

**GOVERNMENT OF ¹[Khyber Pakhtunkhwa],
FINANCE DEPARTMENT**

Dated. Peshawar the 28th October,
2004.

NOTIFICATION.

No. FD.BO(PFC)/6-1/2003-2004, In exercise of the powers conferred under sub-section (1) of Section 191, read with item 20 of Part 1 of the Fifth Schedule of the ²[Khyber Pakhtunkhwa] Local Government Ordinance, 2001 (Ord. No. XIV of 2001), the Government of the ³[Khyber Pakhtunkhwa] is pleased to make the following rules:-

**GOVERNMENT OF ⁴[Khyber Pakhtunkhwa],
FISCAL TRANSFER RULES, 2004.**

**CHAPTER-I
SHORT TITLE AND DEFINITIONS**

1. Short title and commencement. - (1) These rules may be called the ⁵[Khyber Pakhtunkhwa] (Fiscal Transfer) Rules, 2004.

(2) They shall come into force at once.

2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context-

- (i) "annual report" means a report submitted by the Provincial Finance Commission within the meanings of Sub-Sections (5) and (6) of Section 120-E of the Ordinance;
- (ii) "appropriation account of Local Government" means a statement of expenditures with regard to the budgetary allocations and shall ensure that
 - a) the accounts properly present the accounting transactions in a most material aspect and
 - b) reasonable arrangements were in place for exercising pre-audit checks, while ensuring that payments have been made in observance of relevant rules and regulations , and that
- (iii) "appropriation" means an allocation of funds to an office of the Local Government on the basis of its Schedule of Authorised Expenditure;

¹ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

² Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

³ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

⁴ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

⁵ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

- (iv) “account” means a repository of Local Government or Government funds in the State Bank of Pakistan or in a Bank approved by the Government, or a Government treasury ;
- (v) “accounts” means a statement of receipt and expenditure on the accounts of a Local Government prepared and maintained in such form and in accordance with such methods and principles as the Auditor General of Pakistan, with the approval of the President, may have laid down;
- (vi) “accounts statement” includes annual appropriation account and finance account;
- (vii) “annual finance account of Local Government” means a statement of receipts and expenditures of a Local Government as a whole including transactions relating to Local Government fund and the public account;
- (viii) “bank” means the State Bank of Pakistan or any of its offices or branches and includes any branch of the National Bank of Pakistan acting as the agent of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 (Act No. XXXIII of 1956) or a bank approved by the Government and includes a government treasury where the cash business of the Local Government is not conducted by a bank;
- (ix) “cash balance” means the aggregate monies held by a local government in its account at a given point in time;
- (x) “Council” means the same as in the Ordinance but excludes Village Council and Neighbourhood Council;
- (xi) “delay in transfer” means as defined in these rules ;
- (xii) “discrepancy in transfer” means as defined in these rules;
- (xiii) “district accounts office” means an office in a district under the Provincial Government or Accountant General ⁶[Khyber Pakhtunkhwa] inter alia responsible for maintenance of accounts of the District or City District Government;
- (xiv) “Government” means Government of the ⁷[Khyber Pakhtunkhwa];
- (xv) “Local Government accounts office” means an office entrusted with the responsibility of maintenance of accounts of a Local Government and includes a district accounts office, a Tehsil accounts office and a Union accounts office;
- (xvi) “Local Government expenditure” means the amount expended by the designated functionaries of a Local Government in the manner prescribed in the financial rules and in accordance with the annual budget including supplementary budget approved by its council;

⁶ Sub. by the Khyber Pakhtunkhwa Act No. IV of 2011.

⁷ Sub. by the Khyber Pakhtunkhwa Act No. IV of 2011.

- (xvii) “Local Government finance office” includes offices responsible for regulating the finances of a Local Government and includes the offices of the Executive District Officer Finance & Planning, the Tehsil Officer Finance and office of the Union Accountant;
- (xviii) “Local Government revenue-expenditure statement” means a monthly statement of accounts separately showing the receipts and expenditures of a Local Government classified in the prescribed manner;
- (xix) “local own source revenue” means revenues received by a Local Government from the proceeds of taxes or charges levied by a Local Government and other proceeds vested in it under the Local Government Ordinance
- (xx) “NFC Formula” means transfers from the Divisible Pool to the Provincial Government as per Article 164 of the Constitution, and includes other transfers made from the Federal Government which form a part of the Provincial Allocable Amount.
- (xxi) “officer in-charge of a spending arrangement” means an officer entrusted with the executive authority of implementing a project, programme, scheme or any other initiative financed out of the budget of the Government or Federal Government;
- (xxii) “Ordinance” means the ⁸[Khyber Pakhtunkhwa] Local Government Ordinance 2001;
- (xxiii) “prescribed report” means a report prescribed under these rules and shall only constitute such a report if produced in the form set for the purpose;
- (xxiv) “prescribed” means prescribed under these rules;
- (xxv) “Provincial Consolidated Fund” means the same as described in Article 118 of the Constitution of Pakistan, 1973;
- (xxvi) “reporting officer” means an officer vested with the responsibility of submitting a report under these rules;
- (xxvii) “Schedule” means a Schedule attached to these rules ;
- (xxviii) “Secretary” means Secretary of the Provincial Finance Commission and Secretary to Government of ⁹[Khyber Pakhtunkhwa], Finance Department;
- (xxix) “share of local government as calculated” means the share of a local government calculated by the Finance Department at the commencement of a calendar month using the actual allocable amount based on actual provincial receipts and in accordance with Provincial Finance Commission award for the time being in force;

⁸ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

⁹ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

- (xxx) “share of local government as determined” means the share of a local government determined by the Provincial Finance Commission in its award and it may be based on any estimated revenues for a year;
- (xxxi) “Tehsil accounts office” means an office located in each Tehsil or Town Municipal Administration headed by a Tehsil or Town accounts officer responsible for the maintenance of accounts of the Tehsil or Town Municipal Administration;
- (xxxii) “Tehsil accounts officer” means maintenance of accounts of a Tehsil an officer responsible for the or Town Municipal Administration;
- (xxxiii) “transfer” means funds transferred to the account of a Local Government from the account of the Government or another Local Government where they are not paid in lieu of a service or a good provided by the recipient Local Government to the Government or the Local Government, as the case may be.
- (2) Words and expressions used but not defined in these rules shall have the same meaning as are respectively assigned to them in the Ordinance.

CHAPTER II

SECRETARIAT AND INTERGOVERNMENTAL FISCAL DATABASE

3. Secretariat of the Provincial Financial Commission.- (1) The Finance Department shall set up a designated establishment of officers and staff, with adequate resources and equipment, which shall be called the Provincial Finance Commission Secretariat, hereinafter referred to as the Secretariat, for carrying out the purposes of Chapter XII-A of the Ordinance and these Rules .

(2) When required the Secretary may hire the services of experts to provide technical expertise to the work of the Provincial Finance Commission and they shall form part of the Secretariat for the duration of their assignment.

(3) The number of posts for the Secretariat shall be determined by the Secretary, from time to time, with due regard to the nature and quantum of work.

(4) The senior most executive officer in the Secretariat shall be responsible for implementation of any prescribed or entrusted functions and duties of the Secretariat.

(5) The Secretariat shall function under the overall executive control of the Secretary.

4. Functions and duties of the Secretariat.- The functions and duties, without prejudice to the generality of technical and secretariat support as may be required by the Provincial Finance Commission or as otherwise provided in these rules, of the Secretariat shall include –

(a) preparing technical briefs for Provincial Finance Commission meetings;

(b) making available all prescribed documents to the Provincial Finance

Commission for its meetings;

- (c) carrying out simulations, development of formula options and study the differential impact of various options on local government finance;
- (d) maintenance of intergovernmental database, in such forms and of such standards, as may be prescribed from time to time;
- (e) carrying out monitoring of receipt of funds by Local Government;
- (f) receipt of reports from Local Government, as may be prescribed,;
- (g) undertaking analysis of Local Government finance, or if so required, of provincial finances;
- (h) preparation and maintenance of relevant data relating to Local Government, as prescribed, or as may be required by the Provincial Finance Commission;
- (i) evaluation of impact of fiscal transfers on Local Governments and other relevant matters
- (j) commissioning of special research and studies relating to intergovernmental finance;
- (k) preparation of draft Annual Report;
- (l) publication of Annual Report after approval by the Provincial Finance Commission;
- (m) provision of periodic reports on local government finance to the Secretary.
- n) any other assignment relating to Provincial Finance Commission entrusted by the Secretary or the Commission.

5. Communication and access to information:- Nothing contained in these rules shall be deemed to impose any limits on the Secretariat to carry out timely communication of any matters relating to transfers to Local Government, Government agency or any person or in providing access to information to any citizen.

6. Budget. (1) The annual budget of the Secretariat shall be prepared separately as part of the budget estimates of the Finance Department.

2) Special funds may be allocated for undertaking studies and analysis.

7. Intergovernmental fiscal database. (1) Intergovernmental fiscal database may be set up in the Secretariat, subject to the following, in such form as may be possible in view of available technological options and data that may be gathered.

(2) The intergovernmental fiscal database may comprise of and be maintained for data on revenues and expenditures of the local governments under various heads, all kinds of transfers to Local Governments, data pertaining to specific issues peculiar to Provincial Finance Commission award for the time being in force, or any data, as otherwise required and listed in Part A of the Second Schedule.

(3) All data shall be updated on a monthly basis provided that for certain categories a different periodicity may be observed with the permission of the Secretary.

(4) Intergovernmental database may include, without prejudice to the provisions of sub-rule (2) hereinbefore, all elements as described in Part B of the Second Schedule and reports may be provided to the Provincial Finance Commission for analysis, review, deliberations on formula options or any other functions, duties and exercise of powers of the Provincial Finance Commission;

(5) Data and reports from the intergovernmental fiscal database may be provided to any Local Government, Government agency, or organization for any academic or other purpose upon request and payment of any fee that may be collected with the express permission of the Secretary.

(6) Such fees as may be collected in accordance with the provisions of sub-rule last hereinbefore shall be deposited in the Government Treasury or a special account authorised by the Secretary.

`CHAPTER III THE METHOD OF TRANSFERS

8. Dissemination of formula.- (1) As soon as may be possible, upon notification of a Provincial Finance Commission formula under the provisions of Chapter XII-A of the Ordinance, the Secretariat shall make all suitable and necessary arrangements for dissemination of the formula to Government agencies and local governments in the province.

(2) Where grant systems are seeking to achieve specific objectives through local government action the Secretariat may make special arrangements for dissemination and wider understanding of the conditional ties, provisions, incentives and sanctions attached to such transfers to which these apply.

9. Notification of Provincial Consolidated Fund and its distribution.- (1) The Secretariat shall notify the calculated size of the Provincial Consolidated Fund, Provincial Retained Amount and Provincial Allocable Amount in accordance with the Provincial Finance Commission formulae for the time being in force, based on the estimated revenues of the province, in the last quarter of the preceding fiscal year.

(2) It shall notify the revised size of the Provincial Consolidated Fund, Provincial Retained Amount and Provincial Allocable Amount for on ongoing fiscal year as early as possible and such notification shall be based on the revised estimates.

10. Notification of shares of local government.- (1) Share of Local Government as

determined shall be notified by the Secretariat upon determination in light of the formula set by or applicable under the decision of the Provincial Finance Commission.

(2) Notifications of the shares for the period of the formula shall be made in accordance with the projected revenues of the province at the beginning of each time period of a formula.

(3) Notification of the shares for a fiscal year shall be made in accordance with the projected revenues of the province for the fiscal year in the fourth quarter of the preceding fiscal year.

(4) Notifications of the shares shall be made in the form attached in the Fourth Schedule to these rules.

(5) All notifications under this rule shall be published in the official gazette.

11. Copies of notifications.- Copies of all notifications issued under the rule last hereinbefore shall be provided, as soon as possible, to Local Governments, members of the Provincial Finance Commission and any other agency that the Secretary may direct.

12. Authorisation of transfer.- (1) Upon any approval that may be required the Finance Department shall authorise transfer of the share as calculated of Local Government at the beginning of every calendar month, as soon as possible and not later than the third day of that month.

(2) Authorisation shall be communicated to the State Bank of Pakistan or any other authority responsible for transferring the amount to the Local Government and a copy of such authorisation may be made available to Local Government.

13. Transfer of the share as calculated. (1) The share of Local Government as calculated shall immediately be transferred to its account upon issuance of its authorisation.

Provided that Finance Department shall effect such transfer based upon the actual monthly receipts from the Federal Government.

(2) A certification of transfer shall be issued by the Local Government accounts office upon completion of transfer providing the total amount and date in the prescribed form and a copy may also be provided to the Local Government finance office.

(3) A copy of the certification shall be provided to the Secretariat and to other offices as may be directed from time to time.

14. Banks.- 1) The Finance Department may notify any banks to undertake functions for making over, holding or reporting of transfers.

2) Where any functions are given to a bank it shall provide all such reports as required by the Finance Department.

15. Cash balance.- 1) Cash balance in a local government account shall be communicated to the Secretariat as and when so required by the Secretary in accordance

with a prescribed form.

2) The cash balance or any amount thereof in a local government account shall not ordinarily be transferable to Government account or any other account.

Provided that such transfer may be effected by the Finance Department in cases of outstanding claims and arrears of intergovernmental or interdepartmental dues or taxes.

CHAPTER IV FINANCIAL REPORTS

16. Expenditure-Revenue Statement.- (1) The Local Government finance office shall provide monthly expenditure-revenue statement to the Secretariat in accordance with the form given in the Fourth Schedule.

(2) The Secretary may require quarterly and the end of year expenditure-revenue statements from the Local Government and in such cases the Local Government shall provide these statements in accordance with the forms set out in the Fourth Schedule.

17. Local own source revenues.- (1) A statement of local own source revenues assessed and collected shall be provided to the Secretariat at the end of each quarter in a fiscal year by the Local Government finance office.

(2) For the purpose of this report the Local Government finance office may attribute to assessment carried out by any agency provided that the estimates of assessment are not less than the ones used in its decision making.

18. Other transfers and amounts received.- Upon receipt of any funds other than the formula based transfers from the province or local own source revenues the Local Government finance office shall report all funds received in their accounts to the Secretariat within a period of one month.

19. Project funds and investments.- Every officer in-charge of special spending arrangement shall report all expenditure incurred through his office to the respective finance office who in turn shall provide that information to the Secretariat in accordance with form set out in the Fourth Schedule provided that expenditures carried out under the approved budget of the local government shall not form part of this report.

20. Accounts reports.- (1) Local Government accounts offices shall forward appropriation account and finance account statements to the Secretariat in accordance with the forms for the time being in force.

(2) All such reports will be submitted before the end of third quarter of the fiscal year following the year for which reports are being formulated.

(3) In case where certified accounts are pending finalisation a report based on draft accounts may be provided.

(4) Where a report is based on draft accounts it shall be mentioned in the report.

(5) Where a report has been provided on the basis of draft accounts, upon certification of accounts a second report shall be provided with appropriate reference made to the earlier report.

CHAPTER V RESPONSIBILITIES AND POWERS

21. Reporting officers.- (1) Any reporting officer while submitting a report under these rules, unless otherwise provided, shall submit such a report to the Secretariat within the prescribed or required time period if an approval has not been given for such submission in time.

(2) No disciplinary or administrative proceedings shall be admissible against a reporting officer for submission of such a report, unless they be on grounds other than those specified in sub-rule (1).

22. Duties of Local Government finance and accounts offices.- (1) Duties of Local Government finance and accounts offices shall include maintenance of record of monthly and periodic transfers in prescribed form as set out in the Fourth Schedule.

(2) A copy of the record shall be provided to the Secretariat at the end of each fiscal year no later than expiry of the first calendar month of the succeeding fiscal year.

23. Responsibility for the veracity of the reports.- (1) The Zila Nazim and the District Coordination Officer shall be responsible for the veracity of all reports submitted by the District Government offices to the Secretariat.

(2) The Tehsil or Town Nazim and Tehsil or Town Municipal Officer, as the case may be, shall be responsible for the veracity of all reports submitted by Tehsil or Town Municipal Administration offices to the Secretariat.

(3) The Union Nazim and the Secretary of Union Administration shall be responsible for the veracity of all reports submitted by the Union Administration to the Secretariat.

24. Responsibility of the authority for prompt preparation of Accounts. (1) The Accountant General shall ensure timely and correct submission of reports to the Secretariat from district accounts officers under these rules.

(2) The Director Local Fund Audit, or any other authority designated for the administration of Tehsil or Town Municipal Administration and Union Administration accounts, shall ensure the timely and correct submission of reports to the Secretariat.

25. Special powers of the Secretary.- (1) If so authorised by the Provincial Finance Commission, the Secretary may require any special reports on or related to local government finance from the Accountant General, Director Local Fund Audit or any other authority designated for administration of Tehsil or Town Municipal Administration and Union Administration accounts relating to their respective administrative jurisdictions.

(2) The Secretary, in case of reports which are not submitted in time, or are submitted incorrectly or are incomplete, may recommend action to the authority empowered under the law against the local government finance office, local government accounts office or any local government officer in-charge or any other person responsible, as the case may be, provided that in such cases prior notice shall be given to the local executive setting out the reasons for such action.

(3) The authority to whom the action is recommended in each case shall undertake proceeding on such recommendation and provide a final report to the Secretary within an appropriate time period.

(4) To ensure carrying out the functions and purposes of the Provincial Finance Commission the Secretary may require any information from any agency carrying out functions in the province relating to local government finance to be laid before the Secretariat.

CHAPTER VI DISCREPANCIES AND DELAYS IN TRANSFERS

26. Discrepancy in the transfer.- (1) A transfer less than the share of a local government as calculated shall be deemed a discrepancy.

(2) Any discrepancy in the transfer made to a local government shall be reported to the Provincial Finance Commission which may suggest appropriate remedial action to the Government in this regard.

27. Delay in the transfer.- (1) Whenever a transfer due to a local government in accordance with the share as calculated is not made within the prescribed time period it shall amount to a delay.

(2) Subject to Rule 13(1) any delay in the transfer for which a local government is eligible in accordance with the notifications, for whatsoever reason, shall be recorded by the Secretariat and reported to the Provincial Finance Commission in the next following meeting. The Provincial Finance Commission may suggest appropriate remedial action to the Government in this regard.

CHAPTER VII MISCELLANEOUS

28. Annual Report.- (1) Draft annual report of the Provincial Finance Commission shall be prepared by the Secretariat before the end of the first quarter of each fiscal year,

keeping in view the time required for consideration by the Provincial Finance Commission, and present it to the Secretary who shall lay it before the Provincial Finance Commission.

(2) The draft report upon approval by the Provincial Finance Commission shall be finalized by the Secretariat.

(3) Annual report shall be published by the Secretariat and copies will be provided to each district government and Tehsil or Town Municipal Administration in the province for laying it before the respective Council.

(4) Annual report shall be in the prescribed form given in the Third Schedule.

29. Timeliness of reports.- Reporting officers and other agencies shall be responsible for submission of reports or completion of actions, as the case may be, in accordance with the timeframes specified in the First Schedule to these rules.

30. Powers of the Provincial Finance Commission.- Nothing contained in these rules shall be deemed to impose any limits on the powers of the Provincial Finance Commission to require any reports from any Federal, Provincial or a Local Government, or from any authority, corporation, body, or organisation established by or under law or which is owned or controlled by any Government or in which any of the Governments has a controlling interest or any other source.

SECRETARY TO THE GOVERNMENT OF ¹⁰[Khyber
Pakhtunkhwa], FINANCE DEPARTMENT

¹⁰ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

First Schedule
Timeframes for various important activities

Activity	Responsibility	Timeframe
Preparation of technical briefs for Provincial Finance Commission meetings;	Provincial Finance Commission Secretariat	Periodic, as and when required
Preparation of necessary documents for Provincial Finance Commission meetings;	Provincial Finance Commission secretariat	Periodic, as and when required
Maintenance and updating of intergovernmental database	Provincial Finance Commission Secretariat	Periodic
Carrying out monitoring of receipt of funds by Local Government	Provincial Finance Commission secretariat	Second week of every month
Carrying out analysis of Local Government finance.	Provincial Finance Commission secretariat	Periodic, as and when required
Carrying out analysis of provincial finances	Provincial Finance Commission secretariat	Periodic, as and when required
Preparation and maintenance of data relating to Local Government.	Provincial Finance Commission secretariat	Periodic, as and when required
Evaluation of impact of fiscal transfers on Local Governments	Provincial Finance Commission secretariat	Annual
Commissioning of special research and studies relating to intergovernmental finance.	Provincial Finance Commission secretariat	Annual
Preparation of draft Annual Report.	Provincial Finance Commission secretariat	Annual
Publication of Annual Report of the Provincial Finance Commission	Provincial Finance Commission secretariat	Before the end of first quarter in every fiscal year
Provision of periodic reports on local government finance to the Secretary	Provincial Finance Commission secretariat	Periodic, as and when required
Notification of shares of local government	Provincial Finance Commission secretariat	Last Quarter of the preceding fiscal year
Publishing of notification of Local Government shares in the official gazette	Provincial Finance Commission secretariat.	Last Quarter of the preceding fiscal year
Authorisation of transfer to LGs	Provincial Finance Commission Secretariat	Beginning of every calendar month not later than the first week of that

		month.
Communication of Authorization to the State Bank of Pakistan	Provincial Finance Commission Secretariat	Same day as notified.
Transfer of the share as calculated to LGs	Provincial Finance Commission Secretariat	Within three days of the issuance of authorisation
Issuance of certification of transfer	Local Government Accounts Office	Upon completion of transfer not later than the last working day of the first week of every calendar month.
Provision of copy of the certification to the Secretariat and other offices	Local Government accounts office	Within three days of receipt of funds
Provision of monthly expenditure-revenue statement to the Secretariat	Local Government finance office	Not later than the tenth day of the next calendar month.
Quarterly and end of year expenditure-revenue statements	Local Government	Within 15 days of the end of the quarter to which the statement relates and end of the first quarter of the next fiscal year following the year to which the annual statement relates.
Reporting of all funds received in their accounts to the Secretariat.	Local Government finance office	Not later than the last working day of the first week of every calendar month.
Reporting of all expenditure incurred (through the local government office) to the respective finance office and to the secretariat	Local Government office in-charge	In the first week after the end of the quarter
Accounts reports	Local Government accounts offices	Before the end of the fiscal year following the year for which reports are being formulated.
Provision of special reports required by the Secretary Provincial Finance Commission related to local government finance	Any authority designated for administration of Tehsil or Town Municipal Administration and Union Administration accounts.	Periodic, within fifteen days of request
Preparation of Draft Provincial Finance Commission annual report	Provincial Finance Commission Secretariat	Before 30 th September

Publication of Provincial Finance Commission Annual report	Provincial Finance Commission Secretariat	Before 15 th October
Provision of copies of the Provincial Finance Commission annual report to each district government and Tehsil or Town Municipal Administration in the province.	Provincial Finance Commission Secretariat	Before 30 th October.
Maintenance of record of monthly and periodic transfers in prescribed form in accordance with the Fourth Schedule.	Local Government finance and accounts offices	Continuous
Provision of monthly record of transfers in prescribed form in accordance with the Fourth Schedule to the Secretariat.	Local Government finance and accounts offices	No later than the 15 th day of the next month following the month to which the statement relates
Provision of annual report on record of transfers in prescribed form in accordance with the Fourth Schedule to the Secretariat	Local Government finance and accounts offices	End of each fiscal year not later than 31 st July.

Second Schedule
Data that may be maintained by the
Secretariat (Under Rule 7)

Part A (Rule 7, sub-rule (2))

1. Expenditures of Local Government, function and object wise;
2. Revenues of Local Government, item wise;
3. Transfers received by Local Government, all categories;
4. Data on specific issues in accordance with Provincial Finance Commission award;
5. Data on implementation of conditionalities that may be attached to any transfers; and
6. Any matters specifically assigned by the Provincial Finance Commission.

Part B (Rule 7, sub-rule (4))

1. Population, with projected increases over time;
2. Area of Local Government;
3. Service levels in a Local Government jurisdiction, all services;
4. Land, by various categories of usage and tillage;
5. Industry and other economic activity;
6. Social indicators;
7. Economic indicators;
8. Estimates of personal and household income and expenditure;
9. Measures of various local tax bases; and
10. Cost of service delivery, by category.

Third Schedule
Recommended Form for the Provincial Finance Commission Annual Report

Objectives

The Annual Report of the Provincial Finance Commission will be meant to inform the citizenry about how public funds have been managed to their benefit and at the same time afford them an opportunity to assess the performance of the Provincial Finance Commission. The report will also facilitate the Provincial government in bringing about changes in the previous years fiscal policy that would lead to improved transfer and allocation practices for the future.

Analysis

The report will offer a detailed analysis of the general health of the provincial economy and will provide information that will guide policy makers to enable them to incorporate changes and make adjustments in the distribution of funds and allied policies of tapping into new sources of revenue. It will also serve as material for dialogue and action to enable the provincial leadership in suggesting a way forward for the economic well being and uplift of the population in general. For the Provincial Finance Commission Secretariat it will serve as a mirror for reflecting on the past years formulae for resource distribution.

The report will also offer a;

1) Tool for analyzing the utilisation and source of available resources

Through the Provincial Finance Commission award the province decides how it would spend the total resources available for that year. The report will provide detail of how much the respective local governments spend. It will identify the source of funds and help identify separately the respective shares provided by the Federal and sub national levels of government.

2) Financial management tool

The report will provide detail on the financial condition of the province and local governments. It will include detailed information regarding budget balances, the results of audit, liabilities being carried over, ending balances of the local governments and figures for helping elucidate the level of disparity in overall fiscal health. Indicators of fiscal management such as whether books are being properly kept and whether there has been either a financial or program audit are additional tools in the report that will facilitate financial management.

3) Comparative analysis of the Provincial economy

The report will provide an opportunity for provincial policy makers to make comparisons with fiscal policies of other provincial governments. It will also help identify the disparities in economic growth among the various local governments and regions of the province, and help policy makers gauge whether these differences are increasing or decreasing.

In the Provincial Finance Commission report policy makers will be able to pinpoint the major economic issues which will affect the performance of the intergovernmental transfer system.

4) Means to bridge expenditure abnormalities

The report will present an analysis of expenditure patterns for each level of government through which clear identification of areas of growth as well as stagnation will be identified. Similarly public employment levels and patterns will be deduced through the study of expenditure patterns.

5) Identification of revenue sources, improvement in own source revenue

The report will present an analysis of revenue patterns by level of government and show revenue growth by source. This will include own source revenues, and an analysis of the dependence on transfers.

6) Evaluation of the Transfer Formula –identifying successes and shortfalls

Provincial Finance Commission distribution formulae may not hold true and effective over an extended period. The report in this case will provide indicators for analysis which will be used to retune (if required) the intergovernmental transfer system used by the province. Similarly, the impact of the transfer formula as well as suggestions for change and adjustments will be facilitated through the report.

7) Innovation

The report will not just be providing information on what has been undertaken over the fiscal year but will also serve as a source of novel ideas which the Provincial Finance Commission may take up for inclusion in future awards. The addition of

special studies on innovative ideas and practices that will be included in the report will facilitate the generation of dialogue on subjects such as:

- a. Equalization evaluation
- b. Alternatives for own revenue mobilization
- c. Public employment levels and disparities

8) Presenting a way forward

The report will conclude with the presentation of challenges and issues where the major hurdles to be overcome in developing an intergovernmental fiscal system that will match the objectives of the provincial policy will be streamlined for action. These will include province level issues such as poor fiscal management by some local governments, growing disparities within the regions and the need to accommodate these, etc. Also issues of relationship between the Province and the Federal government on matters such as a proposed new revenue sharing scheme, or proposed new legislation on natural resource taxation that might affect the provincial and local government budgets may be taken cognisance of in the Provincial Finance Commission report.

**Fourth Schedule
Forms**

Form FTR 1
Notification of PCF
(See Rule 9)

Government of The ¹¹[Khyber Pakhtunkhwa]
Provincial Finance Commission Secretariat

Dated

In exercise of powers conferred under Section 120 (D) of the ¹²[Khyber Pakhtunkhwa] Local Government Ordinance 2001, the Governor of ¹³[Khyber Pakhtunkhwa] on the recommendation of Provincial Finance Commission is pleased to specify the size of Provincial Consolidated Fund and its distribution into Provincial Allocable and Provincial Retained amounts for the Province of ¹⁴[Khyber Pakhtunkhwa] as under

Rs

Provincial Consolidated Fund	_____
Provincial Retained Amount	_____
Provincial Allocable Amount	_____

¹¹ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

¹² Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

¹³ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

¹⁴ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

FTR 5
Notification of Calculated Share
(See Rule 13)

Government of The ²³[Khyber Pakhtunkhwa]
Provincial Finance Commission Secretariat

Dated

In exercise of powers conferred under Section 120 D (6) of the ²⁴[Khyber Pakhtunkhwa] Local Government Ordinance, 2001, the Governor of ²⁵[Khyber Pakhtunkhwa] on the recommendation of the Provincial Finance Commission is pleased to specify the following calculated share of individual local governments for the year ending June 30, 20 _____, based on the actual size of the Provincial Consolidated Fund.

Provincial Retained Amount _____

Provincial Allocable Amount _____

Name of Local Government	
Districts	Inter- se Share
TMA's	

²³ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.
²⁴ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.
²⁵ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

Form FTR 6
Certification of Receipts
(See Rule 13)

On the basis of statement of receipts provided by the State Bank of Pakistan / National Bank of Pakistan, the bank _____, (name of branch) in respect of _____ (name of) Local Government, it is certified that a sum of Rs _____, has been credited in the account of the Local Government _____ (name) during the month of _____, 20.

Signed
District / Tehsil Accounts officer
Union Accountant
Stamped

FTR 7
Cash Balance as at 30, _____, 20
Local Government _____
(See Rule 15)

	Rs
Opening Balance as on 1 st of _____, 20	<input type="text"/>
Add: Receipts during the month	<input type="text"/>
Less: Payments made during the month	<input type="text"/>
Closing Balance as on 30 th of _____, 20	<input type="text"/>

Form FTFB

(See Rule 19)

Monthly Expenditure Report for 20

District Government

Rs

Object	Salary of officers and staff		Advances		Purchase of Movable Goods		Preinvestment Project Analysis		Construction of Works		Repairs and Maintenance of Durable Goods and Works		Commodities and Services		Transfer Payments		Investments		Loans and Payments		Miscellaneous		
	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	Previous month	Actual for the month/Progressive	
Functions																							
Mulki Nazim and Council																							
Nazim's Office																							
Law																							
Entertainment																							
Education																							
Health																							
Community Development																							
Agriculture																							
Works and Services																							
Information Technology																							
Revenue																							
District Coordination																							
Finance and Planning																							
Library																							
City District Municipal Services																							
Zila Mithkoti																							
Total																							

Filed by EDO F & P

Form FTR 10 A
(See Rule 16)
Yearly Expenditure Report for _____,20
Tehsil Municipal Administration

Objects Functions	Salary of Officers	Salary of Staff	Allowances	Contingencie s	Others
	Rs	Rs	Rs	Rs	Rs
Naib Nazim and Council					
Nazim's Office					
TMO					
TO Finance					
TO Planning					
TO Infrastructure					
TO Regulation					
Total					

Filled by TO (F)

Form FTR 13
 (See Rule 19)
 Project Funds and Investments
 Local Government

#	Name of Project	Opening Balance	Transferred during the month	Payments made during the month	Balance
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
Total					

For vertical projects not included in the Local Government Budget.
 Filled by EDO F & P

Form FTR -14
(See Rule 20)
Overall Abstract of Accounts
Month

Rs

Opening Balance

Receipts

Receipts Local Government Fund

Receipts Public Account

Total Receipts

Expenditure

Local Government Fund

Current

Development

Public Account

Total Expenditure

Closing Balance

Form FTR 15
(See Rule 22)
Funds received from Provincial Government Local
Government

#	Months	Share as determined by PFC	Funds received In account	Deviation	Date of receipt
		1	2	(2-1)	
1	July				
2	August				
3	September				
4	October				
5	November				
6	December				
7	January				
8	February				
9	March				
10	April				
11	May				
12	June				
	Total				

Filled by EDO F & P and TO (F).

Transfer in lieu of octroi and zila tax shall be recorded separately.