



NATIONAL ASSEMBLY SECRETARIAT

(PAC Wing)

No.15(1)/2024-PAC

Islamabad, the 20th March, 2025

OFFICE MEMORANDUM

Subject: PAC GENERAL DIRECTIVE NO. 2 - FOR ENSURING RESPONSIBLE FINANCIAL MANAGEMENT AND COMPLIANCE WITH BUDGETARY DISCIPLINE.

The undersigned is directed to refer to the subject, and to state that the Public Accounts Committee (PAC) in its meeting held on 12th February, 2025 has observed with concern that the Ministries, Divisions, and Departments demanded Supplementary Grants while simultaneously surrendering funds or allowing allocated funds to lapse within the same financial year. This contradictory practice reveals serious deficiencies in budget planning, financial oversight, and resource management, and is unacceptable. Such actions undermine the principles of efficient and effective public spending and erode public trust.

2. The Principal Accounting Officers (PAOs) of the Ministries, Divisions, Departments, and public sector organizations are directly accountable to the Parliament of Pakistan, including its relevant Parliamentary Committees and the PAC, under Section 2(q) of the Public Finance Management Act, 2019, and Regulation 6 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, for the economic, efficient, and effective use of resources, and the regularity and propriety of expenditures. **The PAC has, therefore, directed all PAOs to immediately implement the following measures for the economic, efficient, and effective use of resources, and the regularity and propriety of expenditures, which are also mandated by aforementioned Act and Regulations, to rectify these shortcomings and ensure responsible financial management:**

- a) PAOs must prepare realistic budget proposals grounded in thorough needs assessments, accurate forecasting, and well-defined plans. Inflated budget requests are strictly prohibited. Zero-based budgeting principles should be considered where appropriate.
- b) Robust budget monitoring mechanisms, including regular tracking of expenditures against allocations, timely reporting from subordinate officers, and regular variance analysis, must be established and rigorously enforced.
- c) PAOs must prioritize spending based on critical needs and objectives, ensuring efficient procurement practices and avoiding last-minute spending.
- d) Supplementary Grant demands may only be considered in exceptional circumstances after exhausting all alternatives, such as re-appropriation of funds and savings from other heads of accounts, as per the provisions of above Act, Regulations, and Instructions of the Finance Division. Requests must include a detailed justification of the unavoidable need, anticipated impact, and a formal certification confirming insufficient funds are available within existing appropriations to meet expenditure on a new service or requirement not included in the Annual Budget Statement.

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- e) PAOs are directly responsible for proactively identifying and surrendering genuine savings to the Finance Division within the prescribed timeframe.
 - f) PAOs must proactively plan and execute spending to minimize or eliminate the lapse of funds. Any potential lapse must be immediately addressed and justified with clear explanations.
 - g) PAOs are responsible for establishing and enforcing strong internal controls, including clear policies and procedures for budget management, expenditure control, asset management, segregation of duties, and regular internal audits.
 - h) PAOs must ensure transparency in financial matters by making budget information and expenditure details readily accessible. Performance measurement systems must be implemented to track the impact of expenditures and ensure value for money.
 - i) All PAOs are reminded of their obligations under the Public Finance Management Act, 2019, the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, and other relevant rules and regulations.
3. Non-compliance with this directive will be deemed a serious breach of parliamentary privilege and financial discipline, and will result in appropriate disciplinary action as per relevant laws and rules. The PAC will rigorously monitor adherence to this directive and hold PAOs accountable for any deviations.
4. The PAC expects full cooperation from all PAOs in implementing these measures to ensure the responsible and effective use of public funds.

By Order of the Public Accounts Committee.


(AURANGZEB MARRAL)
Additional Secretary (PAC)

All Principal Accounting Officers,
Ministries/Divisions/Departments/
Government of Pakistan,
Islamabad/Rawalpindi.

C.C. SPS to the Honourable Chairman, Public Accounts Committee.