to draw the advance irrespective of the length of their temporary service.

- (b) A certificate is produced from the Head of the Department to the effect that his services are not likely to be terminated within the period prescribed for the repayment of the advance;
- (c) Security of two permanent Government servants is furnished, who can be released when the house has been built and mortgaged to Government. The sureties should be such as would not retire before the house is built and mortgaged;
- (d) In cases where the official has already acquired the land for construction of the house, he should mortgage it to the Government together with the house to be built thereon, before the advance is sanctioned;
- (e) In cases where the advance is required for the purchase of land, the first installment of advance will be limited to 25% of the total amount of the advance or the actual cost of the land, whichever is less.
- (f) The official concerned produces a certificate from the appropriate House Building Society; Improvement Trust; C.D.A. etc; that the land has been allotted to him and the price should be indicated as also the installment that is immediately payable after allotment.
- (g) In cases where the applicant is not a member of any co-operative house-building society registered under Co-operative Societies Act, 1912, the land for the house should be acquired and mortgaged to Government before the first installment of the advance is paid to him.

253-B. Subject to such terms and conditions as may be prescribed from time to time, loan may be advanced to a Government servant subject to the rule making control of the President and paid from Civil Estimates for the purchase of a house for his residence built by the <sup>52</sup>Federal Government or Provincial Government or a local authority, including a Rehabilitation authority, or an Improvement Trust. Except as otherwise provided, the general principles of paragraphs 253-A, shall apply to the grant and recovery of the loan.

NOTE 1.—The loan shall be drawn after the Government servant concerned has executed an agreement in form G.F.R. 37.

NOTE 2.—The loan may be drawn in full at once but satisfactory evidence shall be produced before the Audit Officer to show that the loan advanced for the purchase of the house has been spent within three months of its drawl. This can be done by showing

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<sup>52</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

to the Audit Officer concerned the valid legal receipt for the amount paid before record with the Departmental Head.

NOTE 3.—Save in the case of a gazetted officer, the amount of loan shall be paid by the Head of the Department of the grantee of the loan direct to the authority which built the house.

NOTE 4.—When asking for the authority for payment of loan the Drawing Officer in the case of a non-gazetted officer and the Controlling Officer in the case of a gazetted Officer, shall, pending execution of the mortgage deed to be executed in form G.F.R. 38 after the purchase of the house, certify that he has secured an agreement in the prescribed form from the grantee of the loan. The execution and registration of the mortgage deed shall also be intimated to the Audit Officer as soon as possible.

## ADVANCE FOR THE PURCHASE OF CONVEYANCES

### GENERAL RESTRICTIONS

254. Government servants may be granted advances under the provisions of the following rules to purchase conveyances (including animals) when it is in the interest of the public service that they should use conveyances provided that in the case of the purchase of bicycles, an advance may be granted if in the opinion of the sanctioning authority the possession of a bicycle will add to the efficiency of the Government servant concerned.

255. The powers of competent authority under rules in paras, 256 to 263 may be exercised by Heads of Local Administrations, Ministries and Divisions of the <sup>53</sup>Federal Government and heads of departments in the case of officers serving under them.

### ADVANCE FOR THE PURCHASE OF A MOTOR CAR OR A MOTOR BOAT

256. Subject to the general provisions of para 254 above and the orders of the Government of Pakistan issued from time to time, a competent authority may sanction an advance to a Government servant for the purchase of a motor car or a motor boat, provided that the following conditions are fulfilled:—

(i) The total amount to be advanced to a Government servant should not exceed <sup>54</sup>Rs.10,000 or nine months' pay, or the anticipated price of the car or boat, whichever is

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<sup>53</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>54</sup> The amount "Rs.10,000" substituted with the amount of "Rs.1,000,000" in terms of Finance Division's O.M.No.F.8(2)-Reg.7/87-698, dated:-09-01-2018.



less. If the actual price paid is less than the advance taken, the balance must be forthwith refunded to Government.

In the case of officers who have to serve for a period of less than four years before they retire at the age of superannuation, the following principles should be followed:—

- (a) If the nine months pay of the officer is less than Rs.10,000 the amount of the advance should not exceed the amount which can, together with the interest thereon, be recovered in full by the time of his retirement, in monthly installments not exceeding 18<sup>th</sup> of his pay.
- (b) In case the nine months pay of the officer exceeds Rs.10,000, he may be allowed Rs.10,000 and no reduction of the amount need be made if he can repay the whole amount with interest within the remaining period of the service by monthly recoveries not exceeding 1/8 of his pay; otherwise the amount should be reduced proportionately as at (a) above.

(ii) A Government servant who is on leave or is about to proceed on leave and for whom an advance has been approved will not be allowed to draw the advance earlier than a week before the expiry of the leave.

(iii) The grant of motor car advance to officers, who are deputed temporarily to a foreign country or are on leave there, is not permissible. The officers, who are transferred to a foreign country (within the meaning of the term “transfer” as defined in rule 2(18) of the Supplementary Rules) or who are deputed on training to a foreign country may, however, be granted motor car advance in the currency of the country of their posting, subject to the following conditions:—

- (a) The period of stay abroad of the officer concerned is two years or more;
- (b) The Head of the Mission, Ministry or Department concerned certifies that it would be in the public interest for the officer to maintain a private car there; and
- (c) The installments for the recovery of the advance are so fixed in each case as to ensure that the full amount advanced is recovered in foreign exchange before the officer returns to Pakistan.

(iv) Recovery will be made by deducting monthly installments equal to forty eighth part of the advance from the pay bill of the Government servant concerned. It will commence with first issue of pay after the advance is drawn. The authority sanctioning an advance may, however, permit recovery to be made in a smaller number of installments if the Government servant receiving the advance so desires. The amount of interest calculated in accordance with para 251 will be recovered in one or more installments,

each such installment being not appreciably greater than the installment by which the principal was recovered. The recovery of interest will commence from the month following that in which the repayment of the principal has been completed.

NOTE.—The amount of the advance to be recovered monthly should be fixed in whole rupees except in the case of the last installment when the remaining balance including any fraction of a rupee should be recovered.

(v) Except when a Government servant proceeds on leave not being leave on average pay not exceeding four months (or privilege leave, earned leave not exceeding 90 days or any other leave which is treated as equivalent to leave on average pay not exceeding four months), or retires from the service, or is transferred to an appointment the duties of which do not render the possession of a motor car or motor boat necessary, previous sanction of competent authority is necessary to the sale by him of a car or a boat purchased with the aid of an advance which with interest accrued, has not been fully repaid. If a Government servant wishes to transfer such a car or boat to another Government servant who performs the duties of a kind that render the possession of the conveyance necessary, he may be permitted under order of competent authority to transfer the liability attaching to the car or boat to the latter Government servant, provided that he records a declaration that he is aware that the Conveyance transferred to him remains subject to the mortgage bond and that he is bound by its terms and provisions.

(vi) In all cases in which a car or a boat is sold before the advance received for its purchase from Government with interest has been fully repaid, the sale proceeds must be applied, so far as may be necessary, towards the repayments of such outstanding balance, provided that when the car is sold only in order that another car or boat may be purchased, the authority sanctioning the sale may permit a Government servant to apply the sale proceeds, towards such purchase, subject to the following conditions :—

- (1) the amount outstanding shall not be permitted to exceed the cost of the new car or boat;
- (2) the amount outstanding shall continue to be repaid at the rate previously fixed: and
- (3) the new car or boat must be insured and mortgaged to Government as required by these rules.

NOTE 2.—Advances for purchase of motor cars may also be allowed to Ministers of the Government of Pakistan and to the Ministers of State on the same terms as they are allowed to Government servants. The Minister or the Minister of State should refund the entire amount outstanding against him if he quits office before the full amount of the advance has been repaid.

257. A Government servant who draws an advance in Pakistan for the purchase of a motor car or a motor boat is expected to complete his negotiations for the purchase of, and pay finally for the car or boat, within one month of the date on which he draws the advance; failing such completion and payment, the full amount of the advance drawn, with interest thereon for one month, must be refunded to Government. This condition should always be mentioned in letters sanctioning such advances.

258. (1) At the time of drawing the advance the Government servant should be required to execute an agreement in Form G.F.R. 16 and, on completing the purchase, he should further be required to execute a mortgage bond in form G.F.R.17 hypothecating the car or the boat to the President as security for the advance. The cost price of the car or the boat should be entered in the schedule of specifications attached to the mortgage bond.

(2) In the case of advances drawn outside Pakistan, a similar agreement and a personal security bond in the prescribed form will be executed at the time of drawing the advance and at the time of purchase respectively.

259. When an advance is drawn, the sanctioning authority should furnish to the Accountant General, a certificate that the Agreement in form G.F.R. 16 has been signed by the Government servant drawing the advance and that it has been examined and found to be in order. The sanctioning authority should see that the conveyance is purchased within one month from the date on which the advance is drawn and should submit the mortgage bond promptly to the Accountant General for examination before final record.

The mortgage bonds should be kept in the safe custody of the sanctioning authority. When the advance has been fully repaid, the bond should be returned to the Government servant concerned, duly cancelled, after obtaining a certificate from the Accountant General as to the complete repayment of the advance and interest.

260. (1) The car or boat must be insured against full loss by fire, theft or accident. Insurance on owner driven or other similar qualified terms is not sufficient for the purpose of this rule. Insurance policies at a reduced rate of premium may, however, be accepted as adequate in the case of motor cars where:—

- (i) the owner of the car undertakes to meet the first Rs.50 or so of a claim preferred against an Insurance company in the event of an accident, or
- (ii) the car is not insured against accident for any season of the year during which it is not in the use but is stored in a garage.

(2) Such insurance should be affected within one month from the date of purchase of the conveyance. A Government servant drawing a similar advance outside

Pakistan should be required to effect insurance within one month of his arrival in Pakistan unless an insurance policy is already in existence.

(3) On receipt of the certificate prescribed in para 259, the Accountant General will obtain from the Government servant drawing the advance, a letter in form G. F. R. 18 to the Motor Insurance Company with which the motor car or boat is insured to notify to them the fact that Government is interested in the insurance policy secured. He will himself forward the letter to the company and obtains their acknowledgement. In the case of insurances affected on annual basis, this process should be repeated every year until the advance has been fully repaid to Government.

(4) Contravention of these orders will render the Government servant liable to refund the whole of the amount advanced with interest accrued, unless good reason is shown to the contrary. The amount for which the conveyance is insured during any period should not be less than the outstanding balance of the advance with interest accrued at the beginning of that period and the insurance should be renewed from time to time until the amount due is completely repaid. If, at any time and for any reason, the amount insured under a current policy is less than the outstanding balance of the advance, including interest already accrued, the Government servant should refund the difference to Government. The amount to be refunded must be recovered in not more than three monthly installments.

NOTE.—It has been decided that in a case where a second hand conveyance is purchased and its comprehensive insurance is not available, third-party insurance may be accepted in audit subject to the condition that the Government servant concerned gives an undertaking to the effect that:—

- (i) he will not seek any abatement, relief or waiver of the outstanding amount of advance in case of loss, theft or destruction of the vehicle; and
- (ii) in case of demise, the outstanding shall be recovered from the gratuity, pension or other dues payable to his nominees or heirs.

261. Advances to Government servants in foreign employ should be granted from the funds of the foreign employer, and when the latter desires to make such an advance, he should apply to Government for the necessary sanction. If the sanction is accorded, it will be subject to the proviso that the advance by the foreign employer shall be regulated by the same conditions as would apply if the Government servant were serving directly under Government. In special cases, however, where a Government servant's services have been lent to a Municipality whose financial position will not permit of the advance, the advance may under special orders of Government, be met from Government funds provided the Government servant's duties are such as to render the possession of a motor car or a motor boat practically a necessity.

### ADVANCES FOR THE PURCHASE OF MOTOR CYCLES

262. A competent authority may sanction an advance to a Government servant whose substantive pay does not exceed <sup>55</sup>Rs.1,200 a month, for the purchase of a motor cycle subject *mutatis mutandis* to the conditions laid down in paras 256 to 261, provided that the amount of the advance does not exceed <sup>56</sup>Rs.5,000 or the anticipated price of the motor cycle, whichever is less.

### ADVANCES FOR OTHER CONVEYANCES

263. Subject as provided in para 254, a competent authority may sanction an advance to a Government servant not holding a post which would ordinarily be held, by a member of an All Pakistan Service or <sup>57</sup>Federal Service Class I, for the purchase of means of conveyance other than a motor car, a motor boat or a motor cycle provided that the following conditions are fulfilled:—

(i) The total amount to be advanced to a Government servant should not exceed two months pay or Rs.300 whichever is greater, and should be limited to the anticipated price of the conveyance to be purchased. If the actual price paid is less than the advance taken, the balance should forthwith be refunded to Government.

(ii) A Government servant who takes an advance under this rule should, within one month after drawing the advance, furnish the head of the office with a certificate giving full particulars of the conveyance purchased with the advance and the cash receipt obtained for the amount actually paid for it.

(iii) Recovery will be made, unless the sanctioning authority otherwise specially directs, by deducting monthly installments equal to one-twelfth part of the advance from the pay bill of the Government servant concerned. It will commence with the first issue of pay after the advance is drawn. The amount of interest calculated in accordance with para. 251 will be recovered as laid down in clause (iv) of para 256.

The provisions of the Note below Clause (iv) of para 256 apply *mutatis mutandis* to the recovery of advances granted under this rule.

(iv) The conveyance purchased with the advance will be considered to be the property of Government until the advance with interest accrued thereon has been fully repaid.

<sup>55</sup> The amount of “Rs.1,200” substituted with the amount of “Rs.34,999” in para-262 in terms of Finance Division’s O.M.No.F.8(2)-Reg.7/87-698, dated:-09-01-2018.

<sup>56</sup> The amount of “Rs.5,000” substituted with the amount of “Rs.100,000” in para-262 in terms of Finance Division’s O.M.No.F.8(2)-Reg.7/87-698, dated:-09-01-2018.

<sup>57</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

263-A. Advances for the purchase of bicycles may be allowed to Government servants who are temporary or permanent, whose pay does not exceed <sup>58</sup>Rs.500 per mensem, subject to the following conditions:—

- (i) The advances will be given only to those <sup>59</sup>Federal Government servants, who reside at a distance exceeding one mile from their place of duty.
- (ii) The amount of advance will not exceed <sup>60</sup>Rs.400.
- (iii) The number of installments for the recovery of the advances shall not exceed thirty in the case of permanent Government servants and fifteen in the case of temporary Government servants.
- (iv) The security from a permanent Government servant should be obtained before an advance is sanctioned to a temporary Government servant.
- (v) The sanctioning authority should satisfy himself that the Government servant is likely to continue in service till such time as the advance is completely recovered.
- (vi) If the Government servant concerned is to be discharged before complete recovery of the advance, the amount outstanding against him shall be recovered in lump sum before his services are dispensed with.
- (vii) The Head of the office concerned should satisfy himself that the advance is actually utilized for the purchase of a cycle.

#### PASSAGE ADVANCES

264. Omitted.

#### INTEREST—FREE ADVANCES

#### ADVANCES TO GOVERNMENT SERVANTS ON TRANSFER, TOUR, ETC.

##### Advances on Transfer

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<sup>58</sup> The amount of “Rs.500” substituted with the amount of “Rs.15,000” in para-263-A in terms of Finance Division’s O.M.No.F.8(2)-Reg.7/87-698, dated:-09-01-2018.

<sup>59</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>60</sup> The amount “Rs.400” substituted with the amount of “Rs.10,000” in para-263-A in terms of Finance Division’s O.M.No.F.8(2)-Reg.7/87-698, dated:-09-01-2018.

265. Advances may be made to a Government servant under orders of transfer, up to an amount not exceeding one month's substantive pay plus the traveling allowance to which he may be entitled under the rules in consequence of the transfer. Such advances may be sanctioned by the head of the office or by any other subordinate officer to whom the power may be delegated.

The advances should be recorded on the Government servant's last pay certificate. The advance of pay should be recovered from the pay of the Government servant in not more than three monthly installments, the recovery commencing from the month in which the Government servant concerned draws a full month's pay or/ and leave salary on joining his new appointment. The advance of traveling allowance should be recovered in full on submission of the Government servant's traveling allowance bill.

NOTE 1.—Authorities competent to sanction advances under this rule may sanction such advances for themselves also.

NOTE 2.—An advance under this rule is also admissible to a Government servant who receives orders of transfer during leave.

NOTE 3.—This rule does not preclude the grant of a second advance to a Government servant to cover the traveling expenses of any member of his family who follows him within six months from the date of his transfer and in respect of whom an advance of traveling allowances has not already been drawn.

NOTE 4.—When a single lump sum advance is drawn to cover the traveling expenses both of the Government servant himself and of his family, it may be adjusted by the submission of more than one bill if it so happens that the members of the Government servants' family do not actually make or complete the journey with him. In such a case the Government servant should certify on each adjustment bill submitted by him that a further bill in respect of traveling allowance of the members of his family (to be specified) who have not yet completed the journey will be submitted in due course and is expected to include an amount not less than the balance of the advance left unadjusted in this bill.

NOTE 5.—The advance of pay under this rule may be allowed to be drawn at the new station soon after the arrival of the Government servant there on production of the last pay certificate showing that no advance was drawn at the old station.

NOTE 6.—The amount of the advance to be recovered monthly should be fixed in whole rupees, the balance being recovered in the last installment.

**ADVANCES ON ARRIVAL IN PAKISTAN ON FIRST APPOINTMENT OR ON  
RETURN FROM LEAVE OR DEPUTATION OUT OF PAKISTAN**

266. Advances may be granted to a Government servant not subject to Military rules.—

(i) On arrival in Pakistan on first appointment of an amount not exceeding two month's substantive pay less the amount of any advance made in England.

NOTE.—When a Government servant on arrival in Pakistan asks for an advance and produces no last pay certificate, an advance may be granted by the Accountant General concerned, on the Government servant's furnishing a declaration that he has not received any advance in England.

(ii) On return from leave or deputation elsewhere than in Pakistan, of an amount not exceeding two months' substantive pay or Rs.1,000 whichever is less, in addition to any advance made in England, provided that the leave was not leave on average pay not exceeding four months or any other leave equivalent thereto [*See* para 256 (V)] and that no advance has been drawn under para. 265.

267. These advances may be drawn on the authority of the Accountant General from any treasury specified by him. Such advances, as well as similar advances made in England, are recoverable by monthly installments of one third of pay fixed in whole rupees.

NOTE 1.—The recovery of an advance made under the Military Leave Rules to a Military officer in Civil employ subject to the Military Leave Rules is regulated by those rules.

NOTE 2.—Advances made to covenanted Mechanics, Boiler-makers, etc., of the Stale Railway Establishments, should be recovered in monthly installments of one sixth of pay fixed in whole rupees. In the case of covenanted Engine Drivers of the State Railway Establishment, the recovery should be made in such a manner as will ensure their receiving in any month not less than Rs.25 exclusive of overtime or other allowances.

**ADVANCES TO SURVEY OFFICERS TO JOIN FIRST APPOINTMENT**

268. Advances may be made to a Survey Officer to enable him to join his first appointment, on the requisition of the Director-General, Survey of Pakistan. The requisition and the Government servant's receipt must be submitted in support of the charge.



## ADVANCES FOR JOURNEYS ON TOUR

269. Advances may be made under the rules specified below:—

(i) To a Government servant, other than an inspecting officer, for himself or an Assistant or Deputy, proceeding on tour, up to an amount sufficient to cover for a month his contingent charges, such as those for the hire of conveyances or animals for the carriage of records, tents or other Government property, subject to adjustment upon the Government servant's return to headquarters or 30<sup>th</sup> June, whichever is earlier.

NOTE.—Advances under this sub-clause may be granted by heads of offices but they should not be applied to the expenditure of any Gazetted Government servant, except that of a Government servant of the Forest Department, which is meant to be covered by his traveling allowance.

(ii) To non-gazetted Government servants accompanying officers on tour or proceeding on inspection or other special work, by the head of their office, of an amount sufficient to cover their personal traveling expenses for a month, subject to adjustment on return to headquarters or on the 30<sup>th</sup> June, whichever is earlier.

(iii) To Gazetted Government servants, when proceeding on long and expensive tours, of an amount sufficient to cover their personal travelling expenses for a month, subject to adjustment on completion of their tours or on 30<sup>th</sup> June, whichever is earlier. Such advances are not to be granted as a matter of course, but only on occasions when the cost of travelling is so heavy as to be a serious tax on a Government servant's private resources.

NOTE.—Advances under this sub-clause may be granted by heads of departments who may exercise the power for sanctioning advances for themselves as well.

(iv) To Government servants of the Archaeological Departments by the head of an office of that Department subject to the conditions prescribed in sub-clause (iii) above. In cases of urgency such advances may be paid from the permanent advance of the head of the office.

NOTE 1.—A second advance cannot be made to a Government servant under this rule until an account has been given of the first.

A Government servant who has taken an advance under this rule for any particular journey may not take payment in traveling allowance or other bills drawn in respect of the same journey while the advance or any portion of it still remains unadjusted.

NOTE 2.—Subject to the restrictions specified above advances under this rule may be granted in all cases of journeys in respect of which traveling allowance is admissible as for a journey on tour.

#### OTHER ADVANCES

270. Advances may be granted.—

(i) by the Collector to a Treasury Officer, or District Superintendent of Police for expenses connected with a remittance of treasure, to be adjusted when the duty is completed;

(ii) by the head of an office, for law-suits to which Government is a party;

(iii) by the Director General of Archaeology of officers of the Archaeological Survey for the purchase of antiquities up to a maximum of Rs.500 in one case; and

(iv) by the Director General to Government servants of the Provincial and Upper Subordinate services of the Survey of Pakistan, of an amount not exceeding Rs.300 towards the cost of purchasing riding horses or riding camels, on condition that the advances are refunded in the pay bills of the Government servants in the three monthly installments in the case of those belonging to the Provincial Service and in six monthly installments in the case of Upper Subordinates.

NOTE.—The advances mentioned in para 269 and clauses (ii) to (iv) of this para, are treated as final charges, not as advances recoverable, and are to be drawn and accounted for as traveling expenses or contingent charges of establishments.

#### ADVANCES FOR ANTI-RABIC TREATMENT

271. Advances to Government servants and others proceeding to a Pasteur Institute of Center for and rabic treatment should be regulated by the rules contained in Appendix 14.

#### SPECIAL ADVANCES

272. Interest-free advances to Government officers and others for special departmental purposes will be regulated by special orders issued by Government or by the Heads of Local Administrations, as the case may be, in each case.

NOTE.—Superintending Engineers may sanction advances to engineering subordinates for the purchase of a tent on the first occasion of their requiring one. Such an advance should be limited to a reasonable amount and recovered in twelve equal monthly deductions from pay commencing three months after date of the advance.

**CHAPTER 14.—MISCELLANEOUS SUBJECTS****I.—SECURITY DEPOSITS**

273. Rules regarding the security of Treasurers in district treasuries and the form of security bond to be executed by Treasurers are given in Treasury Rules 55 and 56. The following instructions apply generally to securities to be taken from other officials entrusted with the custody of cash or stores.

274. Subject to any special rule or order made by Government in this behalf every cashier, storekeeper and other subordinate who is entrusted with the custody of cash or stores should be required to furnish security, the amount being regulated according to circumstances and to local conditions in each case under the sanction of competent authority, and to execute a security bond setting forth the conditions under which Government will hold the security and may ultimately refund or appropriate it.

No subordinate official should ordinarily be permitted to handle Government cash or stores before he has furnished adequate security. Until such security is furnished, the Head of the office or the officer nominated by him as Drawing and Disbursing officer or Officer In-charge of stores shall be held personally responsible for the safe custody of cash or stores.

275. When an officer who has furnished security takes regular leave or is deputed to other duty, the officer who is appointed to officiate for him should be required to furnish the full amount of security prescribed for the post, unless a competent authority has authorized a relaxation of the rules regarding security applicable to his case.

276. Whenever a private person or a firm contracts with Government to supply stores or execute a work, he or it should, unless exempted by competent authority, be required to give security for the due fulfillment of the contract and suitable provisions regarding the security should be incorporated in the agreement.

277. The security taken from a Government officer or a contractor should be in one of the following forms subject to the conditions noted against each, or partly in one and partly in another of these forms when this is specially permitted by the departmental authority authorized to accept the security:—

	<b>Forms</b>	<b>Conditions</b>
(1)	Cash	Government will not pay any interest on any deposit held in the form of cash.
(ii)	Government promissory notes, Municipal debentures, Port Trust bonds, NIT units, etc.	These securities should be accepted at 5 per cent. below the market price, or at the face value, whichever is less, and should be dealt with in accordance with the rules in Chapter IX of the Government securities Manual.
(iii)	Post Office Savings Bank Pass Books	A pass book for a deposit made under the Post Office Savings Bank Rules may be accepted as security, provided that the depositor has signed and delivered to the Postmaster a letter in the prescribed form as required by those rules.
(iv)	Post Office Savings Certificates	The certificates should be formally transferred to the departmental authority, which takes the deposit with the sanction of the Head Postmaster and should be accepted at their surrender value at the time of tender.
(v)	Deposit receipts of recognized banks approved by Government for the purpose.	<p>(1) The deposit receipt should be made out in the name of the pledgee or, if it is made out in the name of the pledger, the bank should certify on it that the deposit can be withdrawn only on the demand or with the sanction of the pledgee.</p> <p>(2) The depositor should agree in writing to undertake any risks involved in the investment.</p> <p>(3) The bank should agree that on, receiving a signed treasury Chalan and withdrawal order from the pledgee in respect of the deposit or any part thereof, it will at once remit the amount specified into the nearest treasury along with the Chalan and send the treasury receipt to the pledgee.</p> <p>(4) The responsibility of the pledgee in connection with the deposit and the interest on it will cease when he issues a final withdrawal order to the depositor and sends an intimation to the bank that he has done so.</p>
(vi)	Fidelity bonds from Insurance Companies of reasonable financial standing in forms	A fidelity bond may be accepted as security from a Government officer not from a private party.

	prescribed by Government.	
(vii)	Other forms of security specifically approved by Government for acceptance in any particular department, e.g., mortgages on real property, personal security, etc.	Security in any such form may be accepted only in accordance with the rules and conditions laid down in the relevant departmental regulations or by special orders of Government.

278. Security furnished in cash by a Government officer or a contractor may be converted, at the cost of the depositor, into any of the interest bearing forms of security mentioned in items (ii) to (v) of the preceding para, provided.—

(i) that the depositor has expressly requested in writing that this be done, and

(ii) that the acceptance of the new form or forms of security is permissible under the rules and under the terms of the agreement or bond.

NOTE 1.—Cash actually received or from Contractors recovered from their bills may be converted into an interest bearing form of security even when it forms a part of a deposit which is being paid in installments and has not yet been realized in full.

NOTE 2.—Percentage deductions made from a contractor's bill held as security for the due fulfillment of a contract should not be converted into any other form of security unless there is special rule or order for such conversion.

279. When a Government servant has furnished security in the form of a fidelity bond, the departmental authority receiving the bond should see that the Government servant pays the premia necessary to keep it alive on the due dates and continues to do so until a period of six months has elapsed since he vacated his office. If the Government servant fails to deliver the premium receipt to the departmental authority in time, he should be removed from his post at once.

280. Subject to any rule or order made by Government in this behalf the form of the security bond to be executed at the time of furnishing security should be determined under orders of the head of the department according to the kind of security furnished. When a Government officer is specially permitted to furnish security partly in one and

partly in another of the forms of security specified in para. 277, he should execute separate bonds for the different kinds of security.

NOTE.—The model form of security bond to be taken from Treasurers in district treasuries is given in Form T.R. 2.

281. (1) Post Office Savings Bank pass books, deposit receipts of banks, fidelity bonds and security bonds or agreements should be kept in the safe custody of the departmental authority which takes the security.

NOTE 1.—All the Post Office Savings Bank pass books, should be sent to the Post Office as soon as possible after the 15th September of each year, so that the necessary entries on account of interest may be made in them.

In the case of deposit receipts of banks, the depositor should receive the interest, when due, direct from the bank on a letter from the pledgee authorizing the bank to pay it to him.

NOTE 2.—The security bonds of Government officers employed in treasuries should be kept in a locked box in the double-lock strong room of the district treasury. The Treasury Officer will be responsible for the safe custody of the bonds and should keep the key of the box in his personal custody.

(2) Government promissory notes, Post Office Savings Certificates, NIT units, Municipal debentures and Port Trust bonds deposited as security should be lodged for safe custody with the Manager of the State Bank of Pakistan at places where there are offices of that Bank and with the district treasury in other places in accordance with the rules in Chapter IX of the Government Securities Manual.

282. A security deposit taken from a Government officer should be retained for at least six months from the date when he vacates his post, but a security bond should be retained permanently or until it is certain that there is no further necessity for keeping it.

283. Without the special orders of the competent authority no security deposit should be repaid or re-transferred to the depositor, or otherwise disposed of, except in accordance with the terms of his security bond or agreement. A departmental authority on returning any security to the depositor should invariably obtain his acknowledgement duly signed and witnessed. When an interest bearing security is returned or re-transferred, the acknowledgment should set forth full particulars of the security.

284. The percentage deductions from bills held as security in connection with contracts to execute works should not be refunded till the final bill has been prepared and passed.

285. Subject to any special rule or order made by Government in this behalf, Heads of Department are authorized to exercise full powers under the provisions of paras 247 to 283 as regards security deposits of Government officers, contractors and others employed under them.

## II. TRANSFER OF GOVERNMENT LAND AND BUILDINGS

286. Except as expressly provided otherwise in any rule or order made by Government, no land belonging to Government may be sold or made over to a local authority, private party or institution for public, religious, educational or any other purpose, except with the previous sanction of Government.

287. (1) When any land or building is transferred from one department of Government to another, the transfer should be free of all charge. When, however, the property is transferred to or from a commercial department (other than the Railway Department) or the Defense Department, the transfer will be affected on the following basis:—

(A) In the case of transfers to or from a commercial department (other than the Railway Department):

- (i) no charge where the property is borne in the books at no value, and
- (ii) book value or market value, whichever is less, where the property is valued in the books.

(B) In the case of transfers to or from the Defense Department:—

- (i) half market value where the property is borne on the books at no value, and
- (ii) book value or market value, whichever is less, subject to a minimum of half market value, where the property is valued in the books.

(2) In the case of transfers to and from the Railway Department, the full market value will be charged in each case.

NOTE.—For definition of the term 'Market Value' *see* Para 2 of appendix 15.

(3) In the case of transfer of landing grounds in Army or Royal Pakistan Air Force charge to the Civil Aviation Department, the arrangement stated in sub-para (1) will be the basis of settlement but every case will be treated on its merits and the amount of compensation to be paid to the Defense Department will be settled by negotiation between the two departments, and in no case will the compensation to be paid exceed that which should be payable under the arrangement prescribed in sub-para (1).

(4) If any dispute arises in the application of this rule, the matter should be referred to the Ministry of Finance.

(5) The transfer of land and buildings between the Federal and Provincial Governments is regulated by the provisions of Article 152 of the constitution and subsidiary instructions issued by the Federal Government which are reproduced as Appendix 15.

### III. INSURANCE OF GOVERNMENT PROPERTY

288. The normal policy of Government is not to insure its properties and no expenditure should be incurred without the prior consent of the Ministry of Finance on the insurance of any Government property.

### IV. CHARITABLE ENDOWMENTS AND OTHER TRUSTS

289. Detailed instructions relating to Charitable Endowments and Other Trusts are embodied in Appendix 16.

### V.—OMITTED

Para. 290 to 298.—Not printed.

### VI.—MISCELLANEOUS

#### PAYMENT OF ARREAR CLAIMS TO PERSONS NOT IN GOVERNMENT SERVICE

299. (1) The provisions of paras. 123 et seq., apply *mutatis mutandis* to old claims preferred against Government by persons not in Government service.

(2) Claims of Government against Railways for overcharges and claim of Railways against Government for undercharges will be recognized and admitted if they are preferred within six months—

- (i) in the case of cash payment—from the date of payment;
- (ii) in the case of warrant and credit notes—from the date of presentation of bill by the Railway Administration.

Explanation.—The terms ‘overcharges’ and ‘undercharges’ mean overcharges and undercharges of railway freight and fares only. They refer to shortages and excesses in



the items included in a bill which has already been rendered. The omission of an item in a bill is not an ‘undercharge’ nor is the erroneous inclusion of an item an “overcharge”.

### SUPPLY OF FORMS

300. The Deputy Controllers of Printing and Stationery, Karachi maintain stocks of the standard forms which are prescribed for use by the Government offices, and which are to be printed and other supplied by Government. Heads of offices and other Government officers should send their indents to him, subject to the observance of the procedure prescribed by him.

### DESTRUCTION OF OFFICIAL RECORDS CONNECTED WITH ACCOUNTS

301. The general rules on the subject are contained in Appendix 17. Special rules applicable to particular departments are prescribed in the respective departmental manuals.

### SUPPLY OF FURNITURE IN RESIDENCES OF HIGH OFFICIALS

302. The General rules on the subject are incorporated in Appendix 18.

### MAINTENANCE OF WAR GRAVES

303. Not Printed.

## CHAPTER 15—GOVERNMENT ACCOUNTS

### I—GENERAL

#### FORM OF ACCOUNTS

304. The form in which and the general principles and methods according to which the accounts of Government should be kept have been prescribed by the Auditor-General with the approval of the President and the main directions in respect thereof are contained in Volume I of the account Code. Volumes II and III of that Code embody the directions of the Auditor-General regarding the form of initial and subsidiary accounts to be kept in treasuries and by officers of the Public Works and the Forest Departments. Detailed rules and instructions relating to the forms of the initial and subsidiary accounts to be kept and rendered by officers of the Defence, Railways, Post Office, Telegraph and Telephones and other technical departments whose accounts are not finally settled through the treasury accounts, are laid down in the local Accounts Manuals or in the departmental regulations relating to the departments concerned.

## MAJOR, MINOR AND OTHER HEADS OF ACCOUNT

305. The structure of the accounts consists mainly of the following divisions:—

- (a) Major heads.
- (b) Minor heads.
- (c) Subheads and other units of appropriation (for heads of expenditure only).
- (d) Detailed heads.

Intermediate heads of account known as sub-major heads are sometimes introduced between a major head and a minor head under it when the minor heads are numerous and can conveniently be grouped together under such intermediate heads. In similar circumstances minor heads are divided into subheads (group heads).

306. A list of authorized major and minor heads of accounts is given in Appendix 2 to the Account Code Vol. I. The introduction of any new major or minor head as well as the abolition or change of nomenclature of any of the existing heads requires the approval of the Auditor-General, who will obtain the approval of the President, where necessary.

The opening of a new sub-head or a detailed head in the Demand for Grants will be sanctioned by the Ministry of Finance according to administrative requirements after consultation, if necessary with the Auditor-General. As regards heads of expenditure, the sub-divisions of minor heads will follow as far as possible the sub-heads and other units of appropriation selected by the Ministry of Finance for Demands for Grants and Appropriation Accounts.

307. In the matter of accounting and for control of expenditure, the nomenclature of the budget cum accounts heads should be strictly followed by departmental officers. Whenever provision made in the budget estimates or in any order of appropriation does not conform to the prescribed head or unit, the corresponding receipt or expenditure should be accounted for against the particular head or unit under which the provision has been made or the appropriation has been communicated by competent authority, unless there be strong reasons for a contrary course, e.g., when such accounting would be contrary to law. All such cases should be brought to the notice of the Ministry of Finance, so that in the estimates of the following year the error may be rectified, unless the Ministry of Finance agrees to give effect to the correct classification in the accounts of the current year because of magnitude of the amounts involved, or because the misclassification affects the accounts of commercial departments or allocation between Capital and Revenue heads.

NOTE—This rule does not, however, apply to Railways, in which case correct classification should be followed in accounts, irrespective of whether the provision in the budget has been made under the correct head or not.

308. Changes in nomenclature of account or budget heads or in the classification of receipts or expenditure will not be introduced in the course of a financial year except under special order of Government.

### RESPONSIBILITY OF DEPARTMENTAL OFFICERS

309. Every officer responsible for the collection of Government dues or expenditure of Government money should see that proper accounts are maintained in such form as may have been prescribed for all financial transactions of Government with which he is concerned and render accurately all such accounts and returns relating to them as may be required by Government, the Accountant General or the Controlling authority concerned. It is essential that all accounts should be so kept and the details so fully recorded and that the initial records of payments measurement and transactions in general are so clear, explicit and self-contained as to be produce-able where necessary as satisfactory and convincing evidence of facts.

NOTE 1.—The classification on bills should be recorded by the drawing officers. Similarly the classification on chalans should be recorded by the officer responsible for the collection of Government dues and making the remittance to the treasuries. In case of doubt, the classification in the accounts may at the outset follow the budget, but the matter should be referred to Government for orders in any case of doubt.

NOTE 2.—The responsibilities of disbursing officers, Controlling officers, and heads of departments in regard to the control over expenditure incurred against the grants allotted to them are laid down in para 88 *et seq.* (See also Appendix 6 to the <sup>61</sup>Federal Public Works Account Code).

## II. —CAPITAL AND REVENUE ACCOUNTS

### GENERAL RULES

310. Expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character, or of extinguishing or reducing recurring liabilities, such as those for future pensions by payment of commuted value. Expenditure on a temporary asset cannot ordinarily be considered as expenditure of a capital nature.

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<sup>61</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

311. Expenditure of a capital nature as defined above, incurred upon a scheme or project may not, however, be classed as capital expenditure in the Government account unless the classification has been expressly authorized by general or special orders of Government. Ordinarily, such classification will not be permitted unless.—

(i) it is essential for the exhibition of financial results of any special service or undertaking on the basis of generally accepted commercial principles or in some other conventional manner, either that the cost of the service or under-taking may be ascertained or that the full implications of any policy may be clearly demonstrated; or

(ii) the expenditure involved is so large that it cannot reasonably be met from ordinary revenues.

NOTE.—The term ‘ordinary revenues’ is applied to revenues derived from taxes, duties, fees, fines and similar items of current Government income including extraordinary receipts, if any, as distinct from receipts that are of a capital, or debt, deposits and banking character.

312. When it has been decided by Government that the expenditure on a scheme for the creation of a new or additional asset should be classed as capital expenditure, and that separate capital and revenue accounts should be kept of such a scheme, the allocation of expenditure to capital and revenue should be determined in accordance with such detailed rules as may be prescribed by Government according to the circumstances of the department or undertaking in which the expenditure is incurred. The following are the main principles applicable to the treatment of the expenditure in the estimates and accounts:—

(i) Capital bears all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service and bears also charges for such further additions and improvements as may be sanctioned under rules made by competent authority.

(ii) Subject to clause (iii), revenue should bear all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals and replacements and such additions, improvements or extensions as under rules made by Government are debit-able to the revenue account.

(iii) In the case of works of renewal and replacement, which partake both of a capital and revenue, nature, the allocation of expenditure should be regulated by the broad principle that Revenue should pay or provide a fund for the adequate replacement of all wastage or depreciation of property originally provided out of capital grants and that only the cost of genuine improvements, whether determined by prescribed rules or formulae, or under special orders of Government may be debited to Capital. Where under

special orders of Government a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and replacements between Capital and the Fund should be so regulated as to guard against overcapitalization on the one hand and excessive withdrawals from the Fund on the other.

Expenditure on account of preparation of damage caused by extraordinary calamities, such as flood, fire, earthquake, enemy action, etc., should be charged to Capital or to Revenue, or divided between them, in such way as may be determined by government according to circumstances of each case.

(iv) Capital receipts in so far as they relate to expenditure previously debited to Capital, accruing during the process of construction of a project should be utilized in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government they should never be credited to the ordinary revenue account of the department or undertaking.

313. Expenditure debit-able to capital will be booked under the appropriate capital head of accounts prescribed within or outside the revenue account, according as the funds required to meet such expenditure are provided from ordinary revenues or from other sources including borrowed money. As a general rule, the capital cost of all comparatively small schemes will be met from ordinary revenues. Borrowed money and other resources outside the revenue account will not ordinarily be spent for unproductive purposes unless the following conditions are fulfilled, viz :—firstly that the objects for which the money is wanted are so urgent and vital that the expenditure can be neither avoided, postponed nor distributed over a series of years, and secondly that the amount is too great to be met from ordinary revenues.

Except under special orders of Government, no expenditure previously met from ordinary revenue may be transferred to a capital head outside the revenue account.

NOTE.—A productive work is one which produces sufficient revenue to afford a surplus over the charges relevant to its functioning—*See* Appendix 2 to the <sup>62</sup>Federal Public Works Account Code.

#### INTEREST ON CAPITAL

314. Except in special cases regulated by special orders of Government, interest at the rates specified below should be charged in the accounts of all commercial departments or undertakings for which separate capital and revenue accounts are maintained within the Government accounts. The charge should be calculated on the direct capital outlay to end of the previous year plus half the outlay of the year itself,

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<sup>62</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

irrespective of whether such outlay has been from ordinary revenue or from other sources.

(i) For capital outlay met out of specific loans raised by Government, at such rate of interest as may be prescribed by Government, having regard to the rate of interest actually paid and such loans and the incidental charges incurred in raising and managing them.

NOTE.—By specific loans are meant loans that are raised in the open market for one specific purpose which is clearly specified in the prospectus and in regard to which definite intimation is given at the time of the raising of the loans that for the purpose of accounts they are to be regarded as specific loans.

(ii) For capital outlay provided otherwise—

(1) *Omitted.*

(2) in the case of outlay incurred after 1916-17, at the average rate of interest to be determined each year by the Government.

315. When under any special order of Government, charges for interest during the process of construction of a project are temporarily met from capital, the writing back of capitalized interest should form the first charge on any capital receipts or surplus revenue derived from the project when opened for working.

### **III.—ADJUSTMENTS WITH OTHER GOVERNMENTS, DEPARTMENTS, ETC.**

#### **ADJUSTMENTS WITH PROVINCIAL GOVERNMENTS**

316. (1) Subject to relevant provisions of the Constitution and of the Orders issued thereunder, adjustments in respect of financial transactions with Provincial Governments will, unless otherwise provided for, be made in such manner and to such extent as may be mutually agreed upon between the <sup>63</sup>Federal Government and the Provincial Government concerned.

(2) Adjustments should, however, always be made, unless otherwise agreed upon—

(i) if a commercial department or undertaking or a regularly organized store department or store section of a department is concerned, or.

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<sup>63</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

(ii) if, under the operation of any rule or order, an adjustment would have been made if the particular transaction with a Provincial Government were a transaction between two departments of the <sup>64</sup>Federal Government.

NOTE.—The procedure for the settlement of these adjustments will be regulated by the directions contained in Chapter 4 of the Account Code, Volume I.

(3) Adjustment with Provincial Government in respect of the matters mentioned below will be regulated by the rules contained in Appendix 3 to the Account Code, Volume I. The rules are based on reciprocal arrangements made with the Provincial Governments and are therefore binding on all of them.

- I. Pay and allowances, other than Leave Salaries.
- II. Leave Salaries.
- III. Cost of Passages.
- IV. Pensions.
- V. Charges for Bonus in respect of Government servants who are employed on Bonus terms and who serve under more than one Government.
- VI. *Omitted.*
- VII. *Omitted.*
- VIII. Expenditure involved in Audit and keeping Accounts.
- IX. Grants of Land and Alienations.
- X. *Omitted.*
- XI. Cost of (1) Forest Surveys carried out by the Director General Survey of Pakistan and (2) Forest maps prepared by that Department.
- XII. Cost of Maintenance and Demarcation of Boundaries and of Settlement of Boundary Disputes.
- XIII. Leave Salary and Pension Contribution recovered in respect of Government servants lent on Foreign Services.
- XIV. Govt. contribution to Group insurance Fund in respect of Non-Gazetted Govt. servants.

317. A period of three years has been accepted by the Federal Government and the Provincial Governments for the re-audit of past transactions involving errors in classification.

This limitation should be regarded as a convention rather than a rigid accounting rule.

318. Payments to Provincial Governments on account of the cost of agency functions entrusted to them under Article 146 of the Constitution will be treated as

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<sup>64</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

contributions from the <sup>65</sup>Federal to the Provincial Government concerned, irrespective of whether such charges appear in the <sup>66</sup>Federal Budget as lump sum payments or in detail under the appropriate sub-heads and other units. In dealing with claims preferred by Provincial Governments under clause (3) of that Article the following principles should be generally observed:—

(i) If the agency work involved the employment of a Provincial commercial department it would be open to that department to charge its normal commercial costs.

(ii) Public Works Department agency cost should be represented by such percentage charges on the cost of <sup>67</sup>Federal Work executed by the Province as may be agreed between the <sup>68</sup>Federal and the Provincial Government concerned, the works outlay being treated as an amount placed at the disposal of the Provincial Government for actual expenditure on the execution of the work.

(iii) The cost of regular joint establishment should be shared as far as practicable on the basis of fixed annual sums settled in agreement with the Province concerned.

(iv) In other cases, the following procedure should be adopted unless there are special orders to the country: —

(1) Details of claims preferred by Provinces should be ascertained. (They may include pay, leave salary and pension contributions, contingencies, etc.).

(2) If the work has been performed by the Province in the past, the charges should be compared with those charged in the past. It is not necessary to be meticulous in the matter. The Ministry of Finance will assist in taking a fairly general view.

(3) If the charges are found to be reasonable and do not exceed Rs.20,000 per annum for any individual item (or connected group of items), a five-years contract should be offered to the Province during which the <sup>69</sup>Federal Government would pay the fixed sum per annum for the work. The amount will be subjected to review at the end of each period of five-years.

(4) If the amount agreed upon exceeds Rs.20,000, it may be necessary to have an annual statement of proposed charges from the Province at the time of preparation of the

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<sup>65</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>66</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>67</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>68</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>69</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.



Budget, unless in any individual case, the charges are obviously static, when the contract system may be adopted in these cases also.

(v) In exceptional cases in which arbitration has to be resorted to, the requisite arrangement in the matter will be made by the Ministry of Finance.

(vi) The Ministry of Finance should be consulted on all matters arising under Article 146 (3) of the constitution.

319. No inter-Governmental adjustments can be carried out after the 15th of July on which date the books of the Bank are closed for the month of June. Every endeavor must, therefore; be made to settle as far as possible all transactions with provinces before the close of the year.

#### ADJUSTMENTS WITH FOREIGN GOVERNMENTS, OUTSIDE BODIES ETC.

320. Payment must be required in all cases in respect of services rendered to any Foreign Government, or non-Government body or institution, or to a separate fund constituted as such either inside the Public Account, unless Government by general or special order gives directions to the contrary. Relief in respect of payment for services rendered or supplies made to any outside body or fund should ordinarily be given through a grant-in-aid rather than by remission of dues.

#### INTER-DEPARTMENTAL ADJUSTMENTS

321. (1) The conditions under which a department of Government may make charge for services rendered or articles supplied by it and the procedure to be observed for the settlement of such charges are regulated by the directions referred to in the Note below sub-para. (2) of para. 316.

(2) Except in regard to transactions affecting the accounts of commercial departments and undertakings or allocation to capital heads, adjustments between different departments of Government should be restricted to the narrowest limits. Such adjustments, when they are essential, should as far as possible, be based on lump sum figures fixed for a period of years with reference to some suitable formula easy of application and maintained for a series of years. Elaborate or meticulous calculations should be avoided as a general rule.

NOTE.1—deleted.

NOTE.2—The provisions of para. 317 apply, *mutatis mutandis*, to transactions between commercial and non-commercial departments as they apply to transactions between the <sup>70</sup>Federal and Provincial Governments.

NOTE.3—Under the directions contained in the Account Code, Vol. IV, inter-departmental and other adjustments are not to be made in the accounts of the post year, if they could not have been reasonably anticipated in times for funds being obtained from the proper authority. In all cases, where the adjustment could have reasonably been anticipated as, for example, recurring payments to another Government or department, and payments which, though not of fixed amount, are of a fixed character, etc., the Accountant General will automatically make the adjustment in the accounts before they are finally closed. The onus of proving that the adjustments could not have been reasonably anticipated should lie with the Controlling officer.

#### ADJUSTMENT OF PENSIONARY CHARGES OF CERTAIN COMMERCIAL DEPARTMENTS

322. The pensionary charges of the Irrigation, the <sup>71</sup>Federal Excises and Salt, (manufacturing branch), and the Light House departments are adjusted on a liability basis, i.e., at a percentage based on establishment charges, the actual payments of pensions being booked under the appropriate head for such charges.

NOTE.—In the case of irrigation major heads, the pensionary charge should ordinarily be calculated at a percentage of the total pay and leave salary of the pensionable establishment including such portion of the temporary staff as may be estimated to have the likelihood of ultimately being made permanent. The percentage which should be adopted should be based upon the cost of borrowing of the <sup>72</sup>Federal Government for the particular year in which pensionary charge is adjusted in the accounts.

The percentage corresponding to the several rates of interest are as follows:—

- (i) 12.500 per cent., of the total pay and leave salary of the pensionable establishment on a basis of 3 per cent. rate of interest;
- (ii) 11.890 per cent. of the total pay and leave salary of the pensionable establishment on a basis 3 <sup>1</sup>/<sub>4</sub> per cent. rate of interest;

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<sup>70</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>71</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

<sup>72</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.

- (iii) 11.236 per cent. of the total pay and leave salary of the pensionable establishment on a basis  $3\frac{1}{2}$  per cent. rate of interest;
- (iv) 9.427 per cent. of the total pay and leave salary of the pensionable establishment on a basis  $4\frac{3}{4}$  per cent. rate of interest;
- (v) 8.899 per cent. of the total pay and leave salary of the pensionable establishment on a basis  $4\frac{1}{2}$  per cent. rate of interest;
- (vi) 7.893 per cent. of the total pay and leave salary of the pensionable establishment on a basis 5 per cent. rate of interest.

323. The pensionary liability of commercial departments and undertakings, for which *pro forma* commercial accounts are maintained outside the regular Government accounts, is assessed on a contribution basis at rates fixed by Government, the actual method of adjustment in the regular Government accounts being determined in consultation with the Auditor General. As regards other departments and undertakings, for which no regular commercial accounts are maintained either within or outside the regular Government accounts but which are allowed to charge for their products or services rendered, the pensionary liability is taken into accounts in the estimate of overhead charges and manufacturing costs for the purpose of calculating the issue price of goods manufactured or fees for services rendered, the calculation being made at rates prescribed for the purpose by Government.

#### IV.—PROFORMA ACCOUNTS

##### SUBSIDIARY ACCOUNTS OF GOVERNMENT COMMERCIAL UNDERTAKINGS

324. When the operations of a department include undertakings of a commercial or quasi-commercial character, and the nature and scope of the activities of the undertaking are such as cannot suitably be brought within the normal system of Government account the head of the undertaking should be required to maintain such subsidiary and *pro-forma* accounts in commercial form as may be agreed between Government and the Auditor General. The methods and principles in accordance with which such accounts are to be kept, including *inter alia* the basis to be adopted for valuation of assets and for allocation of expenditure between capital and revenue accounts and the extent to which provision should be made in those accounts for bad debts, depreciation and other forms of indirect charges, e.g., cost of management and supervision, audit charges, interest on capital expenditure, etc., will be regulated by orders and instructions issued by Government in each case. Where the commercial accounts are maintained for the purpose of assessment of the cost of an article or service, the head of the undertaking should see that adequate regulations are framed with the approval of Government in order to ensure that the cost deduced from the accounts is the accurate and true cost. He should also arrange to obtain the orders of Government

regarding the nature and form of subsidiary account and statements, if any, which should be appended to the Appropriation Accounts of each year, and submits such accounts and statements to the Accountant General on such date as may be required by him.

#### OTHER PROFORMA ACCOUNTS

325. Pro-forma accounts of regular Government Workshops and Factories will be kept in accordance with the detailed rules and procedure prescribed in the departmental regulations. Pro-forma accounts of Irrigation, Navigation, Embankment and Drainage works and of Government residential buildings will be prepared by the Accountant General in accordance with the instructions contained in chapter 21 of the Account Code, Vol. IV.

#### V.—ANNUAL ACCOUNT

326. The annual accounts of receipts and disbursements of the <sup>73</sup>Federal Government are submitted to Government by the Auditor General in the form of the Finance Accounts and Report thereon. These, together with the Appropriation Accounts and Reports thereon, constitute the published accounts of Government.

The Finance accounts and Report thereon deal with the accounts of Government as a whole, including transactions relating to debt, deposits, advances, suspense and remittance accounts which do not strictly fall within the scope of the Appropriation Accounts.

327. The comments or recommendations of the Legislature or of the Public Accounts Committee, if any, arising out of the Audit Report on the Finance Accounts, and the orders of Government thereon, will be communicated by the Ministry of Finance to the Auditor General and other authorities concerned. The general responsibility for watching the action taken on the Audit Report will under directions of the Auditor General devolve on the Accountant General, Pakistan Revenues.

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<sup>73</sup>Substituted by Ministry of Law Notification No.F.24(2)/75-Pub., dated 01-8-1975, Gaz. Of Pak., Extra., Pp.435-436, dated 01-8-1975.