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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN

BENAZIR INCOME SUPPORT PROGRAMME ISLAMABAD

NOTIFICATION

Islamabad, the 3rd May, 2018

S.R.O. 622(I)/2018.—In exercise of the powers conferred by Section 6 of the Benazir Income Support Programme Act, 2010 (XVIII of 2010), the Board, is pleased to make the following Financial Regulations, after due vetting by Finance Division, for Benazir Income Support Programme.

1. **Short Title and Commencement:**—

- (a) These regulations may be called the Benazir Income Support Programme Financial Regulations 2017 (BISPFRR).
- (b) These regulations shall come into force at once.

2. **Definitions.**—For the purpose of these Regulations:

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- (i) "Appropriation" means the assignment to meet specified expenditure of funds at the disposal of the assigning authority;
- (ii) "Auditor General" means the Auditor General of Pakistan;
- (iii) "BISP" means, the Benazir Income Support Programme established under Benazir Income Support Programme Act, 2010;
- (iv) "Bank" means designated branch of any scheduled bank of Pakistan where bank accounts of the BISP are maintained;
- (v) "Board" means, the "Board of Benazir Income Support Programme" established under Section (5) of Benazir Income Support Programme Act (Act XVIII of 2010);
- (vi) "Chief Patron" means, the Chief Patron of the Council;
- (vii) "Council" means the Council of the Programme constituted under Section 8 of the Act (Act XVIII of 2010);
- (viii) "Civil Servant" means, a civil servant as defined in Section 2 of the Civil Servants Act, 1973 (LXXI of 1973);
- (ix) "Public Servant" means, Public Servant within the meaning of Section 21 of the Pakistan Penal Code, 1860 (Act XLV of 1860) as defined in clause 19 of Benazir Income Support Programme Act 2010 ;
- (x) "Competent Authority" means the Secretary or an officer of the BISP to whom the powers are delegated by Secretary;
- (xi) "DAC" means Departmental Accounts Committee of Programme as defined in clause 9 of Benazir Income Support Programme Financial Regulations;
- (xii) "Development Expenditure" means the expenditure that results in replacement or in the creation of new capacity in physical capital resources of the BISP;
- (xiii) "Eligible person" means a person or a family, as the case may be, eligible for financial assistance under Section 11 of the BISP Act (Act XVIII of 2010);
- (xiv) "Employee" means, a person in the employment and service of the Programme under Section 18 of the BISP Act (Act XVIII of 2010);

- (xv) "*Financial Year*" means the year beginning on the 1st day of July and ending on 30th day of June following;
- (xvi) "*Benazir Income Support Fund*" means Funds of the Benazir Income support Fund in accordance with Section 13 of Benazir Income Support Programme Act (Act XVIII of 2010);
- (xvii) "*Government*" means the Federal Government of Pakistan;
- (xviii) "*Head of Department*" means any officer notified by the competent authority;
- (xix) "*Management*" means the Secretary, administrative and technical staff of the Programme;
- (xx) "*Member*" means a member of the Board;
- (xxi) "*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;
- (xxii) "*Non-recurring expenditure*" means expenditure sanctioned as a lump sum charge, whether the money be paid as a lump sum or by installments;
- (xxiii) "*President*" means the President of Pakistan;
- (xxiv) "*Programme*" means the Benazir Income Support Programme established under Section 3 of the BISP Act (Act XVIII of 2010);
- (xxv) "*Public Servant*" means any class of public or any community who are servants of the State, employed or appointed in Pakistan, by or under the authority of the Federal Government or any Provincial Government;
- (xxvi) "*PAO*" means Principle Accounting Officer who shall be the Secretary of BISP as per Section 5(5) of Benazir Income Support Programme Act (Act XVIII of 2010);
- (xxvii) "*Re-appropriation*" means the transfer of funds from one head of account of the Benazir Income Support Programme to another such head of account;

- (xxviii) "*Beneficiary Payment*" means payment to eligible persons and families in a manner approved by the Board and prescribed in regulations;
- (xxix) "*Recurring expenditure*" means all expenditure which is not non-recurring;
- (xxx) "*Regulations*" means, the regulations made by the Board under the BISP Act (Act XVIII of 2010);
- (xxxi) "*Secretary*" means Secretary of the Benazir Income Support Programme in accordance with Section 5(5) of Benazir Income Support Programme Act (Act XVIII of 2010);
- (xxxii) "*Treasury Rules*" means the Treasury Rules of the Federal Government;
- (xxxiii) "*Design Committee*" means a committee established by Board to evaluate annual activities planned for budget estimates; and
- (xxxiv) "*Finance Committee*" means the Finance Committee established by Board to assist BISP Board in all financial matters.

CHAPTER I

PRELIMINARY

3. **Governance of regulations.**—All the financial regulations shall be within the legal Framework (General Financial Rules, etc.) prescribed by the Government. Any deviation from this Framework should be subject to concurrence of the Federal Government after recommendations of the BISP Board.

4. **Applicability and authority.**—The Programme and responsibility for the implementation of the BISP Financial Regulations shall be vested in the Secretary of the Programme as the Principal Accounting Officer who may further delegate any of such authority and responsibility to other officers of the Programme.

4.1. In the implementation of the BISP Financial Regulations with relevant administrative instructions issued by the Programme in connection with those Regulations, officers shall, as person of ordinary prudence, be guided by the principles of vigilance, effective and efficient financial management and the exercise of economy.

5. **Responsibility and accountability.**—All employees of the Programme are obligated to comply with the BISP Financial Regulations with administrative instructions issued by the Programme in connection with those Regulations but not inconsistent with the Act or these regulations.

Any staff member who contravenes the BISP Financial Regulations or corresponding administrative instructions shall be personally accountable and financially liable for his or her actions.

6. **Principal Accounting Officer (PAO).**—The Secretary shall be the Principal Accounting Officer of the BISP as notified by the Federal Government.

7. **Duties and Responsibilities of Principal Accounting Officer.**—In the duties and responsibilities of the Principal Accounting Officer, finance is an essential element in policy questions and the Principal Accounting Officer is to ensure that financial considerations are taken into account at all stages in framing and implementing decisions. The Principal Accounting Officer shall be assisted by a Director General (F&A) in the discharge of his duties in financial and budgetary matters. The delegation of greater financial powers to the Principal Accounting Officer entails greater responsibilities also. The Principal Accounting Officer is responsible not only for the efficient and economical conduct of BISP, but also continues to be personally answerable before the Public Accounts Committee. The two main principles to be observed are economy: (getting full value for money) and regularity: (spending money for the purposes and in the manner prescribed by law & rules).

7.1. Subject to the provision contained in relevant rules Secretary BISP shall be responsible to ensure value for money (Economy efficiency and effectiveness in all BISP operations) within Regulatory framework and establish a system of Internal Controls to check against frauds, irregularity, waste and misstatement and misappropriation of resources.

8. **Public Accounts Committee (PAC).**—Being personally accountable to the PAC, the Principal Accounting Officer shall attend all the meetings of PAC. The Principal Accounting Officer shall regularly hold meetings of DAC as Chairperson, with Financial/Deputy Financial Adviser and Director General (Audit) as Members to watch the processing of Audit & Inspection Reports and decide upon appropriate measures so as to aid and accelerate the process of finalization.

9. **Departmental Accounts Committee (DAC).**—There shall be DAC of the Programme chaired by the Secretary as the PAO or in his/her absence, by the DG F&A of the Programme, with the approval of the Secretary. The Secretary

shall regularly hold meetings of the DAC. Members of the DAC shall be all the DGs of the Programme, Internal Auditor and Director General (Federal Audit) of Auditor General of Pakistan. DG Internal Audit of BISP shall be the secretary of DAC and responsible for efficient and diligent management of the DAC. Departmental Accounts Committee shall be responsible for the reviewing and the processing of Audit & Inspection Reports and decide upon appropriate measures so as to aid and accelerate the process of finalization.

10. **Powers Delegated to the Secretary of the Programme.**—As per clause 14 (Sub-Clause-2) under Chapter-VII “Fund, Accounts and Audit” of the Benazir Income Support Programme Act (Act XVIII of 2010), the Secretary shall have full powers to incur expenditure or re-appropriate funds subject to any general or specific instruction of the Board.

11. **Powers Delegated to Officers.**—The officers of the Programme may exercise the powers as delegated to them by the Principal Accounting Officer.

12. **Financial Propriety.**—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.
 - (a) The amount of expenditure involved is insignificant or
 - (b) A claim for the amount could be enforced in a court of law or
 - (c) 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.

13. (1) **Financial Year.**—Financial Year means “Financial year as defined under Article 260 of the Constitution”.

CHAPTER II

BUDGET

The Budget is an instrument by which the Government expresses its priorities and allocates resources to implement its policies. The Budget is a tool by which planned expenditures are controlled at all levels.

14. **Resource Generation and Utilization Policy of the Programme.**— It shall be the policy of the Programme for purpose of resources, allocation, and utilization to follow the principles of 3Es (Economy, Efficiency and Effectiveness) and to have a monitoring and performance evaluation base at the head office and excellent execution and result orientation at the regional and operating offices. Distinct set of rules & regulation will be applied when the expenditure / utilization is in the nature of “transfer payments” to the beneficiaries.

15. Budget:

- (a) There shall be an Annual Budget of the BISP, consisting of Sources of Funds, Expenditure (Revenue and Capital/Development) and Cash flow including Foreign Exchange requirements, if any.
- (b) There shall be a Finance Committee and a Budget Design Committee of the Board. Management shall prepare programme annual activities planned to be evaluated by Design Committee. Subsequently Finance Committee prior to making recommendations to the Board for approval of the budget estimates shall deliberate all activities planned.
- (c) There shall be a Budget Scrutiny Committee (BSC) who will scrutinize each item of the budget and activity plan of each wing / region and make recommendations to the Secretary.
- (d) Each Wing/ Region of the BISP shall prepare budget estimates of the Wing/ Regional, Divisional and District / Tehsil Offices showing separately recurring and non-recurring expenditure as per ceiling / threshold prescribed under BISP Financial Regulation where applicable,

against detailed head of accounts. In case new heads are required to be opened, the case will be sent to Finance Division.

- (i) Finalization of the Budget and monitoring of financial utilization shall remain the responsibility of the Finance Wing of BISP.
 - (ii) Budget is to be used as the most important instrument of Financial Control in additions to past years actual expenditures and future projections.
 - (iii) No proposal shall be included or removed from the budgetary recommendations unless approved by the Secretary.
 - (iv) Subject to the availability of respective funds, approval of Budget by the Board shall constitute the authorization to the Secretary for incurring obligations and sanctioning of respective expenditure upto the maximum of approved budgeted amount.
 - (v) Development / capital expenditure is that which is to be incurred for the purpose of creation of material assets, to enlarge and improve the physical resources of the Programme, any special or mega project designed to improve knowledge, skill and productivity of the personnel of the Programme (but excludes annual regular training and development programmes etc.), such as set up major or special projects to encourage organizational efficiency such as automation programmes etc. The decision of what constitutes development / capital expenditure or project shall be taken by the Secretary in consultation with relevant DG(s) and DG-F&A.
 - (vi) Development/capital expenditure or project will be clearly identified in the budget and may be funded by (a) donor funds, grants etc., (b) including in annual regular grants/budget from the Government of Pakistan or (c) from the Government's Annual Development Fund or (d) by donation made by local donors through CSR etc in cash or fund.
- (e) Annual budget of the BISP shall be prepared and submitted for approval in accordance with the following procedure:
- (i) Budgeting being a continuous process, the preparation of the budget shall begin well ahead of the year to which it relates. Each wing of BISP would prepare their activity plan with cost

estimates for each activity where possible. The activity plan will be consolidated by Finance Wing.

- (ii) Finance Wing of BISP shall initiate preparation of budget estimates for the current financial year.
- (iii) The budget estimates shall be submitted to Budget Scrutiny Committee by F&A wing. Once cleared by Budget Scrutiny Committee, the activity plan & budget estimates will be submitted to Board through Secretary and Design Committee of Board for activity plan approval.
- (iv) Once activity plan is approved, will be submitted to Finance Committee with cost estimates.
- (v) Since funding is required from the Government of Pakistan, after the approval from BISP Board, the budget proposal shall be forwarded to the Ministry of Finance, as per time schedule given by the Ministry of Finance through their Budget Call Letter, every financial year.

16. Revised and supplementary budget requirements.—
Supplementary budget proposals may be submitted by the Programme whenever necessary.

16.1 Supplementary Budget / Grants will be of two kinds:

- (a) Where BISP requires more than 10% of the total budgeted amount for the year on account of additional funds for purpose of opening of a new budgetary head or additional funds for an existing budgetary head.
- (b) Any increase or adjustment required for specific projects funded by the donor(s).

16.2 The Secretary BISP shall have the power to authorize such expenditure from the BISP Fund and shall cause to be laid before the Board a Revised and Supplementary Budget proposal.

16.3 Where such additional requirement of funds, as per 16.1(a) above, is to be met from funds allocation from the Ministry of Finance, the request for supplementary grant will be made to the Ministry of Finance after the approval of Board. In case of 16.1(b) above the relevant

procedure of the funding agency shall be followed. In addition to the request for supplementary grant will be made to the Ministry of Finance after the approval of Board.

17. Unforeseen and extraordinary expenses.—Authorizations to incur such commitments in accordance with Approved Budget relating to unforeseen and extraordinary expenses shall be issued by the Secretary.

18. Funds released by Government.—Funds allocated by the Government of Pakistan for BISP shall be utilized through the operation of an assignment account.

19. Funds released by donors.—All donor funds received in Revolving Fund Assignment Account will be utilized in accordance with Revolving Funds Accounting Procedure and as per agreement with the donor agency.

20. One line and lapsable BISP Budget / Grants.—The regular and any Supplementary grants from Government of Pakistan will be allocated with detailed object classification, which will lapse at the end of Financial Year. The BISP budget will be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Detailed budget along with accounts classification will be presented before Board for approval. For reporting to the Federal Government, the procedure of assignment account will be followed.

21. Rupee cover for donor fund.—The donor(s) fund(s) is/are lapsed at the end of each financial year. BISP shall take rupee cover for donor(s) fund(s) lying at respective Donor(s) Revolving Fund Account from the Ministry of Finance for the subsequent financial year, in order to incur eligible expenditures from the donor(s) fund.

22. Basis of Budget Estimates.—In order to form the basis for the following year budget estimates, revised estimates must be prepared for the current financial year. Revised estimates should be determined in light of:

- (a) Actual for the first four months of the current financial year plus actual for the last eight months of the previous financial year.
- (b) Commitments entered into and expected to be paid in the current financial year.
- (c) 12 months actual for the last two years.

- (d) Adjustment for expected inflation as provided, increase in salary costs and any other planning assumptions provided in the budget call circular.
- (e) Anticipated savings arising from previous year performance, and reduction or termination of specific programs.
- (f) Estimates relating to approved establishments, both permanent and temporary, should take into account provisions for leave, expected vacancies and allowances payable to employees, based on past actual and other relevant factors. Substantiation must be provided for variations from the previous year's establishment.
- (g) Posts which will not be filled must not be provided for in line budget. This includes provision for staff on long-term transfer or leave.
- (h) Estimates of salaries must be supported by the number of posts against each establishment and an explanation of any variation between the next year and the current year's posts.
- (i) Lump sum provision in the budget must not be made unless in exceptional circumstances. For example, the use of "other" expenditure heads should be avoided, in favour of more clearly defined heads.
- (j) Other adjustments arising from:
 - i. re-appropriations within particular grant during the current financial year.
 - ii. new items of expenditure approved through Supplementary Budget during the current financial year.
 - iii. surrenders made or expected to be made during the current financial year.
 - iv. any other relevant factors
 - v. the impact of development and non-development factors.
- (k) All foreign aid, in both loans and grants, shall be incorporated into estimates. Such estimates of foreign aid must first be cleared by the Economic Affairs Division.

- (I) The foreign currency component of the estimates must be shown distinctly with the source and type of aid (e.g. Foreign aid, loan or grant). This information shall be provided in a separate statement.

23. **Budgeting Cycle.**—The budgeting cycle consists of four phases broadly categorized as follows:

- (a) **Setting of budget policy and initiatives:** the Secretary along with all Departmental Heads determines budget policy, initiatives and priorities for the forth coming financial year budget. These are then communicated to different wings and regional offices of BISP via the DG (F&A).
- (b) **Preparation:** this stage includes the preparation for the forth coming financial year budget through a planning and qualitative exercise, supported by top down estimates and numbers and submission of budget estimates of expenditure and receipts by donors and subsequent review and consolidation of estimates by DG(F&A).
- (c) **Authorization:** this stage involves submission of the Annual Budget Statement before Secretary.

This consists of two stages;

- i. Taking consent from the Secretary, and
- ii. Approval from the Board.

Budget is referred to as the “Schedule of Authorised Expenditure”.

- (d) **Implementation:** this stage refers to the communication of the budgets to the spending Wings and Regional Offices of BISP via the DG(F&A)

On implementation of the Budget, the entity can carry out activities and incur expenditure, for which funding has been given in that period.

24. **Preparation of Development Budget.**—The following information for each project/scheme must be provided:

- (a) name of project/scheme
- (b) expected date of completion
- (c) physical targets to be achieved in the project

- (d) accumulated expenditure and percentage of completion up to the end of the previous year
- (e) revised budget estimate and physical targets for the current financial year
- (f) budget estimate for next financial year
- (g) targets proposed for next financial year and basis for determining target.

CHAPTER III

FUNDS

25. **Composition of Fund.**—In accordance with sub-Section 1 and 2 of Section 13 of the Benazir Income Support Programme Act (Act No XVIII of 2010), there shall be fund known as Benazir Income Support Fund.

25.1 The Fund shall consist of;

- (a) revolving funds or budget amount approved by the Federal Government;
- (b) grants made by the local, domestic or international bodies, organizations, entities and the Government;
- (c) aid given to the Government for the purpose of the Programme;
- (d) donations made by the individuals or association of persons; and
- (e) all other sums as may be received by the Programme.

25.2 The accounting procedure of BISP Fund will be approved by the Finance Division in consultation with Controller General of Accounts.

26. **Donations and Grants exempted from taxes.**—In accordance with sub-Section 4 of Section 13 of the Benazir Income Support Programme Act (Act No XVIII of 2010), notwithstanding anything contained in any other law for the time being in force, donations and grants received by the Programme shall be exempt from all taxes.

27. **Currency of the Funds.**—All Funds of the Programme received and paid in, shall be in Pakistani Rupees or in Foreign Currencies.

- 27.1 To the extent sanctioned by the Secretary, payments from the Programme may be made in foreign currency, if the Secretary is satisfied that such payment is necessary.
- 27.2 The equivalent, in Pakistan Rupees, of the receipts and payments in other currencies shall be calculated at the bank exchange rate of the day of the transaction or as instructed by Finance Division and all balances in the foreign currency accounts shall be converted into Pakistan Rupees accordingly.
28. **Realization of Receipts.**—(a) All money received on behalf of Federal Government shall be credited to the Consolidated Fund.
- (b) All money generated by the programme will be placed in relevant account in accordance with provision of BISP Act and procedure and regulations approved by the competent authority.
- 28.1 An official receipt shall be issued within one working business day for all cash and negotiable instruments.
- 28.2 Only official(s) designated by the competent authority in writing shall be authorized to issue official receipts on behalf of the Programme. If other official(s) receives money or negotiable instruments intended for the Programme, he/she must within one working day convey the same to an official authorized to issue an official receipt.
- 28.3 All cash or negotiable instruments received shall be deposited in Programme's bank account within two working business days of receipt.
- 28.4 All cash or negotiable instruments, till such time as deposited in the bank shall only be kept in the Programme's safe located at designated locations of all office of the Programme. In extremely exceptional circumstances, to be evidenced, can such cash or negotiable instruments be kept in safe keeping elsewhere by the officer who shall remain personally accountable for the same.
29. **Bank accounts, authority and policy.**—Following guidelines shall be ensured for opening, operating and closure of the bank accounts of the Programme:
- (i) There shall be a Benazir Income Support Fund. The BIS Fund Account will be opened in a Bank at National Bank of Pakistan.

- (ii) The bank accounts of BISP will be opened with prior approval of Finance Division and all receipts & payments will be governed in accordance with Financial Regulations, Accounting Procedure and respective fund regulations.

30. **Responsibilities of the bank signatories.**—(a) The bank signatories will ensure the sanctioning authority has approved the payments.

(b) Ensure that relevant Section has allocated budget and budget is available in the respective head of accounts.

(c) Ensure that disbursements are made by crossed cheque, demand draft, pay order or by electronic funds transfer.

(d) The bank accounts will be operated by two signatories system *i.e.* authorized signatory and co-signatory.

31. **Exchange of currencies.**—Officials responsible for the operation of Programme's bank accounts or for holding Programme's cash or negotiable instruments are not authorized to exchange one currency for another, nor the changes of the financial instrument (such as cash, prize bonds, travelers cheques etc) except to the minimum extent necessary for the transaction of official business and only with the approval of the DG(F&A).

32. **Remittances to Regional or other offices of the Programme.**—At the end of each financial year the balance(s) lying with the field offices shall be adjusted against the expenditure ensuring that no cash remains in the Bank Accounts on 30th June except permanent advances if allowed as per regulations.

33. **Advances / loans.**—(a) There shall be permanent advances granted to the field offices, with changes in the amount as determined by the Secretary from time to time.

(b) Besides permanent advance, there shall be petty cash advances and Cashier's Fund advances at all locations of the Programme. Such advances may be made only by and to officials designated for this purpose by the Secretary within approved limits.

(c) The relevant accounts shall be maintained on an imprest system and the amount and purpose of each advance shall be defined by the Secretary of the Programme.

(d) All advances other than permanent advances allowed to officers / staff shall be recovered within one month or by 30th June, whichever is earlier. In

case the adjustment for the money spent is not received and approved, the advance will be recovered from the salary, immediately.

(e) Officials to whom advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times. They shall submit monthly accounts as a minimum unless a shorter period is approved by the Secretary in writing.

34. Disbursements/payments.—(a) All disbursements shall be made by crossed cheque, demand draft, pay order or by electronic funds transfer; where absolutely necessary cash disbursements may be authorized by the Secretary. The office to whom the authority for the purpose is delegated under delegation of power.

(b) Disbursements shall be recorded in the accounts as at the date on which they are made, that is, when the cheque, demand draft or pay order is issued, electronic transfer is affected or cash is paid out.

35. Reconciliation of bank accounts.—(a) Unless an exception is authorized by the Secretary in writing, all financial transactions, including bank charges and commissions, must be reconciled with the bank statements provided by the banks not later than 10 working days after the closing of each calendar month, by Director Regional / Divisional in the field and F&A Wing at the Head Quarter, except for beneficiaries level reconciliation with banks and Pakistan Post by CT Wing of BISP.

(b) It shall always be the endeavor of the BISP to reconcile bank statement regularly and in the shortest possible periods with the help of electronic communication and banking practice as appropriate.

(c) This reconciliation will be performed by an official other than any officer who is involved in the receipt or disbursement of funds.

(d) Reconciliation of disbursements of funds to beneficiaries by banks and Pakistan Post will be made at two stages *i.e.* fund level by F&A Wing and beneficiary level by respective operational wing (CT, CI, WET etc)

CHAPTER IV

UTILIZATION OF FUNDS

36. **Allocations.**—(a) The allocation approved by the Board, shall constitute an authorization to the Secretary as the Principal Accounting Officer to incur obligations and sanction payments for the purposes for which the allocation were approved and up to the amounts so approved.

(b) **Control over expenditure:** As a general rule no authority / officer of BISP may incur any expenditure until the expenditure has been provided for in the authorized grant and appropriations for the year by the BISP Board and has been sanctioned by an authority to which power has been duly delegated.

(c) **Available period:** Allocations shall be available for incurring expenditure including creation of liability during the financial period to which they relate.

(d) Liabilities created shall be appropriately reflected in the Annual Accounts and it shall be imperative to clear the liabilities at the earliest as per contractual obligation and preferable not later than the following financial year.

37. **Administration of funds.**—The Programme shall:

(a) Establish financial process / procedures supported by well documented manuals and well understood by all concerned, to ensure effective, economic, efficient and transparent financial and accounting management.

(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that payments have not previously been made;

38. **Re-appropriation.**—*Transfers between the allocations.*

The Secretary has the power to transfer funds from one head of account to another head of account, vested through Sub-Section 2 of Section 14 of the Benazir Income Support Programme Act (Act No. XVIII of 2010). However, the total expenditure shall not exceed the total approved Budget. In exceptional cases a maximum of ten per cent of total budgeted expenditure may be exceeded.

39. Commitments, obligations and expenditures authority and responsibility.—A Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds 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 which may be brought to notice as a result of audit scrutiny or otherwise.

40. Commitments against allocations for future financial periods.—The Programme may enter into commitments for future financial periods as appropriate to achieve its objectives. The authority to approve such commitments is delegated to the Secretary, and such commitments shall constitute the first charge against the Fund for the respective future year.

41. Establishment and revision of obligations.—(a) No obligation or expenditure shall be approved by the approving officer including those by contract, agreement or purchase order shall be entered unless and until an appropriate allocation has been made or the approving officer feels reasonably certain of the availability of such funds before the expected time of payment. Where any doubt exists, the approving officer must obtain written endorsement from the Secretary of such expectations.

(b) In case of financial expenses and obligations related to existing human resources the above clause (a) shall not apply.

(c) In case of any increase in liability due to exchange fluctuation between the date of creation of liability and the time of disbursement, upto a maximum of a percentage approved by the Programme, from time to time, and provided that such a provision has been included in the contract entered by the Programme, then no change need be made to the amount of the original liability. If, however, the increase exceeds the authorized percentage over the original amount, the bill must be resubmitted to the Sanctioning Officer.

42. Review, re-obligation and cancellation of obligations: Outstanding financial obligations must be reviewed periodically by the DG(F&A) and appropriate adjustments made after authentication by the Secretary. For significant obligation and or amounts, consultation must be ensured with the Secretary.

43. **Basis of creation of a liability**—Liability must be based on a formal contract, agreement, purchase order or any other form of undertaking recognized by the Programme.

44. **Overseas Traveling Expenditure**.—All overseas travel shall be subject to the condition that such tour program would be approved by the competent authority.

45. **Expenditure for Rented Premises**.—The Secretary shall be competent to accord permission for hiring any rented premises for the Programme, the area of the rental premises and the rental rate of any such premises.

46. **Ex gratia payment, honorarium, reward, bonuses etc.**—The Secretary may make such payments as are deemed to be necessary in the interest of the Programme in accordance with Section 10(d) and Section 14(2) of BISP Act.

47. **Procurement**.—(a) The Programme shall adopt the current Public Procurement Rules (PPRA) for procurement of goods and services as per notification of the Federal Government of Pakistan *vide* SRO:432(I)/2004 dated June 2006 or as amended thereafter.

(b) Any waiver from (a) above under special circumstances, to be recorded, shall be given in writing by the Secretary.

(c) All Procurement shall be governed by the relevant delegation of authority.

(d) For donor funded projects, procurements procedures of Donor(s) will be followed in accordance with rule 5 of Public Procurement Rules (PPRA).

48. **Management of Fixed and Intangible Assets**.—(1) The Secretary of the Programme is responsible for the management of the property of the Programme, including all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale and shall designate the officials responsible for performing property management functions.

(2) Fixed and Intangible Asset Management shall be based on:

(a) There shall be a well documented manual covering matters related to Fixed Asset management covering:

- (i) Fixed Assets Categories and definition thereof.
 - (ii) Basis and procedures of evaluation, re-evaluation of fixed assets and establishing fair values.
 - (iii) Definition of historical costs by category of fixed assets.
 - (iv) Principles and rules of depreciation.
 - (v) Procedures and processes for acquisition and disposal of fixed assets as provided in PPRA rules.
 - (vi) Documenting and recording of fixed assets.
 - (vii) Any other related matters to govern fixed asset management.
- (b) For purposes of property valuation and condition / usability of the asset, there shall be a Property Survey Committee within the Programme.

49. **Sale/disposal of Fixed Assets.**—Sale of supplies, equipment or other property declared surplus or unserviceable shall be based on competitive bidding, unless the relevant Property Survey Committee:

- (i) Considers that the exchange of assets in partial or full payment for replacement equipment or supplies is in the best interest of the Programme;
- (ii) Deems it appropriate to transfer surplus assets from one project or department or person for use in by another and where applicable, for purposes of evaluation, the fair market value or higher open bid shall be the basis of transfers.
- (iii) Determines that the destruction of the surplus or unserviceable assets will be more economical or is required by law or by the nature of the property;
- (iv) Determines that the interests of the Programme will be served through the disposal of the assets by gift or by sale at a nominal price to an employee of the Programme (at no less than market value determined by open and advertised bid), intergovernmental organization, a Government or governmental agency or some other non-profit organization.

CHAPTER V

ACCOUNTING SYSTEM

50. **Accounting Principles.**—The Accounts of the Programme shall be maintained to ensure:

- (a) Maintenance of complete and accurate record of all financial transactions;
- (b) Full disclosure of all material information;
- (c) Presentation of the true state of affairs and financial position at any point of time;
- (d) Application of necessary checks and balances in the fiscal management;
- (e) Accountability for exercise of prudence in application of the financial resources; and
- (f) The Programme shall submit accounts for the financial period. In addition, the Programme shall maintain and safeguard against damage, destruction, unauthorized access and removal of such accounting records as are necessary for management purposes.

51. **Accounting Policies:**

- (a) The accounts shall be prepared under historical cost convention.
- (b) Accounts shall conform to the financial year, as per regulation 13(1).
- (c) All assets shall be stated at cost, provided that assets received free of cost shall be accounted for at zero value plus any cost incurred.
- (d) The Fixed Assets may ordinarily be replaced, in accordance with the laid down Government procedure on completion of useful life as may be fixed by the Programme, from time to time.
- (e) The system of accounts to be followed by BISP shall be maintained on cash basis.
- (f) Double entry Accounting system will be used.

- (g) All transactions in foreign currencies shall be converted into Pakistan Rupees.
- (h) Any difference in the balance of the corresponding rupee account and balances in the foreign currency account converted into Rupee on the date of Financial Statement at the end of financial period, shall be treated as per instructions of Finance Division.
- (i) An expenditure, the benefit of which is confined only to the accounting year in which it is incurred, shall be treated as revenue expenditure and charged to the said accounting year.
- (j) Expenditure, the benefit of which extends beyond one year and the purchase value is less than the value limit fixed by the Programme from time to time which shall, for the time being, be Rupees ten thousand, shall be treated as revenue expenditure and charged to the said accounting year. The store record for these expenses shall, however, be maintained for control purpose.
- (k) Any expenditure, over a value limit as per clause (i) above and the benefit of which extends beyond the accounting year in which it is incurred, shall be treated as capital expenditure.
- (l) Identification codes shall be allotted to and affixed on all fixed asset items and shall be cross-referenced to fixed assets register.
- (m) Fixed assets shall be physically verified, results compared and discrepancies, if any, reconciled at least once in a year.
- (n) Properties and rights of the Programme shall not be sold, leased, mortgaged, gifted or exchanged except to the extent authorized by the Programme subject to any condition that it may impose.

52.— **Books of Accounts.**—The following books of accounts shall be maintained for accounting record as per approved accounting procedure;

- (a) Cash book.
- (b) Cheque Book Register.
- (c) Cheque Register.
- (d) Stock Register, Dead Stock Register and Register of Contracts.
- (e) Register of Assets.

- (f) Budget Control Register/Statement of Releases.
- (g) Disbursement Register.
- (h) Project-wise Statement of Expenditure.
- (i) Register of Advances (Contractors).
- (j) TA/DA Advance Register
- (k) Register for advances to employees
- (l) Suppliers register or record
- (m) Contingency payments register.
- (n) Record of monthly reconciliation with the banks.
- (o) Appropriation accounts
- (p) Financial Statements-Cash basis (IPSAS-II)
- (q) Receipts and Payment Statement
- (r) Project-wise Statement of Expenditure
- (s) Donor funded project financial report

53. **Finance & Accounts Department.**—There shall be a Finance and Accounts Department in the Programme to manage all matters relating to Finance and Accounts with accuracy, efficiently, transparently and timely.

54. **Double entry accounting system.**—The Programme shall record all financial transactions on double entry accounting system.

55. **Chart of accounts.**—All financial transactions shall be recorded in the respective head of account in accordance with the chart of accounts of the Federal Govt. adopted by BISP with minor changes considering the nature of business of BISP.

56. **Accounting for proceeds from the sale of Assets.**—The proceeds from the sale of property shall be credited as miscellaneous income except:

- (a) Where a Property Survey Committee has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be taken into account as miscellaneous income);
- (b) When the trade-in of property is not considered to be a sale and the allowance shall be applied against the cost of the replacement property;

- (c) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project, provided that they have not been closed;
- (d) When equipment is transferred from one project for use in another and the accounts of the releasing project are open, the fair market value of such equipment shall be credited to the accounts of the releasing project and charged to the accounts of the project receiving the equipment;

57. **Accounting for commitments against future financial periods.**—Obligations established prior to the financial period to which they pertain, pursuant to Rule 46, shall be recorded deferred charges to expense in the respective financial period when funds are made available.

58. **Writing-off losses of cash, receivables and property.**—The Financial Advisor shall dispose of cases for write-off of losses beyond Rs. 5,000,000 (Rs. Five Million) upto Rs. 10,000,000 (Rs. Ten Million). He shall submit cases for write-off of losses upto Rs. 20,000,000 (Rs. Twenty Million) to AFS(E) for approval. The cases for write off of losses above Rs. 20,000,000 (Rs. Twenty million) shall be submitted by the FA, through AFS(E), to Finance Secretary for approval.

59. **Receivable and Payables Management.**—The Programme shall develop efficient and effective receivables and payables recording and reporting system, including but not limited to the aging of the respective transaction. It shall be the responsibility of the Programme to obtain maximum credit from its suppliers but equally essential will be to pay within contractual time period. Where necessary penalty clause against the Programme for late payment are permissible in the interest of getting best and economical Suppliers and lower the cost of goods and services procured.

60. **Disbursements from the Fund.**—(a) All income and expenditure for respective heads of account shall be credited or debited, as the case may be in the same financial year.

(b) Adjustments that arise subsequent to the closing of any special and separately identified project shall be debited or credited against the miscellaneous income of the Programme.

61. **Eligible Beneficiaries payment.**—(a) The payment to the beneficiaries of various schemes of BISP will be disbursed through established payment channels like banks and Post Office (including commercial banks and their

Branches, ATMs, licensed Agents, super agents, as allowed by State Bank of Pakistan for cash disbursements and approved by the BISP Board).

(b) The frequency of payments could be monthly, quarterly, biannual, annual or one time as approved by the Board and in accordance with the nature of the scheme.

62. **Other Payments.**—Except Beneficiaries payment all expenditure will be debited in the respective head of account for the respective financial year as per accounting procedures, PPRA Rules and Donors guidelines.

—63. **Financial Statements.**—(a) BISP's Annual Financial statement will be prepared in accordance with International Public Sector Accounting Standards (IPSAS-II).

64. **Accounting Records.**—Other financial and property records and all supporting documents shall be retained for such periods as may be required by the Programme and to meet any statutory or legal requirements.

CHAPTER VI

INTERNAL CONTROL

65. There shall be established internal financial control processes and procedures supported by well documented manuals, well understood by all concerned officers, which shall provide for an effective current examination and/or review of financial transactions in order to ensure:

- (i) That a whole system of internal controls are in place both financial and operational, which are established to ensure that the functioning of the Programme is conducted in an orderly manner, objectives are achieved, that records are both accurate and reliable, compliance with laws of the country is complied with and risk to assets and personnel is minimized.
- (ii) The scope of internal audit includes all means used by the Programme to direct, monitor, measure and manages its work so that the Programme's objectives are achieved.
- (iii) Since the size and resources of regional / sub-regional / other locations of the Programme are different this must be taken into account.

- (iv) Highest practical levels of transparency to be maintained in deployment and accounting of funds.
- (v) Personnel are not exposed to undue risk.
- (vi) Clear statement of authorities, collectively or individually and delegation thereof.
- (vii) Authority to delegate must be retained at highest appropriate levels and kept up to date at all time with the approval of the Secretary.
- (viii) Increasing use of computerization requires special consideration to ensure continued internal control, audit trails etc.
- (ix) Compliance with any relevant laws of the country, covering the Programme's operation and its employees, including but not limited to, retention periods of records.
- (x) That regular review of internal control and its adequacy is provided for.
- (xi) Against over control and provide for appropriate levels of flexibility for smooth and timely functioning of the Programme.
- (xii) Provide for internal control based on test for compliance with controls and where relevant checks are conducted at irregular intervals and without prior information to concerned personnel.
- (xiii) Provide for use of internal and external audit to help the Secretary to ensure adequate control.
- (xiv) Internal Audit shall be an independent function reporting directly to the Board.

66. **Checks and Balance.**—Notwithstanding bank signatory functions assigned in accordance with regulation 30, all commitments, obligations and expenditures required in either conventional or electronic form, such obligations and expenditures must first be signed ("certified") by a duly designated Certifying Officer (Regulation 67) and thereafter, by a duly designated Sanctioning Officer (Regulation 68) to "approve" the establishment of obligations and the recording of expenditures in the accounts and processing of the payments. Expenditures and obligations once certified do not require further certification at the time of payment.

67. **Certifying Officers.**—(a) One or more officials shall be designated by the Programme as the Certifying Officer(s) for the account(s) pertaining to a Section or sub-Section of an approved budget. Responsibility of the certifying Officer is assigned on a personal basis and cannot be delegated. A Certifying Officer cannot exercise the sanctioning functions assigned in accordance with Regulation 68.

(b) Certifying Officers are responsible for managing the utilization of the allocated resources, in accordance with the purposes for which those resources were approved and the principles BISPFR. Certifying Officers must be prepared to submit any supporting documents, explanations and justifications required by the Secretary in support of such certification.

(c) The officer who signs or countersigns a certificate shall be personally responsible for the facts certified, 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 and the fact that a certificate is printed shall have no justification for his signing unless it represents the facts of the case.

68. **Sanctioning officers:**—(a) Sanctioning Officer(s) is designated by the Programme to approve the disbursement of funds and the undertaking of obligation payment. He is, however not the Disbursing Officer. The Sanctioning Officer shall verify that the payment or obligation is duly certified by the designated Certifying Officer. Sanctioning Officer is also responsible for approving due payments. Sanctioning Officer must be prepared to submit any supporting documents, explanations and justifications required by the Secretary and also to satisfy the auditor(s).

(b) Responsibility of the Sanctioning Officer is assigned on a personal basis and cannot be delegated. A Sanctioning Officer cannot exercise the certifying functions assigned or the bank signatory functions assigned in accordance with regulations.

(c) Sanctioning Officer will apply the following checks before according sanction to the expenditure on an invoice/bill/claim for payment and for accepting a liability:

(i) Check that proper invoice duly verified by the officer issuing the order or authorizing the work has been submitted with all relevant valid documents.

(ii) Check that budget provision exists in the relevant head of account in the approved budget. Where such provision does not exist, an approval from Secretary will be obtained with record of source of funds for the purpose.

- (iii) Verify in case of procurement of goods and services that the contract/work order/award was issued with the approval of the competent authority in accordance with the prescribed procedure; and if goods have been purchased directly from open market, the prescribed procedure has been adopted.
 - (iv) Study the contract or work order and verify that all applicable clauses have been complied with by the supplier or contractor e.g. clauses regarding specifications, quantity, quality, price, delivery schedule, terms of payment and penalty etc.
 - (v) Verify that services performed or work done is satisfactory as per terms and conditions of contract or work order or terms of reference, as the case may be, and the receipt or report of satisfactory services or work from the authorized person is attached.
 - (vi) Ensure in case of payment being made on special orders of the Programme or a Court of law, that the orders or decision of the Programme or Court have been complied with.
69. **Internal Audit.**—(a) There shall be an Internal Audit function headed by a qualified Internal Auditor who shall be an officer of the Programme.
- (b) The Internal Auditor shall report directly to the Board.
 - (c) The Internal Auditor of the Programme shall conduct the internal audit and incorporate the results of these inspections in the form of an inspection report and furnish the Internal Audit Report to the Board.
70. **Pre-Audit.**—Pre-audit function will be performed by Finance & Accounts Wing for all payments except beneficiaries' payments. The Pre-audit Officer shall assist the Sanctioning Officer to confirm the certification of the Certifying Officer prior to the sanction by the Sanctioning Officer.
71. **System Based Pre-Audit of Beneficiaries Payment.**—Financial Assurance being part of Finance and Accounts wing will perform a system based pre-audit function with regard to beneficiaries' payments through a software application, in accordance with the defined parameters / checklist, developed for the payment verification purpose.

CHAPTER VII

EXTERNAL AUDITORS

72. **External Auditors.**—(a) As per sub-Section 1 of Section 16 of the Benazir Income Support Programme Act (Act No XVIII of 2010), the Auditor General of Pakistan shall be an external auditor of the Programme and shall perform

the audit of the accounts of the Programme every year and as and when considered appropriate in accordance with the annual plan of the Auditor General of Pakistan.

(b) The BISP may also hire services of External Auditor (Chartered Accountant Firm) as per financing agreement of the donor agencies in consultation with AGP under the standard procedure of AGP.

73. **Audit Standards, Scope and Operations.**—(a) The audit shall be conducted in conformity with International Standards of Supreme Audit Institutions (ISSAI) and subject to BISP Financial Rules with relevant regulations along with administrative instructions issued by the Programme in connection with those Regulations.

(b) The Auditor shall be completely independent and solely responsible for the conduct of the audit.

74. **Facilities.**—In the interest of minimizing cost of external audit, Secretary of the Programme shall provide the Auditor with the facilities they may require in the performance of the audit.

75. **Reporting.**—(a) Auditor General of Pakistan shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period.

(b) The reports of the Auditor shall be submitted to the Board through the Programme, together with the audited financial statements and along with such comments as it may deem appropriate.

76. **Donor's Project Audit.**—(a) Auditor shall conduct audit of donor funded project(s) of the Programme.

(b) The report of the Auditor related to donor funded project(s) shall be transmitted directly to the relevant donor agency in their agreed time.

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ASHFAQ JAVED,
Director (F&A-Policy).

