



Sub-National Governance  
Programme

# Frequently Asked Questions (FAQs) for Budget Formulation by District Authorities

A Guide on Planning and Budgeting

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## A Guide on Planning and Budgeting

In January 2017, Punjab Government transitioned to the new Local Government (LG) system and established the new local governments under the Punjab Local Government Act, 2013. The new LG system represents fairly a significant departure from the previous LG system. The new LG Systems provides for establishment of the District Authorities with increased responsibility of planning, budgeting, and managing service delivery in the districts. The current 'Frequently Asked Questions' guide<sup>1</sup> has been developed to facilitate the District Authorities for improved budgetary planning for better service delivery.

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<sup>1</sup>The Punjab Health Facility Management Company, Government of the Punjab, with the support of Sub-National Governance (SNG) Programme, has developed this document titled, "Frequently Asked Questions" for providing answers to generic questions involving budget formulation by the newly established district authorities in the Punjab.

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## List of Acronym

AA	Administrative Approval
ADP	Annual Development Programme
BAO	Budget and Accounts Officer
BCC	Budget Call Circular
C&W	Communication & Works Department
CEO	Chief Executive Officer
CO	Collecting Officer
CoA	Chart of Account
DDC	District Development Committee
DDO	Drawing and Disbursing Officer
DEA	District Education Authority
DHA	District Health Authority
FAQ	Frequently Asked Questions
ICC	Internal Core Committee
KPI	Key performance indicators
LG	Local Government
MTBF	Medium Term Budgetary Framework
NAM	New Accounting Model
OBB	Output Based Budgeting

OSR	Own Source Receipts
PAO	Principal Accounting Officer
PBB	Performance Based Budgeting
PFC	Provincial Finance Commission
SAE	Schedule of Authorised Expenditure
SNE	STATEMENT OF NEW EXPENDITURE
SNG	Sub-National Governance

## General Questions on Budgeting



### 1. **What is budget?**

“Budget means an official statement of the income and expenditure of a local government for a financial year”

It is a key policy document of the government, showing how government prioritize and achieve its short term (annual) and mid-term (multi-year) objectives.

### 2. **What is budget estimates?**

Means expenditure in relation to a financial year, the expenditure proposed for that year including actual receipts and the receipts expected to be realized during that year.

### 3. **What is capital expenditure?**

Means the expenditure for:

- a. Acquisition of immovable property
- b. Acquisition of capital assets
- c. Investments
- d. Repayment of loans, if any
- e. Execution of original works, and
- f. Advance and deposits

### 4. **What is capital receipts?**

Means receipts from the sources other than revenue and include:

- a. Proceeds from the disposal of capital assets
- b. Sale on investments
- c. Loans
- d. Advances and deposits

**5. What is revenue expenditure?**

Means expenditure met from revenue receipts. This can be both Development and Non-Development (or Current) Expenditure. (See also 'Capital Expenditure')

**6. What is revenue receipts?**

Means the receipts from tax and non-tax revenues; the non-tax receipts include profit, dividends and fines realized by a District Authority.

**7. What is charged expenditure?**

According to section 102 of PLGA 2013, following expenditure has been declared as charged upon the Authority Local Fund:

- a. The money required for repayment of loans,
- b. The money required for payment of interest,
- c. The money required to satisfy any judgment, decree or award against the Authority,
- d. The money that the local government may be required by the Government to contribute towards the conduct of local government elections and other deferred liabilities of the local government; and
- e. Such other expenditure of local government as may be prescribed.

If any expenditure is a charge upon the Local Fund and is not paid, the Government may, by order, direct the person having the custody of the respective Local Fund to pay such an amount from the Local Fund.

**8. What is voted expenditure?**

Expenditure other than charged expenditures which are subject to vote of the District Authority are voted expenditures.

**9. What are the key principles required to be considered while preparing budget?**

In terms of the provisions of Rule 10 of the Punjab District Authorities (Budget) Rules, 2017, the Principal Accounting Officer (PAO) as well as the DDOs (Drawing and Disbursing Officer) are required to follow the following Principles;

1. **Principle of Annual Budgeting:** Budget, presented and approved by the District Authority, is for ensuing financial year only which means that the grants authorised to the District Authority shall be valid for one financial year and cannot be carried forward to the next financial year.
2. **Principle of Comprehensiveness:** Budget includes the estimates of foreseeable items of receipts and expenditure, contains full information on current programmes and activities and presents a correct picture of the financial position of Authority.
3. **Principle of Specificity and Clarity:** All items of income and expenditure shall be specific in programmes and activities and no lump sum allocations are allowed. This facilitates proper scrutiny at all levels and helps all concerned parties to monitor the budget and exercise budget control.
4. **Principle of Accuracy:** Underestimation and overestimation shall be serious budgetary irregularities. The budgetary provisions shall not be more or less but shall be subject to variations resulting from unforeseen developments or circumstances.
5. **Principle of Periodic Review and Corrective Action:** Chief Executive Officer and head of offices and institutions shall be expected to be vigilant on both receipt and expenditure side. There should be a continuous assessment of programme and financial performance to encourage progress towards achieving goals.

## 10. What is budget cycle and what are the key stages?

The budget cycle refers to the life of a budget from preparation to evaluation.

Normally it is subdivided into four stages:

1. Preparation
2. Approval

3. Execution
4. Monitoring & evaluation

The guideline incorporates the first two stages whereas for later stages separate set of instructions may be issued. The following responsibility matrix explains the process, steps and relevant offices for preparation/approval of budget:

**FIGURE 1 BUDGET CYCLE STAGE I & STAGE II**

Sr #	Activity	DDO	Head of Institution	Collecting officer	Budget and Accounts officer	Planning officer	CEO	Chairperson
<b>Budget Call Circular</b>								
1.	Prepare Policy guidelines for BCC				✓	✓	✓	✓
2	Issuance of BCC along with guidelines and forms				✓	✓		
3	Budget Calendar in BCC				✓			
4	Budget Ceilings				✓		✓	
5	Approval of BCC & Ceilings						✓	
<b>Current Budget</b>								
6	Preparation of Budget Estimates	✓						
7	Review the Budget and approve		✓					
8	Submit the Budget Estimates	✓						

Sr #	Activity	DDO	Head of Institution	Collecting officer	Budget and Accounts officer	Planning officer	CEO	Chairperson
9	Consolidation of all Budgets received				✓	✓		
10	Examine the current BE				✓		✓	
11	Finalise recommendations and BSF				✓		✓	
12	Budget Speech of the Chairman				✓		✓	
13	Approval for allying before Authority						✓	
14	Budget Estimates submitted to the Authority for approval						✓	✓
Development Budget								
15	Undertake overall planning work					✓	✓	
16	Undertake consultation sessions for new projects					✓	✓	
17	Prepare project outline					✓		
18	Prepare the cost estimates of the schemes					✓		
19	Prepare the working paper consolidating all the schemes					✓		

Sr #	Activity	DDO	Head of Institution	Collecting officer	Budget and Accounts officer	Planning officer	CEO	Chairperson
20	Present the working paper to District Development Committee					✓	✓	
21	Review the working paper					✓	✓	
22	Receive Administrative Approval of the DDC					✓	✓	
23	Formulate ADP of the approved Development Schemes from DDC					✓	✓	
Receipt Budget								
25	Prepare Estimates of Receipt Budget			✓			✓	
25	Prepare new Tax Proposal			✓			✓	
26	Consolidate, review and finalise the Receipt Estimates			✓			✓	
27	Receive, scrutinise and consolidate the Receipt Estimates				✓		✓	
28	Undertake final examination of Receipt				✓		✓	

Sr #	Activity	DDO	Head of Institution	Collecting officer	Budget and Accounts officer	Planning officer	CEO	Chairperson
	Estimates							
29	Take approval from DA							✓
<b>Final Approval of Budget documents from the District Authority</b>								
	Budget Speech of Chairman						✓	✓
	ABS				✓	✓	✓	✓
	Estimates of Receipt				✓		✓	✓
	Demand for Grant (Current & Development)				✓		✓	✓
	SNE				✓		✓	✓
	RE & Supplementary Budget				✓		✓	✓
	ADP				✓		✓	✓
	Medium Term Budget Estimates				✓		✓	✓

## Budget Call Circular & Budget Ceiling



## 11. What is Budget Call Circular (BCC) and what are the contents?

Budget Call Circular means the circular containing budget calendar, instructions and forms for performance based budgeting framework and guidelines on performance budgeting as specified.

BCC is the first step towards budget planning and preparation of Budget Estimates. It is issued after fixing priorities in consultation with the relevant stakeholders under the guidance of Chairman. The Budget and Accounting wing of District Authority would issue the BCC along with the time frame specified in budget calendar. BCC is issued to all DDOs and Heads of Institutions.

The BCC contains two sections.

**Section-I;** General instructions and guidelines for filling of budget forms for the Authority

**Section-II;** Specific instructions and guidelines issued to DDO's to fill the forms and submit to District Authority.

The DDO and head of Institution shall prepare its budget in accordance with the guidelines given in the BCC. The forms shall be submitted to the CEO office duly signed by the Fund Centre or DDO or the collecting officers in accordance with the budget calendar.

## 12. What is included in annual action plan by Chief Executive Officer (CEO)?

Chief executive Officer (CEO) is required to prepare annual action plan, which identifies the priorities and the targets to be achieved in the next financial years while identifying the technical and financial issues during the current financial year and their mitigation strategies. It is important to note that such priorities and targets to be defined at the time of issuance of budget call letter/circular.

Forms to be used are BSF-1, BSF-2 and BSF-3

The plan includes:

- Priorities and targets to be achieved for next financial year
- The state of facilities and services available
- Problems and issues related to implementation in current financial year
- Activities proposed to continue in next financial year
- New activities proposed for next financial year including staff requirement and establishment
- Status of ongoing development project, if any
- Proposed sectors and projects for the next year development budget based on the technical assessment by the concerned offices.

The opportunities to create public private partnerships and the involvement of community through pre-budget and stakeholder consultations are essential.

### 13. What is budget calendar and what are the timelines to be followed in each budget cycle?

The budget calendar emphasize the time schedule for submission of Budget Estimates in respect of Estimates of Receipts as well as Estimates of Current & Development expenditure along with Revised Estimates of the District Authority on given timeframe hereunder:

**FIGURE 2 BUDGET CALENDAR**

S #	Activities	Responsible Office / Officer	Deadline (Last date)
1.	Stakeholder consultation for identification of priorities for BCC	Chairman	15 <sup>th</sup> August
2.	Feedback on Policy and BCC	Chairman/CEO	31 <sup>st</sup> August

<b>S #</b>	<b>Activities</b>	<b>Responsible Office / Officer</b>	<b>Deadline (Last date)</b>
	approval		
<b>3.</b>	Issuance of BCC	Deputy Director (B&A)	30 <sup>th</sup> September
<b>4.</b>	Communication of indicative ceilings, MTBF mode, to DDOs for ensuing financial year	CEO	30 <sup>th</sup> September
<b>5.</b>	Development of Proposals for the Budget Estimates of Expenditure (permanent) together with explanatory memoranda	DDOs	31 <sup>st</sup> January
<b>6.</b>	Development of Proposals for Schedule of New Expenditure (SNE)	DDOs	1 <sup>st</sup> February
<b>7.</b>	Preparation of OBB Forms including BSF-1, BSF-2 & BSF-3	Head of Office	15 <sup>th</sup> March
<b>8.</b>	Consolidation of Budget Proposals including BSF-1 and BSF-2		31 <sup>st</sup> March
<b>9.</b>	Preparation of Annual Action Plan	CEO	31 <sup>st</sup> March
<b>10.</b>	Estimation of Receipts for ensuing financial year and Revised Estimates of current financial year, including proposals for new taxes/service charges together with explanatory memoranda	Collecting Officers	1 <sup>st</sup> April
<b>10.</b>	Submission of Statement of Excess & Surrenders/ Revised Estimates of expenditure	Head of Institutions/DDOs	1 <sup>st</sup> April
<b>11.</b>	Feedback collection from public NGOs and academia on	CEO	15 <sup>th</sup> April

<b>S #</b>	<b>Activities</b>	<b>Responsible Office / Officer</b>	<b>Deadline (Last date)</b>
	proposals agreed by CEO		
<b>12.</b>	Finalisation of Revised Estimates of Receipts for current financial year and consolidation of Estimates of Receipts for ensuing year	CEO/Deputy Director (B&A)	30 <sup>th</sup> April
<b>13.</b>	Finalisation of the Revised Estimates of Expenditure (Current & Development) and consolidation of Budget Estimates for (Current & Development) for ensuing year	CEO/Deputy Director (B&A)	30 <sup>th</sup> April
<b>14.</b>	Communication of share for PFC by Finance Department	Finance Department	30 <sup>th</sup> April
<b>15.</b>	Review of budget in the Internal Core Committee (ICC)	ICC	15 <sup>th</sup> May
<b>16.</b>	Finalisation of draft Revised Estimates of current financial year and Budget Estimates for next financial year	CEO/Deputy Director (B&A)	20 <sup>th</sup> May
<b>17.</b>	Finalisation of Supplementary Budget Estimates	CEO/Deputy Director (B&A)	20 <sup>th</sup> May
<b>18.</b>	Finalisation of Budget Documents and Budget Speech for Chairman	CEO/Deputy Director (B&A)	1 <sup>st</sup> June
<b>19.</b>	Printing of Budget Documents	CEO	15 <sup>th</sup> June
<b>20.</b>	Submission of Demands for Grant/Budget Estimates to the Authority	CEO	15 <sup>th</sup> June
<b>21.</b>	Submission of Budget Estimates before the Authority for approval	Chairman/CEO	20 <sup>th</sup> June
<b>22.</b>	Submission of Vote by the	Authority/ Chairman	25 <sup>th</sup> June

S #	Activities	Responsible Office / Officer	Deadline (Last date)
	Authority on Demands		
23.	Decision on Supplementary Budget Estimates for current financial year	Chairman / CEO	25 <sup>th</sup> June
24.	Authentication of Schedule of Authorised Expenditure	CEO	26 <sup>th</sup> June
25.	Communication of approved Budget Estimates to concerned offices.	CEO / Deputy Director (B&A)	1 <sup>st</sup> July

**14. Which budget documents are required to be prepared/presented/approved by the Authority?**

According to Section 103 of PLGA 2013, and Rule 12 of the District Authority (Budget) Rules 2017, the annual budget shall consist of:

1. Estimates of Receipts,
2. Estimates of Expenditure (Current),
3. Estimates of Expenditure (Development),
4. Annual Development Programme (ADP), and
5. Explanatory Memorandum

Further charged expenditure and conditional grants are required to be shown separately. A careful look at the budget rules identified following list of forms

**Estimates of Receipt**

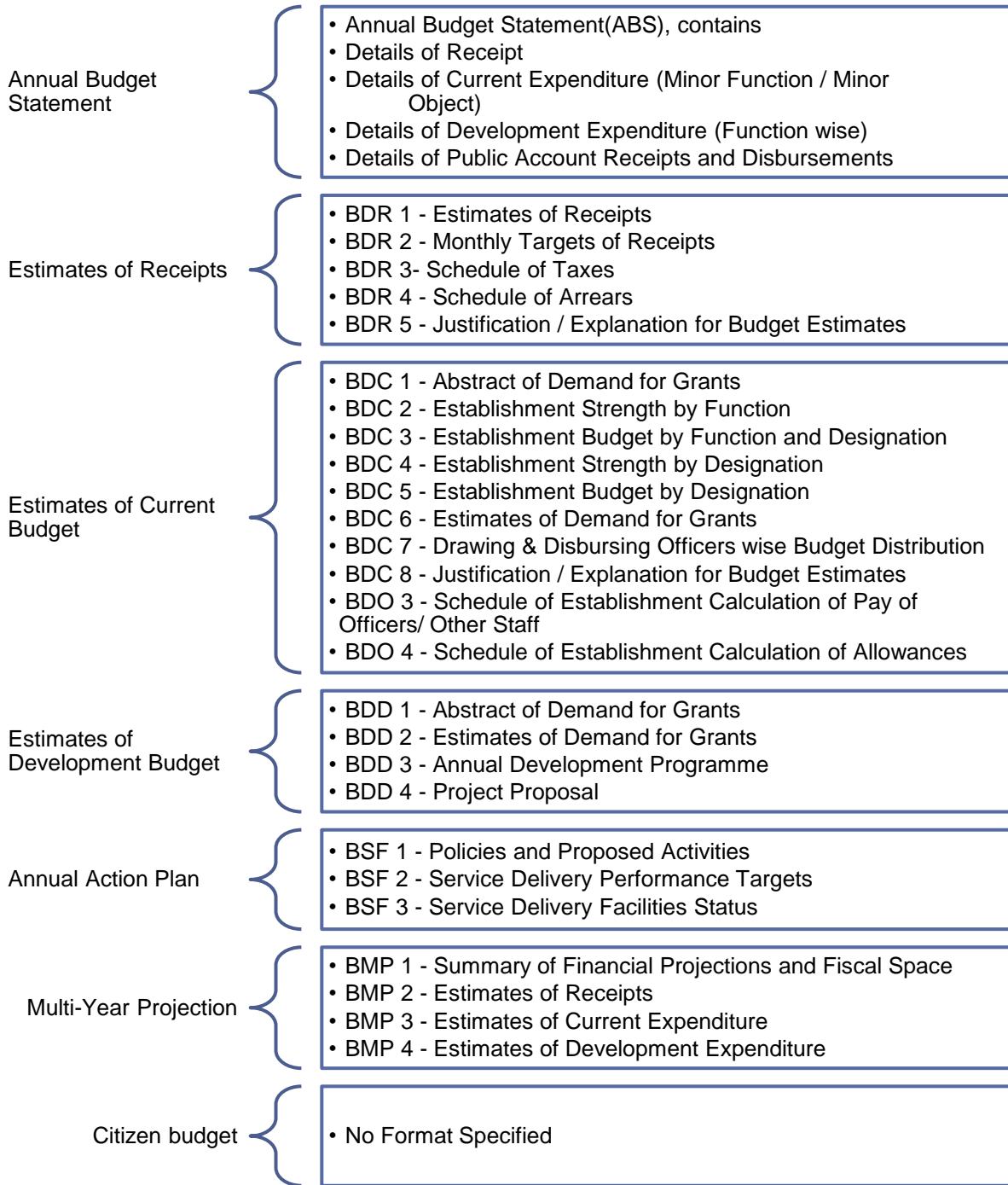
- Capital receipt
- Revenue receipt
- PFC Award
- Balance amount available in the Authority fund
- Own source revenue
- Grants from the governemnt

**Estimates of Expenditure**

- Current expenditure
- Development expenditure
- Schedule of new expenditure (SNE)

and documents to be prepared and approved by each District Authority.

**FIGURE 3 BUDGET FORMS/ DOCUMENTS**



### 15. Are we required to publish these budget documents?

Budget is a public document and should be published and made accessible to all citizens. All the budget books, as indicated above, with all ancillary documents are also required to be published. In modern context, the budget should be made available on website along with the updated progressive expenditure. This not only enhances the budget openness and transparency but also solicits improvements through a pre-budget dialogue.

### 16. What is budget ceiling/PFC share?

Since decentralisation under the PLGO, 2001, Local Governments have predominately depended upon the provincial transfers under Punjab Finance Commission (PFC). The PFC Award envisages the formula based transfers to all tiers of local governments. Under PLGA, 2013 District Health and Education Authorities (DHAs & DEAs) have been assigned the powers to levy tax or fix rates for service charges as non-tax sources. However, these sources still remain meager and the said authorities would be dependent upon the share from PFC Award.

The Finance Department, under the Award has been mandated to work out and communicate share of each District Authority/local government under the PFC Award well before the start of the next financial year. The shares so communicated to the Authorities/LGs are the starting point for planning/ budget processes. Ideally the Budget & Accounts Officer should take up the assessment somewhere in September-October for the expected PFC Award shares for next financial year and initiate the budget planning process. The said estimates may be reviewed on receipt of the final information for Government during May-June, proceeding the financial year for which Budget Estimates are being prepared.

There are incidences where communication is delayed by the Government, in such exceptional circumstances; budget wing of the Authority may consider the



shares received during the last year's PFC Award/approved budget numbers as an alternate to initiate the budget process.

**17. What to do with budget ceilings?**

Once the share from PFC Award is communicated by the Provincial Government, the CEO/Deputy Director (B&A) shall calculate the individual share of each Sector/ Institution/DDO and communicate the ceilings subsequent to the provisional ceilings communicated through the BCC. Special attention may be given to accommodate the new initiatives in the budget proposals.

**18. Can we prepare budget exceeding PFC share?**

Yes, as the Budget Estimates for expenditure is matched to the receipts, comprising the expected share received from the PFC Award as well as Authority's own sources revenue. The ceiling communicated to DDOs through the BCC may also indicate the development, current portion of Budget Estimates for the particular sector/ DDO. It is the responsibility of District Authority to prepare and approve its budget within the communicated ceiling. Normally, there is no option with District Authority to exceed the Budget Estimates of receipts however, the Authority may use the available resources effectively and efficiently to increase Own Source Revenue (OSR). Effective work planning is crucial for optimum utilisation of funds. Once the Authority approves the Budget next critical step is to make proper cash planning for effective utilisation.

**19. Are funds placed in Authority account lapsable?**

In terms of the provisions contained under PLGA, 2013, two separate accounts District Education Authority Local Fund Account V – Punjab and District Health Authority Account VI Punjab have been established for Education & Health Authorities respectively. The expenditure against cash available in these accounts is contingent upon the budgetary allocation approved by the Authority and authorised under

Schedule of Authorised Expenditure (SAE), authenticated by the CEO. The authorisation under SAE lapses on close of the Financial Year however, un-utilised cash remains available in the respective account as closing/ opening balance.

## Budget Classification under New Accounting Model (NAM)

## 20. How budgets would be recorded and which budgeting interface would be used?

The prime interface for budgeting and expenditure is online/ real-time SAP-R/3 system. Each Authority has been provided with separate connectivity with user authorisation and is required to prepare Budget Estimates and online post the funds released to the DDOs, which should be according to the Chart of Account (CoA) issued by the Auditor General of Pakistan as defined in Rule 11 of District Authority (Budget) Rules, 2017.

The CoA provides information about entities, functions, objects, programmes, projects and geographical distribution of resources, etc. The operation of fiscal data through the SAP/R-3 ensures the timely availability of accurate, comprehensive and reliable information to the decision makers and for enforcing effective accountability and better financial planning. Increased financial reporting requirements will also be met through timely and reliable information for better:

- a. Budgetary Management
- b. Financial Control
- c. Cash Forecasting and Trend Analysis
- d. Fiscal Administration and Debt Management

## 21. What is budget classification under New Accounting Model (NAM)?

A Chart of Account has been introduced as part of NAM, adoption of which provides an accurate and uniform information for classification of receipts, expenditure, assets, liabilities and equity (residual value) through five elements, defined hereunder:

### 1. Entity Element

The entity means the organisational structure or unit, which creates the transactions. The organisational highest level is Government (CEO in case of

Authority) & lowest level is DDO/ Collecting Officer (CO). The Entity Element is allotted to the Secretary and down to the DDO indicating the hierarchy. This Entity Element is allotted to a department once or when a new department is established and not required to be recorded on the letters for release of funds or conveying the sanctions for incurring expenditure as and when the funds are posted online in SAP/R-3 with other classifications codes, the system automatically picks up the Entity Element codes.

## 2. **Function Element:**

The economic function, relating to the provision of a particular service, activity or Government programme is recorded as Function Element. The design of function codes conforms to IMF public sector reporting requirements.

The recording of function element at sub-detailed function level is compulsory on a sanction conveying the release of funds, sanction to incur expenditure or recording expenditure in the SAP/R-3. The Function Elements are unique for each department. Moreover, the Function Element provides reporting of transactions by economic function and programme.

Function element consists of following sub elements:

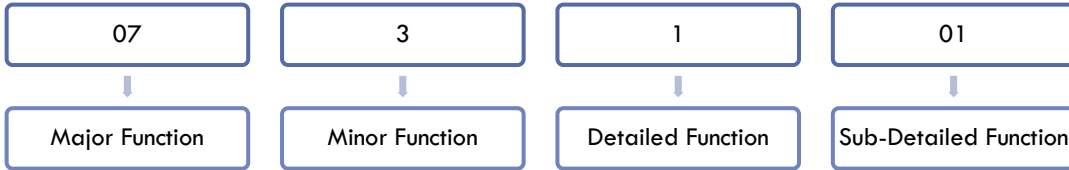
Major Function	Principal economic function
Minor Function	Lowest level of economic function
Detailed Function	Detailed additional information
Sub-detailed Function	Lowest level of additional information

### **Example of Function Element:**

Major Function	07	Health
Minor Function	073	Hospital Services

Detailed Function	0731	General Hospital Services
Sub-detailed Function	073101	General Hospital Services

Above example of Function Element can be shown as:



Another example of Function Element:

Major Function	09	Education Affairs and Services
Minor Function	092	Secondary Education Affairs and Services
Detailed Function	0921	Secondary Education Affairs and Services
Sub-detailed Function	092102	Administrations

While preparing the Budget Estimates, it is imperative to record the correct function classification in line with the table given below. This would support the Health Authority in reviewing the sectoral allocations for informed decision-making.

Sr.#	Category of Institutions	Classification
1	DHQ Hospitals	073102
2	THQ Hospitals	073103
3	Rural Health Centres	073104
4	Basic Health Units	073105
5	Dispensaries	073105

6	TB Clinics	074103
7	Administration	076101
8	General Nursing School	093102
9	District Health Development Centres	076101
10	Maternity Health Centres	073301
11	Others (Other Health Facilities and Preventive Measures)	073105
12	(Staff of Defunct Municipal Committee placed at the disposal of EDO (Health))	076101
13	(Staff of defunct Zila Council placed at the disposal of EDO (Health))	076101

### 3. **Object Element:**

The object element is an accounting classification, describing the item of expenditure, receipt, asset or liability. Each accounting classification is further sub-divided into a hierarchy down to the level of detailed object. For instance in Function Element, the recording of Object Element is compulsory on each sanction conveying the release of fund, incurring expenditure and recording expenditure. The Object Element has a universal characteristic and it is common to all entity/ fund/function element. The object element covers the expenditure, receipts and public account credit/ debit codes.

The Object Element enables the collection and classification of transactions into expenditure and receipts and also facilitates recording of financial information about assets, liabilities and equity. Object element consists of two sub elements:

**a. Accounting Element.** The accounting Element is a single alpha character and classify the transaction according to following elements:

A. Expenditure

- B. Tax receipts
- C. Non tax receipts
- D. Capital receipts
- E. Assets
- F. Liabilities
- G. Equity

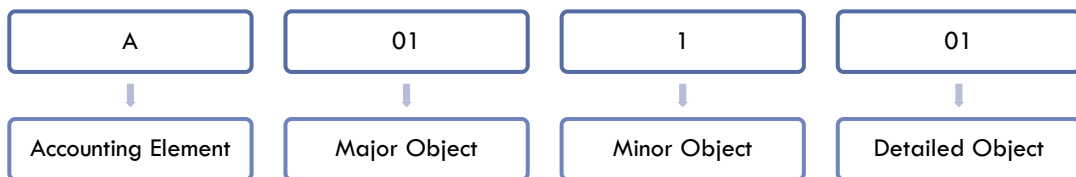
**Account Number.** The account number is a five numeric character Sub Elements. This Sub Element defines the detailed “natural” accounts to which transactions will be classified (e.g. salaries, utilities, etc.). The account number contains a further internal structure. This structure is as shown below:

- Major object
- Minor object
- Detailed object

**Example of Object Element:**

Accounting Element	A	Expenditure
Major Object	A01	Employee related expenses
Minor Object	A011	Pay
Detailed Object	A01101	Basic Pay of Officers

This example can be shown as:



4. **Fund Element:**



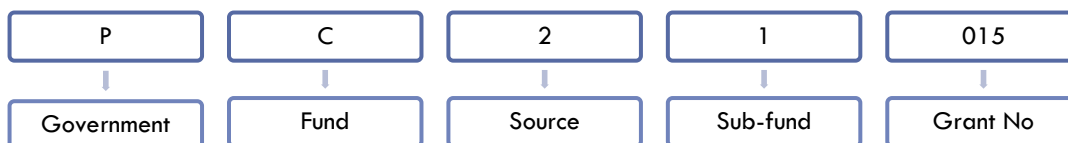
The pool of money from which budgetary allocation is made (e.g. Consolidated Fund), and is further sub-divided into grants or Public Account (detailed heads). The recording of Fund Element on a document conveying the release of budgetary allocation or sanction to incur expenditure as well as on bill/claims against Government.

The Fund Element enables financial reporting by Fund being either the Consolidated Fund or the Public Account.

### Example of Fund Element

An example of the Fund Element:

Government	P	Punjab
Fund	PC	Consolidated Fund
Source	PC2	Revenue
Sub-Fund	PC21	Voted Current Expenditure
Grant	PC21015	Education



This example is shown in a tabular form below:

Following table also explains the Fund Element:

Govt.	Fund		Source		Sub Fund		Budget Grant / Public Account
Alpha	No:	Description	No:	Description	No:	Description	Description

P	C	Consolidated Fund	1	Capital	1	Voted Current Expenditure	Grant number would be allocated as per requirement in the budget book
			2	Revenue	2	Voted Development Expenditure	
					3	Voted Capital Expenditure	
					4	Charged Current Expenditure	
					5	Charged Development Expenditure	
					6	Charged Capital Expenditure	

### **5. Project Element**

Project is indicated by 4 numeric characters, allotted to each Development Project. The project element enables transactions to be aggregated and reported at a project level. Each project will have a unique project number for a particular financial year.

### **22. What is cost centre?**

The cost centres (DDO Cods) are allotted for each DDO, declared as such by the competent Authority. The cost centres are the points where data entries of the budgetary allocations are made in the SAP system. On acceptance of the bills for expenditure against those allocations, expenditure is also recorded at the cost centre. The recording of cost center is compulsory for the sanction conveyed for making expenditure, release of budgetary allocations and submission of bill for expenditure incurred.

## Evidence Based Budgeting/ Output Based Budgeting

### 23. Which budgeting framework is required to be adopted?

Rule 41 of the District Authorities (Budget) Rules, 2017 provides that the Authority shall develop a Medium Term Budgetary Framework (MTBF) and gradually adopt the Performance Based Budgeting (PBB).

In order to achieve the defined objectives, as above, the Authority has no choice except to resort to MTBF. The adoption process can be divided into three steps:

1. The initial step in this approach is to prepare budgets on the basis of evidence by assessing the needs/ gaps for operational expenses as well as the salary component to enhance/ maintain the service delivery at grassroots level. In determining needs, emphasis may be made on women and marginalised groups.
2. The next stage is to develop logframe<sup>2</sup> for annual activities/responsibilities to achieve service delivery targets under the overall provincial sectoral policies and defining budgetary linkages with the specific performance/ service delivery targets.
3. The final stage is the graduation from annual budgeting to multi-year/ rolling plans/ budgets; where budgetary linkages and performance/service delivery targets are approved for next financial year besides providing forecasts for at least two forthcoming financial years.

### 24. What is Output Based Budgeting (OBB) and what are the key concepts of multiyear budgeting?

Output Based Budgeting (OBB), embedded in the three year Medium Term Budgetary Framework (MTBF), seeks to re-orient the focus from an input based financial programming to a result/service delivery based budget. The main feature of OBB is to:

- Introduce multi-year budgeting (three-year) perspective towards planning and budget preparation;
- Assist in relating spending to policies and objectives i.e. goal, outcomes and outputs;
- Prioritise resources (inputs);
- Establish a performance measurement framework that ensures monitoring

Goal	•An observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe
Outcome	•A result or impact on a target population of a particular service or output being delivered
Outputs	•A delivered service or product
Activities	•A set of specific tasks undertaken to achieve a specific output.
Inputs	•Resource required to undertake an activity that ultimately contributes to an output such as personnel engaged, equipment and material used in a project.

and reporting of desired results

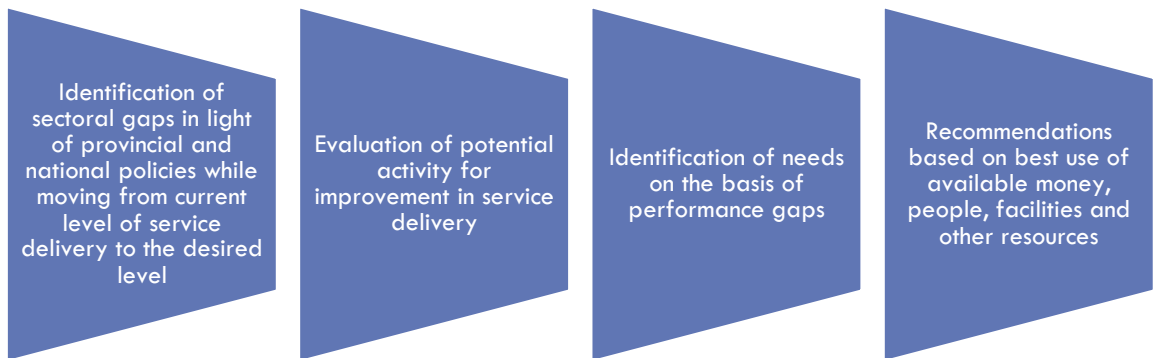
## 25. What is evidence based budgeting?

In most simplistic manner, evidence based budgeting means allocation of resources on the basis of evidence of needs of the sector. Technically, evidence based budgeting enables the preparation of a budget, which shows how the inputs (resources) are linked to outputs (services) and outcomes (impact). However, despite an increased emphasis on data to show “what works,” and “what doesn’t”, many governments allocate

resources based on anecdotes and historical basis leading to inefficient allocations and poor outcomes

## 26. How to conduct needs assessment?

The modern concepts of budgeting, includes a systematic approach to identify gaps in sectoral/service delivery needs through analysis of primary and secondary data and provide recommendations. The process includes:



## 27. What is Citizens' Budget and why it is prepared?

The budgets estimates are prepared on the principles of the New Accounting Model (NAM), which due to complexity, are somehow difficult to understand by a common citizen. Citizens Budget is designed to ensure that common citizens and non-technical people understand the budget. It is typically written in simple language with visual elements to help non-specialist readers to understand the information. CEO is responsible for the development of Citizens Budget in English as well as in Urdu and making it public through a mix of communication media. There is no defined pattern for the preparation of Citizens Budget; however help may be sought from Provincial Government's Citizens Budget from following web link.

[https://finance.punjab.gov.pk/Citizen\\_Budget](https://finance.punjab.gov.pk/Citizen_Budget)

## **28. What is pre-budget/ stakeholder consultation?**

Pre-budget or stakeholder consultation is a consultative process on budgetary proposals for the ensuing budget, which provides the Authority an opportunity to interact with general public women organizations, private sector, community based organisations, including minority, academia, business community, notables, political elites, and non-government organisations to solicit their ideas and feedback on the upcoming budget of the Authority; acting as a tool to build citizen-Authority trust.

## **29. What is the use of GIS in budgeting?**

The facility of GIS is a modern concept, with the help of which the planner may plot data on the system to view the real-time position of a situation/ proposal. This system is also an effective tool to monitor the execution of development schemes and other budget allocations. The GIS is also a good tool to tackle governance/ administrative issues in the field.

## **30. What is Performance Framework?**

A Performance Framework is a tool through which it is easy to understand, what the institution will do in order to achieve its stated goals. Using the framework, it become possible to understand what activities the organisation performs and what services or 'outputs' these delivers and how these "outputs" can generate an impact or create a result in the shape of an 'outcome' that would ultimately achieve a stated goal.

According to rule 43 of District Authorities (Budget) Rules 2017 each District Authority is required to develop key performance indicators to measure progress against the attainment of policy objectives. Which means that 'outputs' fixed in the results matrix are linked with the budget i.e. inputs and to measure performance, outputs are allocated 'key performance indicators'.

'Key performance indicators' (KPIs) can be qualitative (e.g. quality of education provided) or quantitative (e.g. number of enrollments).

- Performance indicators shall be (i) specific, (ii) measureable (iii) achievable, (iv) relevant (v) time bound.
- Performance targets shall be (i) clear, precise and unambiguous (ii) relevant (iii) verifiable.

Internal Core Committee (ICC) is required to finalize with each head of office/institution performance targets against each of the key performance indicator.

### **31. What is Internal Core Committee (ICC) and who would be the members?**

In order to ensure greater integration, coordination and harmony throughout the process of budget formulation, the chairperson will constitute an Internal Core Committee (ICC) having representation from

1. District offices
2. Institutions
3. Budget & planning and executing agencies

ICC shall have following functions

- Serve as a platform for greater coordination between various functional units of the District Authority
- Ensure prompt and timely actions in the process of budget preparation
- Provide supervision and guidance throughout the budget cycle
- Fix performance targets
- Provide input for formulation of Annual Development Programme



- Seek internal approval of goal(s), outcomes, outputs, key performance indicators and performance targets from district development committee (DDC)

## Receipt Budget

### 32. What is district Own Source Receipts (OSR)?

The major source of receipts of the Authority is the share from the PFC Award. The annual share from PFC Award is indicated by the Finance Department well before start of the next financial year and is released in monthly installments during the financial year. The other source of receipts of the Authority, under the law/rules is to levy tax in prescribed manner and non-tax receipt realised as service charges against services rendered by the respective Authority. In case, the Authority resorts to the imposition of tax, it would be required to define the responsibility and mode of its collection and the estimated income of the tax receipts to be included in the Budget Estimates.

### 33. How authority can enhance its own source revenue?

Continuous monitoring and review of the collection of tax receipts and service charge not only play a critical role in achieving the prudently fixed targets but also is instrumental in exceeding the targets. Such efforts would enhance the resources and the Authority would be able to meet its additional needs/improve the service delivery.

### 34. How Receipt Budget is prepared?

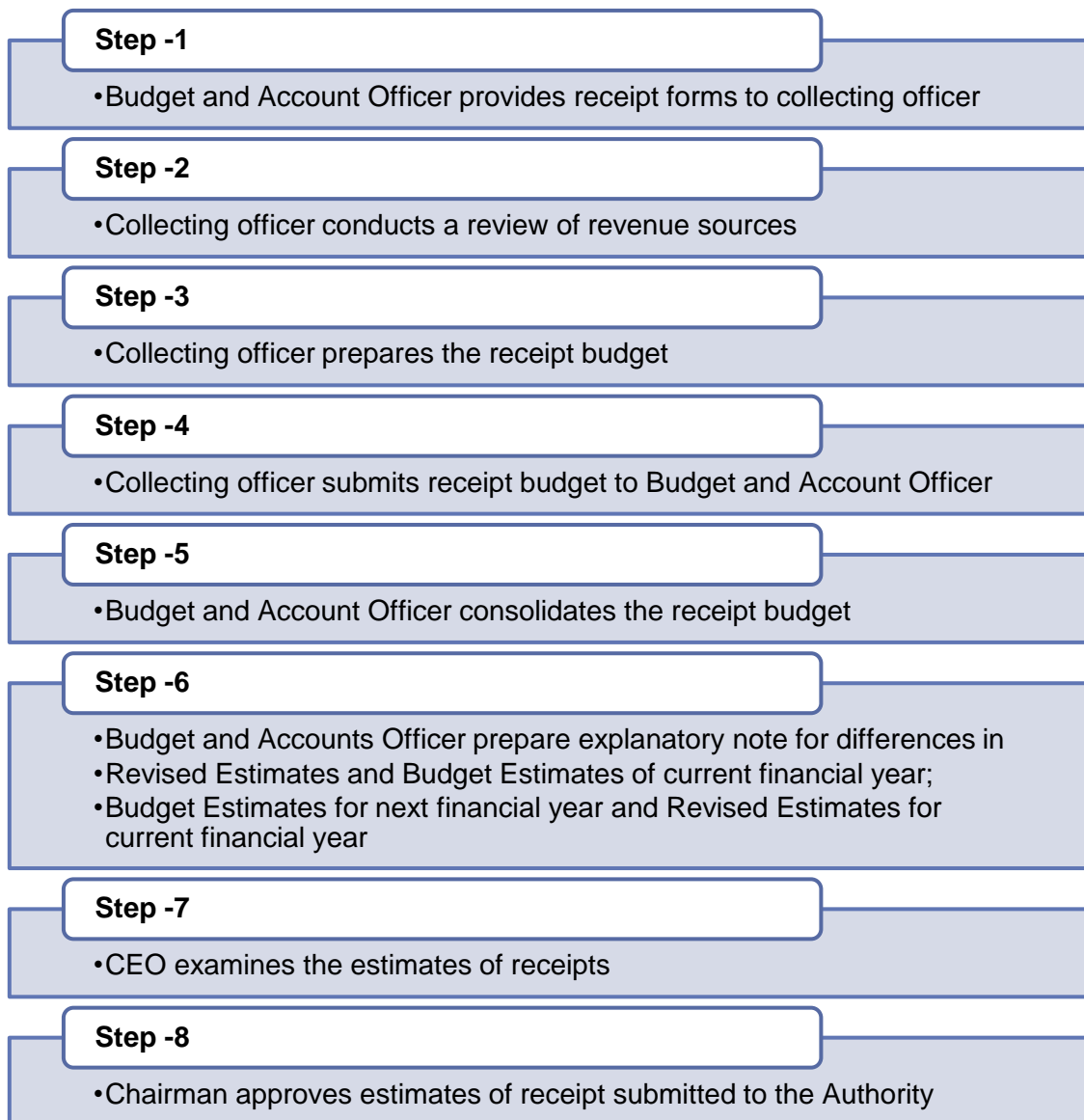
The Collecting Officer is responsible for preparing estimates of receipt for ensuing financial year as well as projections for next two financial years in MTBF mode. The projections for next two financial years along with performance targets may be determined and fixed. Consuming estimates of one year and adding another year's estimated allocations in MTBF mode would be in fact a rolling plan.

Forms to be used for estimating the receipts are BDR-1, BDR-2, BDR-3, BDR-4 and BDR-5.

**General Principals to be followed for Receipt Budget:**

- a. Fresh receipt on account of tax, fee, rate, or charge, in terms of the provisions of the District Authority (Budget) Rules, 2017, shall only be included in estimates of receipts for next year's budget provided such levy is vetted by Government and approved/duly notified in the official gazette by Authority
- b. Fiscal transfers, including PFC award, grant(s) and contribution can only be added when definite communication is received
- c. Each year review of revenue base is to be carried out in the following manner

**FIGURE 4 RECEIPT BUDGET PROCESS**



## Current Budget

### **35. What is Current Budget?**

Current budget means sum of approved estimates of cost of establishment and operating expenditure for day to day running of a District Authority, other than development works for a financial year.

### **36. What is Current Expenditure?**

Current expenditure means an expenditure that is not development expenditure.

### **37. How Current Budget is prepared?**

Drawing and Disbursing Officer (DDO) is responsible to initiate and prepare the Budget Estimates of expenditure as well as receipts for coming financial year in MTBF mode. The projections for next two financial years along with performance targets are also determined in consultation with the public representatives. The projections are required to be made on rolling basis.

Forms to be used are BDC-1, BDC-2, BDC-3, BDC-4, BDC-5, BDC-6, BDC-7, BDO-3 and BDO-4.

For the preparation of permanent Budget Estimates the principles given below should be followed:

- Estimation of pay and allowances of the staff to be made according to the sanctioned strength i.e. no provision shall be made for a post in anticipation of the approval by the competent Authority.
- The allocations for the posts lying vacant for a long period may be made minimum on the scale.
- During the currency of a financial year the savings accruing against vacant posts should not be shifted for non-salary expenditure.
- Only admissible allowances are required to be accounted for however, any new allowance included in the Budget Estimates should not be disbursed unless approved by the competent Authority. In case any inadmissible

allowance detected in Budget Estimates, corrective measures must be taken to save public money.

- Non-salary component should be calculated according to the needs determined and allocations for utilities/ periodicals may be allowed as per scales/ actual expenditure.
- As far as possible, the provision should be made for all foreseeable expenditure and lump sum allocation should be avoided.
- While calculating the operating expenses, the factor of inflation should be accounted for and principles of activity based costing can also be used.
- In case government specifies minimum ratio for development and non-development expenditure or for any other specific expenditure, such constraint should be observed.
- In case certain percentage of expenditure is fixed as total current expenditure it should be adhered to.
- Budget Estimates may include provision for honoraria for Chairman and Vice Chairman or members of Authority, as prescribed.
- Needs assessment exercise should be carried out periodically to avoid wasteful allocations and seeking supplementary or additional grants for other essential expenditure. Therefore, the estimates shall be based on evidence of people's need and the policy objective of sector with an aggregated view of the total current budget of the institution/ office. The following flow diagram may help the DDOs in timely estimation of the budget.

### FIGURE 5- CURRENT BUDGET PROCESS

#### **Step -1**

- Budget and Account Officer shall provide receipt forms to DDOs/Head of institutions

#### **Step -2**

- DDO/Head of institution shall conduct needs assessment based on guiding principles provided by B&AO

#### **Step -3**

- DDO/Head of institution shall prepare the current Budget Estimates

#### **Step -4**

- Budget and Account Officer would consolidate the current Budget Estimates

#### **Step -5**

- Under MTBF mode CEO shall develop action plan according to priorities set in Budget Call Letter

#### **Step -6**

- Budget and Accounts Officer would consolidate, examine and submit recommendations to CEO for finalisation, and prepare explanatory note for differences in;
- Revised Estimates and Budget Estimates of current financial year
- Budget Estimates for next financial year and Revised Estimates for current financial year
- Projections for the next two financial year and those used in preceding financial year

#### **Step -7**

- CEO would examines the estimates of expenditure

#### **Step -8**

- Estimates of expenditure submitted to Chairman for approval and onward submission to Authority

### **38. What is Statement of New Expenditure (SNE)?**

SNE is a statement prepared by DDO/ head of institution for incorporation in the fresh expenditure on procurement of durable goods or proposal of new posts in the next year's Budget Estimates.

### **39. What is the process for approval of SNE?**

SNE is submitted by DDO to the Budget and Accounts Officer (BAO) on the dates fixed as per budget calendar. The BAO after reviewing will add a note for justification and will submit it to CEO for approval. The Authority may sanction funds for procurement as SNE item or if the CEO considers that the sanction of new post is essential, will forward, through Administrative Department (Health and Education), the request to the Finance Department for sanction of post. On receipt of consent for sanction for the post, the CEO will make it part of the SNE Budget.

### **40. Is District Authority allowed to take debt and of how much amount?**

An Authority shall not incur any debt without previous approval of the Government. In case of Pension Fund becoming surplus to immediate requirements, the District Authority may:

- Invest such amount in a saving account or a fixed deposit account in a schedule bank, as per policy of the Government.
- Invest such amount in such public securities as may be specified by the Government or in such other manner as may be approved by the Government.
- The details with regards to all investments shall be recorded in a Register of Investment. A statement showing the amount and nature of all investments shall be attached to Annual Budget Statement and Annual Accounts for information of Authority.



## Development Budget

#### 41. What is Development Budget?

Development budget means sum of approved estimates of development expenditure for a financial year.

#### 42. What is Development Expenditure?

Development expenditure means an expenditure on

- development projects or
- an expenditure on new construction entirely new work or addition and alteration to existing work, repair to newly purchased or previously abandoned buildings, operation to maintain in proper condition buildings and works in ordinary use and
- expenditure on human resource development

The developmental expenditure reflects investment with the following basic characteristics:

- a. It is designed to keep intact, enlarge and improve the physical resources of the country;
- b. It improves the knowledge, skill, and productivity (Training) of the human resource; and
- c. It encourages efficiency in utilisation of available resources.

In respect of civil works, gross investment in buildings and roads (except those for defense purposes) is treated as developmental expenditure. Such expenditure will include buildings in provincial capital and district headquarters, etc. as well as expenditure on survey, planning and designing of such buildings. Similarly, the non-recurring expenditure on housing and settlement projects, and ancillary services such as water supply, sewerage, electrification etc. expenditure on surveys, expenditure on studies of Master and Regional Plans for housing programmes, gross investments in roads, including depreciation and replacement expenditure on existing and new roads, as well as expenditure on new roads, should be regarded as developmental. Development budget also

includes expenditure on procurement of goods and services/ hiring/ training of human resource.

#### **43. What is Annual Development Programme (ADP)?**

According to definition, ADP means a document submitted along with the annual budget statement indicating details of various development projects and schemes, allocation during current financial year, status, location, cost, and expenditure during previous year.

Rule 33 of Punjab District Authorities (Budget) Rules, 2017 state that Annual Development Programme (ADP) is a compilation of development projects submitted and approved by the District Authority as part of Budget Estimates.

The ADP shall clearly segregate the new and ongoing projects. It should also be separated by sector, function and geographic location.

#### **44. What are the sources of funding for Annual Development Programme (ADP)?**

The main source of funding of development program shall be:

- a. Total receipts of a local government (both from Own Source Revenue and Provincial Finance Commission award) less current expenditure. Ongoing expenditure of development projects and other liabilities;
- b. Financial assistance received by way of development grants from the government;
- c. Development grants made to or amount received by the local government from the Government or other sources;
- d. The amount transferred by other local governments.

#### 45. How to calculate the expected size of Annual Development Programme (ADP)?

As provisions of the Rule 35 of the District Authority (Budget) Rules, 2017, the total size of ADP can be calculated as follows

$$\begin{array}{rcl}
 \text{Resources for ADP} & = & \text{Total resources of a local} \\
 \text{(fresh + ongoing)} & & \text{government (Own Source} \\
 & & \text{Revenue + share from PFC} \\
 & & \text{Award)} \\
 & & \text{Less [current expenditure} \\
 & & \text{(permanent + SNE) + Other} \\
 & & \text{Liabilities]}
 \end{array}$$

It is good practice to allocate funds to ongoing schemes on priority basis. An ideal mix of on-going to new schemes should be 80:20.

#### 46. How Development Budget is prepared?

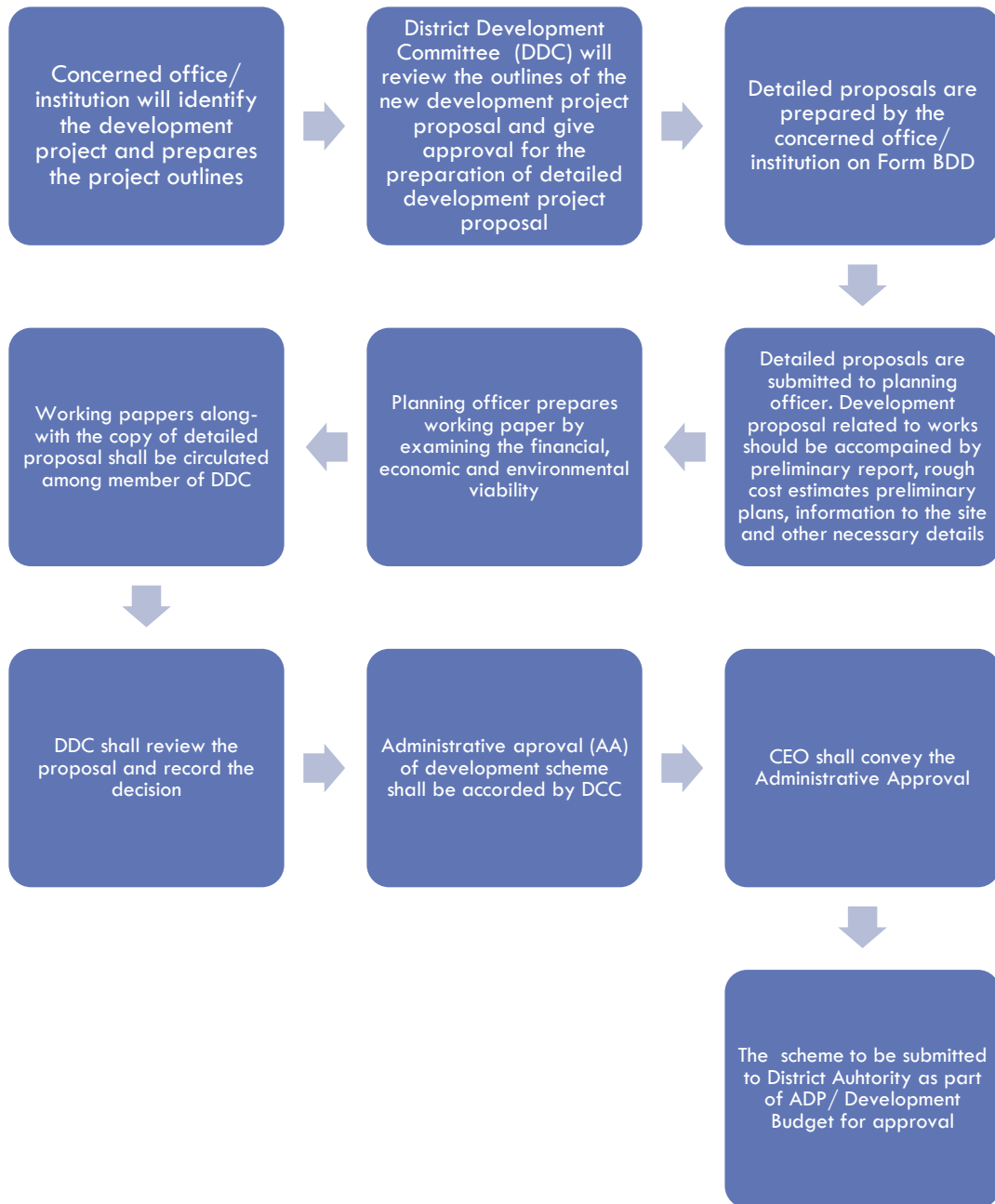
The development projects should be undertaken through development budget and shall be prepared on specified form BDD-4. While processing development project following stages/document of development project must be completed:

- i) Identification of development scheme
- ii) Project outline
- iii) Feasibility report on the basis of development scheme
- iv) Rough cost estimate and Administrative approval
- v) Technical Sanction of detail estimate
- vi) Approval by District Authority for budget allocation
- vii) The concurrence of the District Authority to undertake development scheme

It is pertinent to mention here that the DHAs do not have the Engineering Wing therefore, the schemes pertaining to capital expenditure would be executed by the C&W department as deposit work, and in such cases, technical sanction will be issued by the relevant Engineer of C&W Department.

Forms to be used for preparation of development budget are BDD-1, BDD-2, BDD-3 and BDD-4. Only those development scheme, which are approved by the DDC, shall be considered for inclusion in the Annual Development Programme.

**FIGURE 6 DEVELOPMENT BUDGET PROCESS**



#### **47. What is District Development Committee (DDC) and its composition?**

District Development Committee is meant for reviewing and approval of development budget. The composition of the District Development Committee (DDC) has not been defined in the District Authorities (Budget) Rules, 2017 however; the Chairman may constitute the said committee comprising the following;

i)	Chief Executive Officer	Chairperson
ii)	Deputy Director (B&A)	Member
iii)	Planning Officer	Member/Secretary
iv)	District Health Officer	Member
v)	Head of Institution	Member
vi)	Executive Engineer Building	Member
vii)	Any officer coopted by Chairperson	Member

The DDC may hold its meeting as per the requirements.

#### **48. Dos and Don'ts for ADP**

1. Unapproved schemes and block allocations cannot be incorporated in the ADP.
2. ADP should classify schemes/projects by sector, function and geographical location.
3. New and ongoing projects should be clearly identified and classified accordingly.
4. Each scheme/ project shall clearly stipulate the number and type of beneficiaries including women children and marginalized group belonging to the area where project is located.
5. In case scheme/ project is phased over more than two or more financial years, it shall be made part of the multiyear planning and be reflected and

catered to the corresponding funding, operational and maintenance cost after the completion.

6. The Internal Core Committee (ICC) shall finalize with the head of offices and institutions intended performances targets against each of the key performance indicators for the medium term budgeting and such mutually agreed performance targets and targets achieved 'service delivery' shall be prepared respectively 'as defined in rule 43 sub rule 5. ICC'.
7. Attention shall be given to maternal & child health and to girls' education and women development.
8. Development scheme/ project shall be in line to the budget instructions and policy guidelines attached with call letter and provincial framework.

#### 49. Which schemes are to be classified as new schemes and which to be classified as ongoing?

**New Schemes:** Schemes conceived and included first time in the next year's ADP or approved during the currency of the financial year.

**On-going Schemes:**

- Schemes, which were included in the ADP of preceding financial year with gestation period more than one year.
- Schemes having the gestation period of one financial year and somehow not completed within one financial year and included in next year's ADP/Development Budget.

#### 50. Which type of projects / schemes cannot be approved by District Development Committee (DDC)?

District Development Committee (DDC) cannot approve any Annual Development Programme (ADP) scheme(s) containing the element of subsidy, external funding/ foreign aid, schemes falling in the purview of the Provincial/ Federal Government, unless provided in any other government policy.



However caution should be made to ensure that full funds are made available.

**51. Can new projects be introduced and implemented during the financial year?**

As and when the agenda for the new schemes is ready, the CEO may fix the meeting of DDC; the Committee can approve the fresh schemes and take up the revision of ongoing schemes, if any. The Authority can launch new scheme through Supplementary Grant provided adequate additional funds are available or diverting savings from slow ongoing scheme, for execution of the scheme. However, the tied grant schemes may be launched on receipt of funds from Provincial or other relevant Government / source.

**52. How to revise a development project proposal?**

The DDC may revise the already approved ADP schemes in case the cost overruns as compared to the Administrative Approval (AA) or change in scope, etc.

Upward revision of the DDC would be required in case of cost overrun or substantial change in the objective or scope of ongoing development scheme/ project. However, the new scheme cannot be treated as ongoing scheme. The concerned DDO/ Head of the Institution shall submit the proposal for revision of the scheme to the Planning Officer, who will, after proper security and approval/ recommendations of the CEO, submit the proposal to the DDC for approval. The DDC may review the revised proposal of the ADP schemes for approval. The AA will be issued by DDC and CEO shall convey it. In case the scheme contains the construction works, the technical sanction will also be revised by the competent Authority, if it exceeds the powers of the engineer who earlier accorded the technical sanction.

**53. Can on-going scheme be dropped from the Annual Development Programme (ADP)?**

The ongoing ADP scheme can be dropped by the Authority, if the execution of the scheme(s) is not possible due to plausible reasons like considerable dip in resources, non-availability of land for construction, court case or change in policy etc.

#### **54. What detail is to be accompanied with works related project proposals?**

The scheme containing the works component should contain the following information:

- Rough cost of the scheme
- Engineer's estimates
- Details of building plan/ lay out
- Quantity of materials
- Technical sanction
- Administrative Approval
- Information about the site, and
- Availability of funds

The concerned office should ensure the procurement of necessary information from the XEN building before initiating the approval process for the scheme.

#### **55. What are the financial limits to the technical sanction of development projects?**

As no post of Engineers has been sanctioned in the Authority, therefore, the Punjab District Authorities (Delegation of Financial Powers) Rules, 2017 do not provide the powers delegated to any officer to accord technical sanction of a scheme containing the construction work, therefore, the Authority cannot execute a scheme containing the component of capital/works expenditure and will approach the Provincial Building Department for execution of scheme as "Deposit Work". In such scenario the buildings department will get the technical sanction from the engineer delegated with powers to accord technical sanction.

**56. In how many days, technical sanction of development project is required to be accorded?**

Properly detailed estimates of works must be prepared for the sanction of competent Authority. This sanction is known as technical sanction to the estimates. Although no time limit has been provided in the rules, however, the technical sanction should precede the advertisement for tendering out the scheme for execution.

**57. What to do with the unspent funds at the end of financial year?**

The funds allocated in Budget Estimates and approved by the Authority subsequently released as per the Schedule of Authorised Expenditure, shall lapse on 30<sup>th</sup> of June. However, the unspent cash allocated for the schemes or for any other purpose will become the closing balance for that financial year and may be treated as follows:

- i) In case the funds allocated for development schemes during financial year were released to the C&W Department for execution as “Deposit Work”, and the unspent amount is received back in Account V or VI before 30<sup>th</sup> June, the Authority may, in terms of Rule 35 (b) & (c) *ibid*, treat the said receipt as part of closing/ opening balance of the Budget Estimates for next financial year and allocate equivalent funds for that tied grant scheme as the normal ongoing ADP scheme/ Development Budget Estimates.
- ii) In the case where unspent balance pertaining to tied grant(s) during the financial year is received back from C&W after the formulation of approval of ADP for next financial year, then the Authority may invoke the provision of Rule 35 read with Rule 62 *ibid* and re-authorise the balance funds for a scheme as Supplementary Grant as part of Development Supplementary Budget Estimates of that financial year.

## 58. How to cater to flow-on effect of development project in Current Budget?

The head of offices, institutions, the Chief Executive Officer and DDC shall ensure that:

- i) Each development scheme/ project having recurring expenditure and which is to be completed in next financial year must be accounted for in the current budget.
- ii) Recurring liability is included in the statement of new expenditure (SNE) for the next financial year.

## Budget Approval

### **59. What is the time frame to approve the budget?**

District Authorities are required to approve their budgets before the start of next financial year i.e. before 1<sup>st</sup> July.

1. In case a budget is not approved by a local government before the commencement of the financial year to which it relates, the local government shall spend money under various objects, on pro-rata basis, in accordance with the budgetary provisions of the preceding financial year for a period not exceeding thirty days i.e. 30<sup>th</sup> July.
2. A local government shall not spend funds or make commitments for any expenditure, under any demand for grant or appropriation, in excess of 8% of the amount budgeted in the preceding year within the period of thirty days i.e. 30<sup>th</sup> July.

In case, a local government fails to approve the Budget Estimates within the extended period as specified (i.e. 30<sup>th</sup> July), the Government shall prepare, approve and authenticate the Schedule of Authorised Expenditure of the local government for full year.

### **60. What is the quorum for budget approval?**

No quorum has been fixed for holding the session for approval of the Budget Estimates. However, the Budget Estimates are required to be approved by member of the simple majority present in budget session. During the budget session no other business can be placed before the Authority.

### **61. Who will ensure the approval of budget by Authority?**

Chairman with the support of CEO shall ensure that Budget Estimates are laid before the Authority for approval, well before the commencement of next financial year.

## **62. Can District Authority scrutinize / examine the budget?**

District Authority, in addition to discussion, may refer budget proposals to Finance Committee for carrying out scrutiny of the budget proposals, especially the receipt proposals. On recommendations of the Finance Committee the Authority may take decision on the budgetary proposals.

District Authority may discuss the charged expenditure<sup>3</sup> but will not vote on charged expenditure, which is deemed to have been approved.

## **63. Who will appoint Finance Committee and who would be the members?**

The law/rules are silent about the composition and the Authority to appoint the committee. However, in absence of such provisions, the Authority may appoint the committee for the purpose.

## **64. Can Authority review its budget?**

At any time before the expiry of the financial year to which the budget relates, the Authority may revise the Budget Estimates as Revised Estimates for the year, such revised budget shall be approved in the manner as that of annual budget as provided under rule 61 of the district authorities (budget) rules.

## **65. Can Provincial Government review and rectify district budgets?**

The Provincial Government can review the approved budgets estimates of District Authority and if found contrary to budget rules or some vertical programme may require rectification by the District Authority.

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<sup>3</sup> “**Charged expenditure**” means such expenditure, as specified in section 102 of the Act, which is not subject to vote of the District Authority, including the following:

- (a) The money required for repayment of loans;
- (b) The money required to satisfy any judgment, decree or award against the local government;
- (c) The money that the local government may be required by the Government to contribute towards the conduct of local government elections and other deferred liabilities of the local government; and
- (d) Such other expenditure of local government as may be prescribed.

**66. What should be included in the Schedule of Authorised Expenditure and how it is authenticated?**

The CEO of the Authority, once the budget is voted by the Authority, shall prepare a schedule to be authenticated by the Chairman in the following manner and shall include;

- a. Annual budget statement as a schedule of authorised expenditure
- b. Grants made or deemed to have been made by District Authority
- c. Sums required to meet the expenditure charged upon District Authority local fund
- d. Procure authentication of the Chairman for schedule of authorised expenditure

Authorised schedule shall be laid before Authority but not be open for discussion or vote. Schedule of authorised expenditure is lapsed by the close of the financial year.



## Re-appropriation, Supplementary & Revised Budget

## 67. How additional allocation can be provided in budget estimates?

Two mechanisms have been introduced in the Budget Rules for providing additional funds, viz. (i) Re-appropriations, and (ii) Supplementary Grants

### 1. Re-appropriations:

Re-appropriation means transfer of savings of one or more units of appropriations to meet excess expenditure anticipated under another unit provided the receiving object has been funded in the budget estimates.

The additional funds to be provided by the competent Authority are subject to following additional conditions narrated in the Delegation of the Punjab District Authorities (Delegation of Financial Power) Rules, 2017:

- No Re-appropriation from one Grant to another Grant
- No Re-appropriation can be made after the close of the financial year
- No Re-appropriation from one financial year to another financial year
- No Re-appropriation from Charged to other expenditures
- No Re-appropriation where expenditure not sanctioned in the Schedule for Authorised Expenditure (SAE)
- Re-appropriation should not be made to meet expenditure on purposes, not contemplated in the Schedule of Authorised Expenditure pertaining to a particular financial year.
- No Re-appropriation to increase/create allotment which was reduced/rejected by the Authority
- Re-appropriation can only be done by the relevant authorities having financial powers
- Beyond the financial powers of the Authority, the request can be forwarded to higher competent authorities.

### 2. Supplementary Grant

Supplementary grant for a financial year means an amount provided in addition to the original grant or appropriation approved by a District Authority.

Supplementary Grant is required when:

- Additional expenditure is for purposes already approved by the competent Authority for the year.
- In the absence of such additional expenditure, serious inconvenience or serious loss or damage will result.
- Re-appropriation is not possible.
- Expenditure cannot be legitimately postponed.

Additional funds may be sanctioned through the sanction of Supplementary Grant where the object is unfunded and surplus funds are available under any other object. The additional funds can only be sanctioned as Supplementary Grant when resource are available. The supplementary budget shall be presented in the same manner as the annual budget.

#### **68. How Authority can demand Supplementary Grant?**

The Authority may approach the Provincial Government for provision of additional funds as Supplementary Grant based on the shortfall in the previous year's receipts of the Provincial Government. In addition, the Authority may approach the Provincial Government for provision of additional funds for the additional expenditure committed by the Authority on the act of the Provincial Government or unforeseen expenses; such funds if provided would be the Supplementary Grant.

#### **69. When revise budget should be made and approved?**

According to section 105 (12) of PLGA 2013, a revised budget for the year may, if necessary, be prepared and such revised budget shall be approved in the manner as that of annual budget, at any time before the expiry of the financial year to which the budget relates. The Revised Estimates would include the funds surrendered and additional funds sanctioned through the Supplementary Grants during the currency of the financial year.

## Annexure

### Checklist of Posts under New Local Government Act 2013

Sr. #	Nature of Work/Function	Delegated to
1	<p><b>Chairman is responsible for achieving goals; for which he has to:</b></p> <ul style="list-style-type: none"> <li>• Interact with stakeholder (beneficiaries, women, minorities) to ensure better service delivery to at least achieve minimum standards set by the government.</li> <li>• Evaluate progress against the key performance indicators</li> <li>• Present the report before the District Authority</li> <li>• Constitute internal Core Committee for strategic policy review of OBB and take measures to shift from Incremental budgeting</li> </ul>	<b>Chairman</b>
2	<ul style="list-style-type: none"> <li>• Ensure feasibility and sustainability of new development projects and review their progress timely</li> <li>• Ensure Budget Estimates are submitted before the District Authority well before the commencement of the financial year</li> <li>• Provide funds to the Head of Offices/Institutions</li> <li>• Convene and ensure meetings off Internal Core Committee on budget shifting from incremental to Output Based Budgeting</li> <li>• Monitor receipts and expenditure</li> </ul>	<b>Chief Executive Officer (Principal Accounting Officer)</b>
3	<ul style="list-style-type: none"> <li>• Manage Cost Centres</li> <li>• Develop Budget Estimates of the fund Centre, offices under their supervisory control are submitted in time according to the Budget Call Letter and Budget Call Circular ensuring the Estimates are realistic</li> <li>• Prepare Budget Reports and estimates with clear goals, outputs and outcomes against each performance indicators</li> </ul>	<b>Head of Offices (Collecting Officer)</b>
4	<ul style="list-style-type: none"> <li>• Prepare of estimates of expenditure and timely submission to CEO</li> <li>• Prepare proposal for Re-appropriation/supplementary and</li> </ul>	<b>Head of Institutes (Drawing and Disbursing Officer)</b>

	<p>Revised Estimates</p> <ul style="list-style-type: none"> <li>• Prepare excess and surrender report</li> <li>• Maintaining budget call register and evaluate expenditure under each object and send expenditure statement monthly and annually to Accountant General, Punjab and District Account Officer</li> <li>• Prepare statement of liability</li> </ul>	
5	<ul style="list-style-type: none"> <li>• Prepare Estimates of receipts for each head of income and timely submission to CEO</li> <li>• Make Assessment of fee, etc. of District Authority, on periodical basis, for evaluating its potential for new fee proposal</li> <li>• Prepare monthly and annual statement of income and get them reconciled by AG, Punjab and DAO</li> </ul>	<b>Collecting Officer (Head of Offices)</b>
6	<ul style="list-style-type: none"> <li>• Issue Budget Call Letter and Budget Call Circular after the approval of CEO</li> <li>• Provide figures for annual budget formation</li> <li>• Examine and scrutinise the budget proposals and new expenditure statements</li> <li>• Communicate grants through SAP-R/3 to Drawing and Disbursing Officer</li> <li>• Examine and Scrutinise proposals for Re-appropriation and Supplementary Grant</li> </ul>	<b>Budget &amp; Account Officer</b>
7	<ul style="list-style-type: none"> <li>• Undertake overall planning of development works of Authority</li> <li>• Consult on development projects need in different geographical areas and marginalised groups (especially minorities and women) and civil society</li> <li>• Monitor Projects and consolidation of Annual Development Programme</li> </ul>	<b>Planning Officer</b>