

Fiscal Management In Public Sector

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ABSTRACT— *Fiscal management and financial discipline are the key indicators of the resource utilization, economic development and sustained investment. It is a proven reality that the investment cannot be productive and sustainable, till the same is utilized economically, efficiently and prudently. The research paper under consideration, differs from routine and is not much engineering oriented rather it mainly focused on financial and fiscal management in the Government Departments. How professional and competent an engineer may be, but he cannot be a good financial manager and administrator, till he has a command over latest financial rules, codes and the management tools. However, generally the engineers lack in this area, depends upon the subordinate and resultantly face serious consequences. Their ignorance in the financial matter leads to misclassification, embezzlement and doubtful expenditure.*

The paper deliberates in detail, different accounts parameters, derived from New Accounting Model (NAM) introduced by World Bank to enforce strict financial management in the government departments. Detailed framework of account classifications and different elements of New Accounting Model have been deliberated and coding of different transactions presented through examples for guidance/ understanding of financial managers. The paper will be particularly helpful for the SDOs and the DDOs (XENs) to exercise and implement these latest financial tools within their jurisdictions. Implementation of this latest coding technique will ensure strict financial discipline and transparency in disbursements. This fiscal prudence will not only lead to satisfaction among DDOs but they will also feel protected against any subsequent implications and embarrassment before auditing authorities/ donor agencies. The paper will be equally helpful for the functionaries working in the private sector/organization.

Index Terms—*Accounts Classifications, Financial Management, Fiscal Prudence, Budgetary Transaction and Disbursements, Accounting Element, Drawing and Disbursement Officers (DDOs).*

I. INTRODUCTION

Financial resources are very instrumental towards the infrastructural development and economic growth of any country. It is the established fact and proven reality that no nation could exist, progress and sustain without technological advancement and economic development. Contrary to the general education, the engineers stimulate, activate and accelerate the process for achieving the above national targets. Based upon their professional education in a specific field, computer expertise in modeling, they can conceive, prepare and execute the development projects / activities in an efficient, effective and sustainable manner. They can also very well apprehend the fate of the investment to be made for the infrastructural and technological development.

The financial resources of any nation are generated through public contribution in the form of taxes and other liabilities. Evidently the authority and competency for utilization of these resources must lie and entrusted to the 'public representative'. Under this principle, public representatives' functions as 'policy makers' and identify the area for utilization of the resources. However, the professionals are associated in this process and their role is not only limited to project execution

but they are also made responsible for disbursement and account's maintenance.

The alarming part of story is that neither the engineers are educated in the field of accounting at undergraduate level nor their capacity is properly built on joining the Govt. Departments, whereas they are given such important portfolio of financial disbursement. Their status is very synonymous to the untrained and unprofessional bus driver, who is seated on the driving seat and given the control of the bus. What could be the fate of passenger? They can only be survived but with the blessing of God. On the same analogy, untrained financial manager (Engineers), when given the authority of fund utilization, they misappropriate and mishandles the Government resources, leading to serious consequences in terms of inquiries, suspension and their terminations.

II. BUDGET AND ACCOUNT CYCLE

In Pakistan's scenario, the financial cycle comprises of three major Authorities. The public representative function as 'policy maker' to allocate the available resources in the priority sector of Government. The Provincial Administrative Depts. (PADs) executes the given policies and disburse the resources. The expenditure such incurred is audited and monitored by 'DG/AG

Audit & Accounts'. The Accounts of departments are finally presented to the public representative through PACs to assess whether the given resources to PADs are utilized and disbursed in line with the policy directives, rules and regulation. The

financial cycle being implemented in Pakistan and the financial flow hierarchy within the Departments is shown below (Fig 1 & 2):

BUDGET CYCLE AT FEDERAL LEVEL

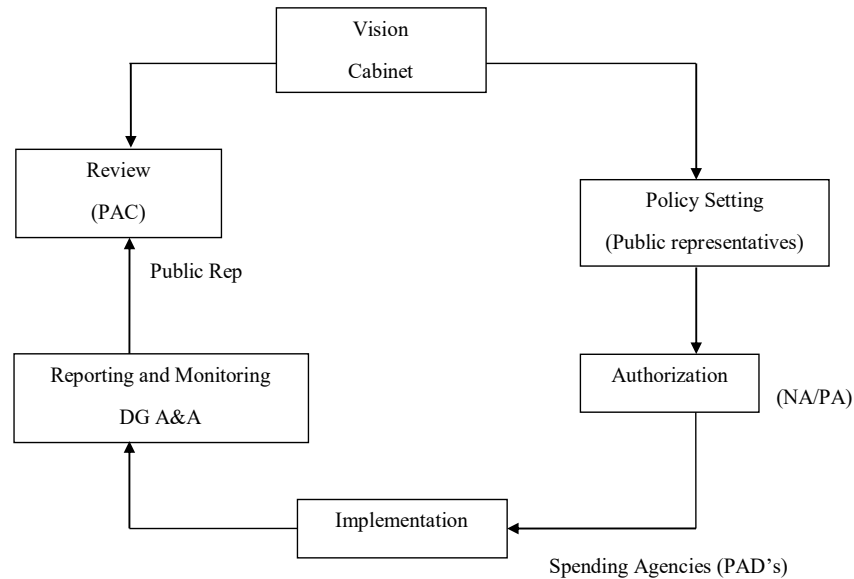


Figure 1: Budget cycle at Federal Level

ACCOUNTING CYCLE AT PROVINCIAL LEVEL

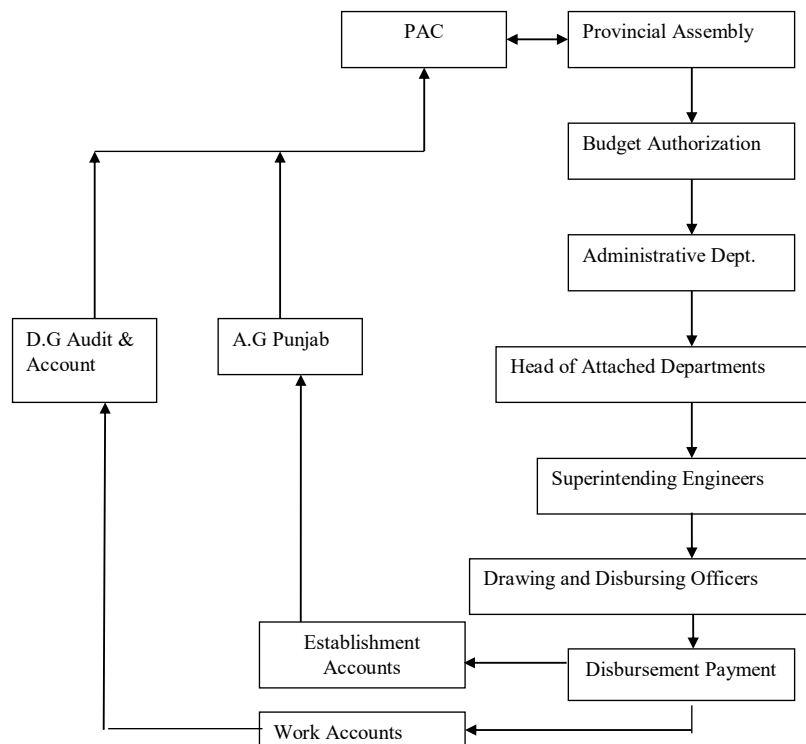


Figure 2: Accounting Cycle

From the above it is evident that the public resources/funds are allocated and controlled by the Public Representative in line with their Government policies and priorities. Under the given policy directive projects are prepared by the Administrative Departments (ADs) and authorized by the public representative institutions i.e. 'National Assembly' (NA) and 'Provincial Assembly' (PA). The allocated resources are then spent by the administrative departments and monitored/audited by the Audit Departments. The accounts of the spending by ADs are ultimately presented to the Public Accounts Committee (PAC) to ensure that the spending is transparent, equitable and in accordance with rules & regulations.

In order to exercise a better financial control over the resources different type of delegations, codes and accounts manual have been prepared specifically indicating the detail accounts classification for the guidance of Drawing and Disbursing Officers (DDOs). The resources are supposed to be utilized under the defined 'Head of Account' and within the budgetary limits. Drawing and Disbursing Officers (DDOs) are required to reconcile their expenditure within their own hierarchy and also with the Audit Department at districts, divisions & provincial level. Any discrepancy needs to be reconciled and rectify at that level. However, what I observed during my decade long association with the Irrigation Department, there is a lot of variations, misclassifications and misappropriations in the spending along with the bookings, particularly at provincial level (AG, DG, A&A). The consequences are obvious. Due to lack of coordination and reconciliation the department suffer and ultimately feel very embarrassing situation before PAC.

Historically, accounting system in Pakistan remained so weak and misclassified that during 80's World Bank conducted audit of its loan and there were million-dollar difference and misclassified when accounts were reconciled. The expenditure figure booked by GOP, substantially varies from the World Bank in terms of allocation, utilization, booking and particularly in the classifications. Resultantly World Bank put a huge plenty on GOP for this financial mismanagement and irregular spending. This irresponsible attitude on the part of DDOs and supervisory authorities not only brought a bad name for Pakistan but World Bank also decided to control and limit the further loaning. Under this drive the project of PIFRA was launched and New Accounting Model (NAM) introduced in Pakistan so that the DDO's could exercise better financial management within their respective jurisdiction. The new 'Chart of Account' under NAM indicating very detailed accounts classification is as under:

III. CHART OF ACCOUNTS

The chart of "Accounts" provides a "Frame-Work" for organizing accounting transaction to provide number of views of a particular transaction. The various views are indicated with elements comprising of alpha and numeric characters. The chart of account applies to all accounting entities and responsibilities for "Its" updating and maintenance lies with the Auditor-General of Pakistan.

Precisely speaking, the new chart of account will be a 'Phrase' comprising of some alpha character (A, B, C) and the numeric character (1, 2, 3...). However, each alpha and numeric character will refer to a particular element and the activity. The chart of the account will ultimately identify and indicate the detailed 'Account Classification' under which the expenditure will be booked/managed. This can be elaborated through an example that in the language of chemistry Carbon and Oxygen when differently related change their characteristics altogether CO (carbon monoxide), CO₂ (Carbon dioxide), CO₃ (Carbon trioxide) hence by changing CO to CO₂ and CO₂ to CO₃, the characteristics of carbon changes, similar is the behavior of chart of accounts in the New Accounting Modal (NAM). By changing any alpha or 'Numeric Character' the account classification is changed. The main framework of chart of account are as under:

IV. ELEMENTS OF CHART OF ACCOUNTS

- 1) Entity elements.
- 2) Object elements.
- 3) Fund elements.
- 4) Functional elements.
- 5) Project elements.

1) *Entity Element:*

Under the entity element the DDOs, particular Department and the District where the office of DDOs is located are identified. In addition, the District Account Office (DAO) with which the DDO is drawing its disbursement is identified. It contains a phrase of 'eleven characters' (three alpha and eight numeric). Alpha character indicates the province and District Account Office whereas the numeric character indicate department, attached department and the DDOs. Each DDO will be allocated a unique account number in Pakistan (i.e. like ID of each individual).

Under this element one can have an access to DDO of a particular department, the province and the DAO. However, the activity which the DDO is making is not traceable. The hierarchy of this entity element is shown below (Fig 3):

Object Element:

There are following two broad classification of this element

- i. Accounting element
- ii. Account number

The accounting element indicate the nature of transaction/voucher which the DDO is performing i.e. whether the DDO is making expenditure or receiving the amount on behalf of Government. Each type of activity is indicated by one 'alpha character'. Likewise, the 'account number' is further classified into three sub heads i.e. major object, minor object and the detail object. The major object indicates the type of expenditure/receipt. The minor & detailed object further elaborate the specific & particular area where the activities are to be performed and expenditure is being made. The structural hierarchy of this element is shown below (Fig 4)

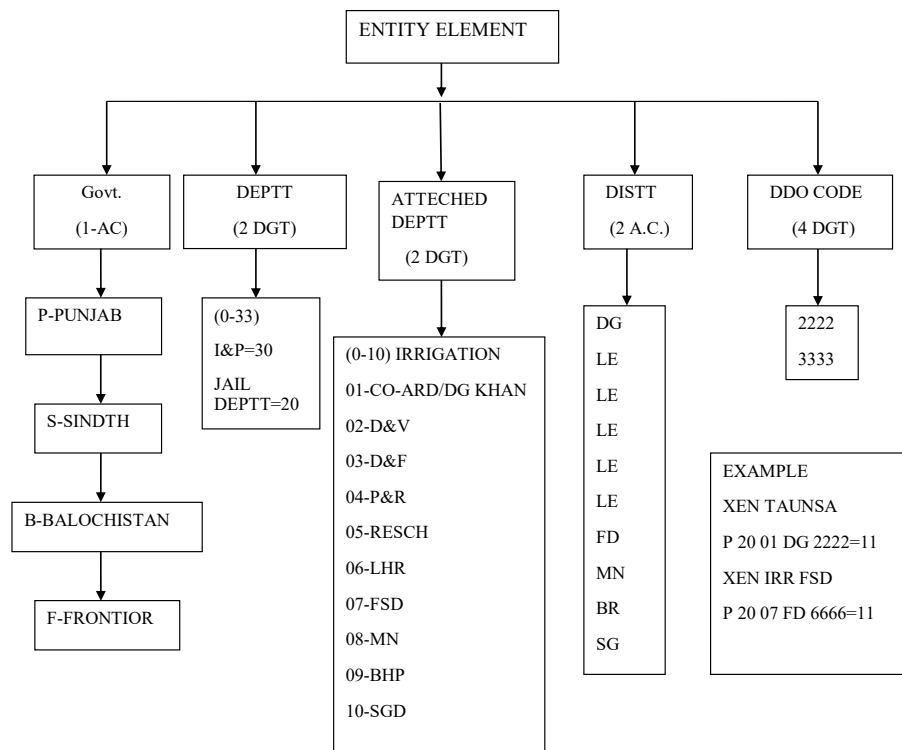


Figure 3: Entity Element

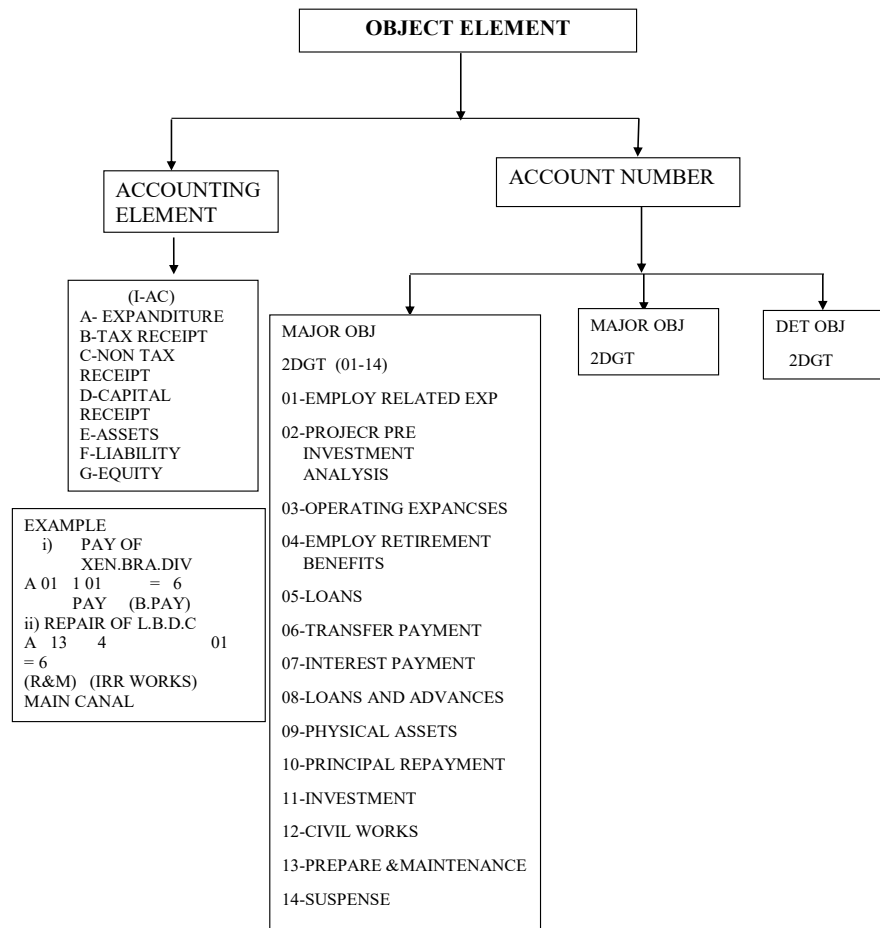


Figure 4: Object Element

3) *Fund Element:*

The fund element indicates the source of funding i.e. consolidated or public accounts. Furthermore, whether the funds being utilized is a 'voted' or 'charged expenditure' (presented & approved by assembly or otherwise)

The fund element comprises of six characters i.e. one alpha and five numeric. The alpha character only indicates the type of

funding (consolidated or public funds) and numeric character indicate the source and nature of approval. Furthermore, each department is given a particular 'grant number' indicated by three digits. The classification of fund elements narrated as under (Fig 5):

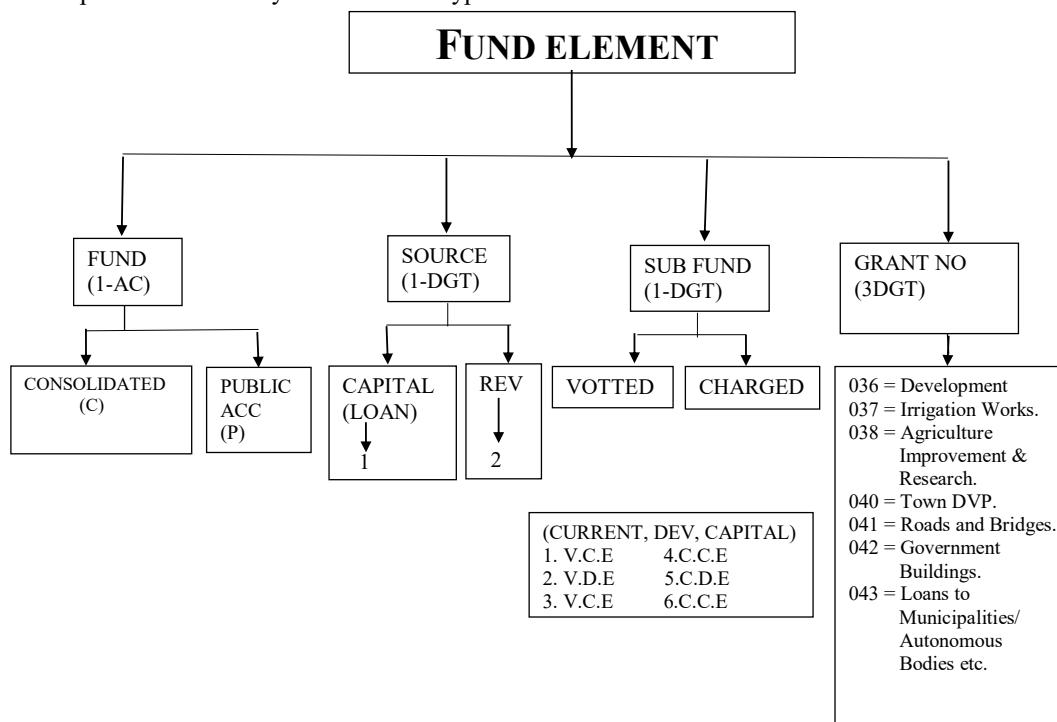


Figure 5: Fund Element

4) Functional element

This element is divided into following major classification

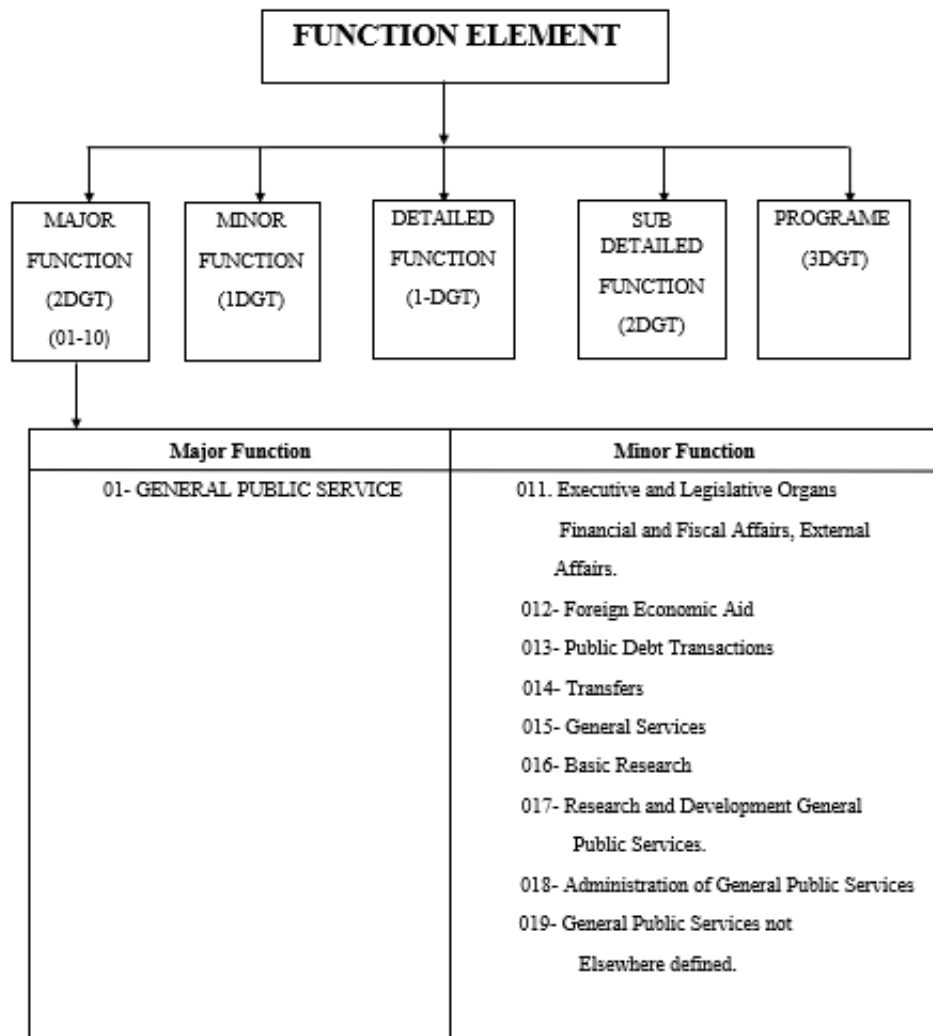
- i. Major function (2DGT)
- ii. Minor function (1DGT)
- iii. Detailed function (1DGT)
- iv. Sub detailed function (2DGT)
- v. Program (3DGT)

The functional element indicates the role, responsibility and function of the organization where DDO is either making expenditure or receiving amount from public and private organization on behalf of Government. The total departments/organization of Pakistan have been divided into ten major functions. Then each major function is divided into

series of minor function. Each minor function is divided into detailed function and ultimately each detail function is further divided into sub detailed function.

If the project is identified and executed under a program (National drainage program) then each program is allocated three digits.

This element comprises of eleven characters and all are numeric. However, each digit in these eleven characters will refer to a particular organization, department and further subsections. The functional element clearly takes you to the lowest formation, account classification minimizing the chance of misclassification and is a very effective tool for financial management. The hierarchy of function element is as under:



Detailed coding of 1 Major Function relevant to Irrigation Department

MAJOR FUNCTION	MINOR FUNCTION (1-8)	DETAILED FUNCTION	SUB DETAILED FUNCTION
ECONOMIC AFFAIRS (04)	1-COMMERCIAL & LABOUR AFFAIR		0422 01 ADMN
	2- AGRICULTURE, FOOD & IRRIGATION.		0422 02 DAMS
	3- FUEL AND ENERGY	0421 AGRICULTURE	0422 03 CANAL IRRI
	4- MINNING AND MANUFACTURING	0422 IRRIGATION	0422 04 TUBEWELLS
	5- CONSTRUCTION AND TRANSPORTATION	0423 LAND RECLAMATION	0422 05 EQUIPMENT & MACHINERY WORKSHOP
	6- COMMUNICATION		0422 06 IRRIGATION RESEARCH & DESIGN
	7- OTHER INDUSTRIES		0422 07-50 OTHERS
	8- RURAL DEVELOPMENT		0423 01 ADMINISTRATION
			0423 02 WATER LOGING & SALINITY
			0423 03-50 OTHERS

The new chart of account under NAM is very effective tool and provides a detailed framework through is different elements to manage the accounts under details subhead and the classifications. The coding under various transaction through this is revised and new modal is deliberated with the following examples:

The one transection (technical pay of chief engineer Faisalabad zone and basic pay of superintendent jail Sargodha) is classified under all the elements i.e. entity, object fund and functional elements. This example is good guideline/ tool for the learner who is involved and practicing the NAM.

Coding of all Elements under NAM:

EXAMPLE (PREPAIR IRRIGATION DAM)

04	2	2	02	009 = 9
MAJOR FUNCTION	MINOR FUNCTION	DET FUNCTION	SUB DET FUNCTION	PROGRAMME

EXAMPLE. TECH. PAY OF C.E IRRIGATION FAISALABAD ZONE.

P 20 07 FD 2222	A 01 1 04
ENTY ELE	OBJECT ELE

C 2 1 333	04 2 2 01
FUND ELE	FUNC ELE

EXAMPLE. Basic Pay of Superintendent Jail Sargodha

P13 01 SG 7777	A011 01
ENTY ELE	OBJECT ELE

C 1 1 444	0341 01
FUND ELE	FUNC ELE

Project Element: Every project will be allotted an independent No of four digit code.

V. CONCLUSION

1. Previously the Account's classification were comparatively broad based and were not well defined. Resultantly the expenditure were mis-booked and mishandled. This lose control on the budgetary transections leads to misuse of authority by DDOs, corruption and the embezzlement. Contrary to this, detail classification under NAM has been introduced, which provides excellent tool and framework for DDOs to manage and book the expenditures under proper 'head of account'. This new system has substantially controlled and managed the financial mismanagement and misuse of powers in the Govt. Departments.

2. Due to relaxed classification under traditional system, expenditure was booked under irrelevant head within and intra Departments (expenditure of irrigation was booked in agriculture department). This was the common phenomena at district and particularly at provincial level (AG Punjab). This scenario, creates a lot of problems in 're-conciliation of accounts'. Now every transaction has been regulated and defined under specific head of account. Therefore the chances of misclassification has substantially minimized. Consequently, the issue of re-conciliation of accounts has been much streamlined at all level. The officers feel more relaxed and don't face any embarrassment before PAC.

3. New Accounting Model (NAM) present a good frame work and road map for spending, managing and booking the accounts transections. The new system is very useful for young

engineers (SDOs) and particularly DDOs (XENs). Now they feel more confident and comfortable in spending and managing the 'budget allocation' up to the grass root level. Due to usage of 'Budgetary allocation' efficiently, affectivity and prudently, officers have been much relaxed and protected against inquires, suspension and termination, enjoying a good growth and development in their professional carriers.

VI. REFERENCES

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