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Major changes in govt financial management ushered in

Khaleeq Kiani | Published August 14, 2019

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ISLAMABAD: The government has disbanded the Financial Advisers' Organisation (FAO), giving the heads of federal ministries and divisions full autonomy to

independently utilize development and non-development funds of all departments and projects under their control.

The decision has been made under a new law "Public Finance Management Act, 2019" passed by the parliament on the request of the finance ministry as part of its agreement with the International Monetary Fund.

"In pursuance of Section-28 of the Act, the office of Financial Advisers' Organisation is disbanded/abolished" said a notification issued by the Ministry of Finance shortly before Eid holidays. It said the new law had been enacted to 'strengthen management of public finance to improve and implement the fiscal policy for better macro-economic, financial and budgeting management.

As a result, the finance ministry has officially recalled about 20 financial advisers (FAs — grade 20 officers) from the federal ministries and about 42 deputy financial advisers (DFAs — grade 19 officers) from various divisions of the federal government for onward absorption in various government agencies through the Establishment Division.

Development projects to be trifurcated for implementation

Sources said PM's Adviser on Institutional Reforms and Austerity Dr Ishrat Husain had also proposed getting rid of the posts of FAs and DFAs and had termed the FAO as a "road blocker". His plan proposed replacing them with Chief Finance and Accounts Officers (CFAOs) or Chief Financial and Management Accountants (CFMAs) from the private sector to facilitate better utilisation of public funds.

The FAs and DFAs had been responsible for a pre-audit of public funds before utilisation who used to advise the Principle Accounting Officers [PAOs (federal secretaries)] how to spend funds in line with allocations and in line with rules and regulations to avoid audit objections at a later stage.

Under the changed arrangements, the federal secretaries will not be required to approach the office of Accountant General of Pakistan Revenue (AGPR). The secretaries have now been given powers to have control over full year allocations. Within the current fiscal year, the government will create the positions of chief internal auditors (on the pattern of private sector) who will work under direct supervision of PAOs.

For every PAO, the medium term performance based budget will be put in place to cover policy and goals, past and future expenditure, outputs and outcomes and related performance indicators and targets.

Until now, the original financial estimates for the budget were framed by agencies, divisions, and departments keeping in view the past actual, current trends and future expectations and commitments and get them scrutinised by FAs or DFAs with their recommendations before they were finally accepted for inclusion in the budget.

The new law also completely binds the ministries, divisions and attached organizations not to keep public funds in commercial banks. As such, all funds will remain in the government`s single treasury account and can be withdrawn by PAOs any time in line with allocations. The new fiscal management regime is believed to be a practical beginning of an end to fiscal federalism as it seeks to reduce the red tape in implementation of public sector development projects and schemes.

Trifurcation of development projects

Officials said that the country’s strategically important development projects will be divided in three major categories for implementation and completion. Projects deemed to have “maximum contribution to economic development,” followed by projects providing direct facilities to and improving standards of living of the people and projects connecting the provinces and regions for national integration.

The Ministry of Planning and Development has been asked to set fresh priorities for development projects in line with these three categories. For the first time, the project cost estimates and project output will be conducted on market based estimation that will pass through the scrutiny of quality assurance and technical viability.

As such, the project cost overruns and delays will be subject to investigation and independent audit and a sovereign wealth fund will be created to monitor economic assets.

From next year, the new law will require presentation of three-year performance-based federal budgets under which the ministries, divisions and related departments will be required to deliver on those targets in three years along with quarterly monitoring reports to keep the government posted on a regular basis.

The federal secretary concerned will have full powers to utilise allocated funds in implementation of these targets and cost over-runs and delays will be open to investigation or ordered for independent audit. The official explained that under the new act, the secretary would not have to go through the Accountant General of Pakistan Revenue for release and utilisation of allocated funds because he would himself be fully empowered in line with the allocations.

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