

**GOVERNMENT OF KHYBER PAKHTUNKHWA,  
LOCAL GOVERNMENT, ELECTION AND RURAL  
DEVELOPMENT DEPARTMENT**

**NOTIFICATION**

*Peshawar, dated the March 15, 2016*

**No. SO(Dir)FTR/LGE&RDD/2016.** In exercise of the powers conferred by section 112 of the Khyber Pakhtunkhwa Local Government Act, 2013 (Khyber Pakhtunkhwa Act No. XXVIII of 2013) the Government of Khyber Pakhtunkhwa is pleased to make the following Rules, namely;

**THE KHYBER PAKHTUNKHWA LOCAL GOVERNMENT  
FISCAL TRANSFER RULES, 2016**

**CHAPTER-I**

**1. Short title and commencement.-** (1) These rules may be called the Khyber Pakhtunkhwa Local Government Fiscal Transfer Rules, 2016.

(2) These rules shall come into force at once.

**2. Definitions.-** (1) In these rules unless the subject or context otherwise requires, the following expressions shall have the meanings respectively assigned to them, that is to say-

- (a) “Act” means the Khyber Pakhtunkhwa Local Government Act, 2013 (Act No. XXVIII of 2013);
- (b) “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 Government and includes a Government treasury where the cash business of the local government is not conducted by a bank;
- (c) “cash balance” means the aggregate money held by a local government in its account at a given point in time;
- (d) “Chief Minister” means the Chief Minister of the Province;
- (e) “Finance Commission” means the Finance Commission, constituted under section 51 of the Act;

- (f) “Finance Department” means the Finance Department of the Government;
  - (g) “local government” means a local government constituted under section 5 of the Act;
  - (h) “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 Act;
  - (i) “reporting officer” means an officer vested with the responsibility of submitting a report under these rules;
  - (j) “Secretary, Finance Commission” means the Secretary to Government, Finance Department;
  - (k) “Secretariat” means the Secretariat of the Finance Commission as setup under rule 3 of these rules; and
  - (l) “share” 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 Finance Commission award for the time being in force.
- (2) Words and expressions used but not defined in these rules shall have the same meaning as are respectively assigned to them in the Act.

## **CHAPTER-II** **SECRETARIAT AND ITS FUNCTIONS**

- 3. Secretariat of the Finance Commission.**---(1) The Finance Department shall set up an establishment of officer and staff, with adequate resources and equipment, which shall be called the Provincial Finance Commission Secretariat, for carrying out the purposes of Chapter XI of the Act and of these rules.
- (2) When required, the Secretary, Finance Commission may, with prior approval of the Finance Commission, hire the services of experts to provide technical support to the work of the 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, Finance Commission, subject to the prior approval of the Finance Commission, from

time to time, with due regard to the nature and quantum of work.

(4) An officer, not below the rank of BPS-19, shall be responsible for implementation of functions and duties under these rules.

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

**4. Functions and duties of the Secretariat.**---The Secretariat shall be responsible for-

- (a) preparing technical briefs for the meetings of Finance Commission and make available all prescribed documents to it;
- (b) carrying out simulations, development of formula options and study the differential impact of various options on share;
- (c) maintenance of an integrated inter-governmental database, in such form and of such standard, as may be specified from time to time;
- (d) carrying out monitoring of receipt of funds by local governments;
- (e) receipt of reports from local governments, as may be specified;
- (f) undertaking analysis of local governments as well as Provincial Finances;
- (g) preparation and maintenance of relevant data relating to local governments, as may be required by the Finance Commission;
- (h) evaluation of impact of fiscal transfers on local governments and other relevant matters;
- (i) commissioning of special research and studies relating to inter-governmental finances;
- (j) preparation and publication of annual report after approval by the Finance Commission;
- (k) provision of periodic reports on shares;
- (l) recommending institutional mechanisms for effective oversight and control translation of provincial sectoral policy objectives at local government level for the approval of the Finance Commission;
- (m) liaison and coordinate with the Finance Commissions of other provinces for exchange of ideas, information and networking; and
- (n) any other function as may be assigned by the Finance 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 governments, Government agency or any person or in providing access to information to any citizen. For fulfillment of the objectives and this rule, the Secretariat shall-

- (a) develop and implement a robust communication strategy; and
- (b) ensure adequate budget and fiscal transfers' transparency measures.

**6. Budget.** --- (1) The annual budget of the Secretariat shall be prepared by designated Drawing and Disbursing Officer from within the budget estimates of the Finance

Department.

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

7. **Online or real time integrated inter-governmental database.**---(1) An online or real time integrated inter-governmental database, hereinafter referred to as database, may be set up in the Secretariat. The Project for Improvement of Financial Reporting Authority, integrated financial management information system shall be used as the prime database.

(2) The database shall holistically capture data on revenues and expenditures of the local governments, all kinds of transfers to local governments, data pertaining to specific issues peculiar to the Finance Commission award for the time being in force or any data, as otherwise required and listed in the Third Schedule of the Act.

(3) All data shall be updated on a monthly basis, using the complete workflow in the integrated financial management information system; provided that for certain categories a different periodicity may be observed with the permission of the Secretary, Finance Commission.

(4) The database shall be able to generate reports and statements including regular monthly, quarterly, semi-annual and annual reports in detail and summary statements, fulfilling the requirements of varied stakeholders. The database shall have the features of being used as an executive information system with enhanced capabilities to generate and simulate exception reports.

(5) The Secretariat shall make use of the database in scenario building against various policy options for the design of the Finance Commission award and in the continuous review of the fiscal transfers made by the Finance Commission.

(6) The Secretariat shall ensure improved public access to the fiscal and performance information around local government finances and execution through the official web portal of the Finance Department and that of the local governments.

### **CHAPTER-III**

#### **THE METHOD OF TRANSFERS**

8. **Dissemination of award.**---(1) Upon approval of the Provincial Finance Commission award under the provisions of Chapter XI of the Act, the Secretariat shall make all suitable and necessary arrangements for dissemination of the award to Government and local governments in the Province.

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

9. **Provincial consolidated fund and its distribution.**---The Secretariat shall notify in

the official Gazette-

- (a) the provisional or projected size of the provincial consolidated fund, Provincial retained amount and Provincial allocable amount in accordance with the Finance Commission formula for the time being in force, based on the estimated revenues of the Province under medium term fiscal framework, in the last quarter every year for the succeeding fiscal year; and
- (b) the revised size of the Provincial consolidated fund, Provincial retained amount and Provincial allocable amount for ongoing fiscal year, as early as possible, upon commencement of second half of the year and such notification shall be based on the revised estimates.

**10. Shares.**---(1) Shares, as determined, shall be notified by the Secretariat upon determination in light of the award set by or applicable under the decision of the Finance Commission.

(2) Notifications of the shares for the period of the award shall be made in accordance with the projected revenues of the Province at the beginning of each time period of the award based on medium term fiscal framework.

(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 based on medium term fiscal framework.

**11. Copies of notifications.**---Copies of all notifications, issued under these rules, shall be provided to local governments, members of the Finance Commission and any other department as the Secretary, Finance Commission may direct.

**12. Authorization of transfer.**---(1) Upon any approval that may be required, the Finance Department shall authorise transfer of the share at the beginning of every calendar month and not later than the third day of that month.

(2) Authorisation shall be communicated to the bank or any other authority responsible for transferring the amount to the local governments and a copy of such authorization may be made available to local governments.

**13. Transfer of the share.**---(1) The share shall immediately be transferred to the account of the local governments, upon issuance of its authorization; provided that the 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 specified 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 by the Finance Department from time to time.

**14. Bank.**---(1) The bank shall undertake functions for making over, holding or reporting of transfers to the local funds and public accounts of the local governments.

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

**15. Cash balance.**---(1) Cash balance in the local government accounts shall be communicated to the Secretariat on monthly basis, as well as when so required by the Secretary, Finance Commission on specified form.

(2) The local government finance and accounts office shall undertake reconciliation with the bank on a monthly basis and shall furnish cash balance report to the local government finance offices along with monthly accounts on prescribed form.

(3) The cash balance or any amount thereof in a local government account shall not be transferable to Government account or any other account, unless so admissible under the Act.

#### **CHAPTER-IV** **FINANCIAL REPORTS**

**16. Expenditure-revenue statement.**---(1) The local government finance and accounts office shall provide monthly expenditure-revenue statement to the Secretariat in accordance with specified forms.

(2) The Secretary, Finance Commission may require quarterly and the end of year expenditure-revenue statements from the local governments and in such cases the local governments shall provide these statements in accordance with the specified forms.

**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 concerned local government finance office.

(2) For the purpose of this report the concerned local government finance office may attribute to assessment carried out by any agency.

**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. Off budget project funds and investments.**---Every officer in-charge of special spending arrangement shall report all expenditure incurred through his office to the respective local government finance office who in turn shall provide that information to the Secretariat in accordance with specified form provided that expenditures carried out under the approved budget of the local governments shall not form part of this report.
- 20. Account reports.**---(1) The concerned local government accounts offices shall forward appropriation account and finance account statements to the Secretariat in accordance with the forms as specified by the Secretariat from time to time.
- (2) All such reports shall 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 finalization, a report based on draft accounts may be provided to the Secretariat.
- (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 specified or required time period even 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 are 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 specified form.
- (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 Nazim, City District Council or District Council, as the case may be, and the Deputy Commissioner shall

be jointly and severally responsible for the veracity of all reports submitted by the District Government offices to the Secretariat.

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

(3) The Nazim Village or Neighborhood Council and the Secretary of the Village or Neighborhood Council shall be jointly and severally responsible for the veracity of all reports submitted by the Village or Neighborhood Council to the Secretariat.

**24. Special powers of the Secretary, Finance Commission.**---(1) The Secretary, Finance Commission may require any special reports from concerned local government finance and accounts office or any local government officer in-charge or any other person responsible, as the case may be.

(2) The Secretary, Finance Commission in case of reports which are not submitted in time or are submitted incorrectly or are incomplete, may recommend action to the concerned authority empowered under the law for the time being in force against the concerned local government finance and 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 officer at fault out the reasons for such action.

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

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

#### **CHAPTER-VI** **DISCREPANCIES AND DELAYS IN TRANSFERS**

**25. Discrepancy in the transfer.**---(1) A transfer less than the share shall be deemed a discrepancy.

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

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

(2) Subject to sub-rule (1) of rule 13, 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 Finance Commission in the next meeting. The Finance Commission may suggest appropriate remedial action to Government in this regard.

**CHAPTER-VII**  
**MISCELLANEOUS**

- 27. Annual report.**---(1) Annual report of the 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 Finance Commission and present it to the Secretary, Finance Commission who shall lay it before the Finance Commission.
- (2) After approval of the Finance Commission, the annual report, published by the Secretariat and copies thereof, shall be provided to local governments for laying them before the respective local councils.
- (3) Annual report shall be compiled on the specified form.
- 28. Timeliness of reports.**---Reporting officers shall be responsible for submission of reports or completion of actions, as the case may be, within the stipulated time period.

**SECRETARY TO**  
**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**LOCAL GOVERNMENT DEPARTMENT**