



Winter Exam-2024

Solutions – Public Financial Management, Financial Rules & Budgeting (Application) (Federal)

- Q.1.** GFR-48 provides guidance on the issue of loss sustained by the federal government through negligence of provincial government staff. Examinees are required to discuss this rule in their own words. the Rule states that in general loss sustained by the federal government through the negligence of staff paid by the provincial government and a vice versa, should be borne as they occur i.e. by the federal government, if loss occurs in connection with central transactions and by the provincial government if it is on account of a Provincial Government.
- a**
- Q.1.** GFR-132 provides detailed procedures for applying for permanent advance i.e. imprest amount. The examinee is expected to build his answer accordingly.
- b**
- Q.1.** GFR-253-A/2/iii is the relevant Rule, and the answer is expected to be in accordance with that.
- c**
- Q.1.** When staff car is to be sent for repairs which may keep it off road for more than two days and a pool car is required the Cabinet Division shall be informed and confirmation regarding the availability of pool car shall be obtained before a formal requisition of pool car is made. The officer in charge of the borrowing Division shall on each such occasion, furnish the following information:
- d**

- Designation of officer and name of division requiring the staff car.
- Date and time for which required.
- The purpose for which required.

All demand for pool car will be registered chronologically in the Cabinet Division in the form as prescribed. (staff Car Rules-28/4)

Q.2. (SFC&B-4/vi)

Examinee may answer this question as per following outline:

No authority exercises the powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage and that public moneys are not utilized for the benefit of a particular person or section of the community unless the amount of expenditure involved is insignificant, or the claim for the amount can be enforced in a court of law, or the expenditure is in pursuance of a recognized policy or custom.

Examinee must discuss the situation about the public advantage in Pakistan. Political and bureaucratic influence on the development project may also be discussed.

- Q.3.** The legislative basis for auditing in Pakistan is provided by the Constitution of Islamic Republic of Pakistan and the Auditor General Ordinance 2001 which later become part of the Act. Articles 168 to 171 of the constitution provide a legislative basis. The examinees should develop their answers in accordance with these articles as well as the details provided in Auditor General's Ordinance 2001.

Q.4. Objectives of financial internal control

- Efficient conduct of business
- Safeguarding assets
- Preventing and detecting fraud and other unlawful acts
- Completeness and accuracy of financial records
- Timely preparation of financial statements
- To ensure adherence to the organizational policies.



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Characteristics of good internal control system:

- First, an internal control plan must have well-defined procedures that integrate the activities of all the sectors of the organization.
- Second, in order to align each area of the organization, there must be an organizational chart that defines the line of authority and responsibilities within the company: supervisors, technical leaders, managers, directors, etc.
- This clarification of functions and activities should be established in procedure manuals in order for them to be clear and to avoid errors.
- Separation of the functions of each area of the company. This is essential for an effective internal control system, as it ensures that one person is not responsible for all stages of an operation. In this sense, all processes must go through different phases, and each of them must be under the responsibility of a different person.
- Effective internal control depends to a large extent on the security of the processes. An organization achieves an adequate degree of security when access to assets or accounting records is limited.
- This involves restricting physical or remote access to assets or the preparation of documents for authorizing access thereto.
- Effective internal control includes methods to monitor the records of operations and transactions. The procedures involved in an activity must include periodic audits and reviews, as well as obtaining control information.
- In order to reduce possible errors and manipulation, as well as to involve all staff members in the process, it is advisable to use software or cloud solutions.

Repercussions

Examinee is expected to highlight the specific repercussions of weak internal controls in his organization.

Q.5.

Statutory framework for budgeting: Outline for the answer is given below:

Following legislation and Rules provide the statutory framework for budgeting:

1. Constitution of Pakistan 1973
2. Federal Financial Procedures
3. Public Finance Management Act- 2019
4. Fiscal Responsibility and Debt Limitation Act, (FRDLA) 2005
5. President's Orders No. 5 dated May 2010 and No. 6 dated July 2015
6. Public Debt Act 1944
7. General Financial Rules
8. Federal Treasury Rules
9. The Rules of Business, 1973
10. Rules of Procedure and Conduct of Business in the National Assembly, 2007
11. Rules of Procedure and Conduct of Business in the Senate 2012
12. Public Accounts Committee
13. System of Financial Control and Budgeting 2006

The **budgeting cycle** starts with setting of budget strategy and completes with approval of budget and review. It consists of six phases broadly categorized as follows:

1. Setting of Budget Strategy:
2. Preparation
3. Authorization
4. Implementation
5. Reporting and monitoring
6. Budget review