

Government of Pakistan
Finance Division
(Regulations Wing)

F. No. 4(3)R-4/2011

Islamabad, the 23rd January, 2024

OFFICE MEMORANDUM

Subject: **CLARIFICATION ON CONSULTATION / APPROVAL OF FINANCE DIVISION
IN MATTERS EFFECTING FEDERAL FINANCES**

The undersigned is directed to refer to the subject noted above and to state that Rule 3 of Rules of Business (RoB), 1973 provides that the Federal Secretariat shall comprise Ministries and Divisions and that the business of Federal Government shall be distributed among the Divisions. Further, Rule 4 states that each Division shall have Attached Departments and the business of Government, other than the business done in the Federal Secretariat or the Attached Departments, shall be conducted through such agencies and offices as the Prime Minister may determine from time to time. Currently Divisions have following types of offices allocated to them:

- i. Attached Departments
- ii. Sub-Ordinate Offices
- iii. Autonomous/Semi Autonomous/Corporate bodies
- iv. Executive Departments

2. Rule 12 of Rules of Business, 1973 states that "*no Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation*". Instances have come to the notice of Finance Division where the offices referred to in para 1 above, especially Autonomous/Semi-Autonomous/Corporate bodies, have contended that they enjoy financial autonomy and that their own Boards are competent to take their financial decisions. Such decisions have frequently included sanctioning of new allowances or enhancing rates of existing allowances.

3. It is clarified that offices and organizations are created by the Federal Government to facilitate the essential functions performed by the Federal Government. In some cases, operational independence is granted to such offices, mostly autonomous/Semi Autonomous Bodies, referred to in para 1 above to ensure performance of Government business, in an impartial and timely manner. However, such offices (a) either draw financial support directly from the federal government through budgetary processes or (b) have been authorized, mostly through legislation, by the Federal Government to generate revenues which fall within the definition of (a) Charges/fees/cesses or (b) taxes or (c) dividends and profit. Such offices have been granted independence to incur their expenditures from such revenue as authorized by the Federal Government/Finance Division. Amendments in relevant laws of such offices as well as Public Finance Management Act, 2019 stipulate that such offices have to deposit, after incurring their authorized expenditures, their annual surpluses in the Federal Consolidated Fund.

4. Offices referred to in para 1, in the performance of their functions, either (a) place a charge on Federal Finances or (b) consume what should be government revenue in the form of tax/fee/cess etc thereby reducing federal governments receipts to that extent. This attracts Rule 12 of Rules of Business 1973.

5. Following instructions are therefore issued in order to comply with the legal provisions as well as Rules of Business 1973:

- i. No charge on the Federal Budget or receipt be created without consultation of Finance Division; [Explanation: Presence of a representative of Finance Division on the Board of an office referred to in para 1, does not constitute consultation with Finance Division. Such consultation is required to be undertaken as per prescribed procedure].
- ii. All offices are required to deposit, after carrying out their expenditure as authorized by Federal Government /Finance Division, their annual surpluses in the Federal Consolidated Fund promptly in accordance with the provision of their own laws as well the Public Finance Management Act, 2019.
- iii. Pays, allowances and their revision of all Government employees, including those employed in Autonomous/Semi Autonomous/Corporate bodies requires prior approval of Finance Division.
- iv. Auditor General of Pakistan should ensure that during audits of all offices of the Federation, Finance Division's specific approvals, as provided for in (i) above, are available and are verified in respect of all expenditures and charges including pays and allowances.
- v. AGPR and Budget/Expenditure Wings of Finance Division should undertake a review of the existing expenditures of offices referred to in para 1, including pay and allowances and any such expenditures that lack Finance Division's specific approval. Any payments not in accordance with these instructions be discontinued. This exercise must be completed within 30 days from the issue of these instructions. In cases requiring clarity, the expenditure is to be stopped immediately and matter referred to Finance Division promptly.
- vi. In cases where Finance Division has already delegated powers under Rules of Business, 1973, AGPR to should ensure that such power is being exercised within the prescribed parameters of the delegation.
- vii. Budget and Expenditure Wings should ensure production of evidence of approval/consultation of Finance Division of all expenditures of offices referred to in para 1 during the upcoming budget exercise before authorizing budgetary allocations
- viii. These instructions are to be circulated amongst all offices referred to para 1 for compliance.



(Nusrullah Jan)
Deputy Secretary (R-II)
Ph: 051-9245838

All Ministries / Divisions / Departments / AGPR / Budget and Expenditure Wing of Finance Division.

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