



## **Program Management and Implementation Unit**

Sindh Basic Education Program

## **Financial Management System**

Policies and Procedure manual

**Code**            **PMIU\_PPM\_004**  
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**Custodian**    **Program Manager – Support Services**

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## Acronyms

AA	Administrative Approval
AG	Accountant General
AGP	Auditor General of Pakistan
APPM	Accounting Policies and Procedure Manual
ASP	Assessment and Strengthening Program
BC	Budget Committee
CFY	Current Financial Year
CGA	Controller General of Accounts
DAO	District Accounts Officer
DDO	Drawing and Disbursing Officer
DPD	Deputy Program Director, SBEP
EAD	Economic Affairs Division
FAA	Finance, Accounts and Administration
FAO	Finance and Accounts Officer
FD	Finance Department Sindh
FM	Financial Management
FCY	Foreign Currency
FY	Financial Year
GL	General Ledger
GoS	Government of Sindh
GRN	Goods Received Note
LCY	Local Currency
MoF	Ministry of Finance
M&E	Monitoring & Evaluation
NAM	New Accounting Model
NBP	National Bank of Pakistan
OIE	Office of Infrastructure and Engineering
PC	Procurement Committee
PC-I	Planning Commission Proforma-I
P&DB	Planning and Development Board, Sindh
PD	Program Director, SBEP
PDWP	Provincial Development Working Party
PIFRA	Project to Improve Financial Reporting and Auditing
PILs	Project Implementation Letters
PMIU	Program Management and Implementation Unit
PM	Program Manager
PM-SS	Program Manager Support Services
PSC	Program Steering Committee
PSDP	Public Sector Development Project
SAE	Schedule of Authorized Expenditure
SAP	System Application Product
SBEP	Sindh Basic Education Program
SBP	State Bank of Pakistan
SELD	School Education & Literacy Department
SoE	Statement of Expenditure
SS	Support Services
TO	Treasury Officer
TOR	Terms of Reference
USAID	United States Agency for International Development
W&S	Works and Services Department

# **1. The Manual**

This Manual for Financial Management therefore establishes policies and procedures for all the accounting and financial matters undertaken by PMIU under GoS and USAID-funded Sindh Basic Education program (SBEP), following Sindh Delegation of Power Rules, Accounting Policies and procedure Manual, Handbook of Accounting Guidelines, and Sindh Public Procurement Rules, 2010. Accordingly, the purpose of this manual is to provide guidance common to all categories of financial and accounting matters.

## **1.1. Scope, Purpose and Objective**

Sindh Basic Education Program is managed through a Program Management and Implementation Unit (PMIU) as provided in the approved PC-I of the Program. This Manual will ensure implementation of the SBEP in a systematic, transparent and accountable manner. The processes and procedures laid in this Manual focus on the PMIU and related implementing partners in the Provincial Government.

The purpose of this Manual is to provide required assistance and guidelines in the management of Accounting and Finance and outline the policies and procedures laid down by the authorities of this program and the Government. This manual also provides a step-by-step guidelines to the Finance and Accounts officials of PMIU-SBEP, engineers, contractors, and their respective advisors to understand general policies and procedures concerning the Finance and Accounts matters.

It is to serve as a code of conduct as well as determine the role of actors involved in this program. The manual has been designed in compliance with the laws, rules, guidelines and policies governing the financial management in the provincial Government. This manual will serve as a guide and on-going reference to streamline the day to day working and monitoring and tracking the financial and management activities of the program.

It will serve as the Standard Operating Procedure (SOP) in relation to comprehensive reference of policies, procedures and general information concerning the operations of the Program Management and Implementation Unit (PMIU) of Sindh Basic Education Program.

## **1.2. Responsibility and Authority**

This manual is the property of the SBEP. The Manager FAA Head of the Finance Section in the PMIU of the Program is responsible for safeguarding and implementation of the Financial Management Manual under the supervision of PM-SS who is responsible to maintain and keep the manual updated as and when required.

## **1.3. Approval, Revisions and Updates in the Manual**

Program Steering Committee is the forum for approval of this Manual and any subsequent changes made in this manual.

The policies and procedures contained in this manual are subject to modification. The PMIU is responsible for any revisions, deletions and additions in the manual, in accordance with the required needs. Any changes/revisions in the manual is given in Section 3 of this manual.

The updates are to be communicated to the users via official e-mail or otherwise as well. Upon receipt of new or revised information, the user can print and insert the replacement pages

with the superseded pages. New or revised policies and procedures become effective when issues unless otherwise specified.

## 2. Document approvals

Name and Designation	Ref to the section where change is required	Suggested Changes	Signature and Date	Comments of Sectional head	Approval of PD

## 3. Revision history

Date	Revision no.	Change	Reference sections
20-Jan-2016		New policies/procedures document	-

## 4. Definition

- a. **Accounts Office:** Government accounting office functionally and administratively (in most cases) under Controller General of Accounts, making payments on behalf of government departments carrying out accounting and pre-auditing. Typically include District Accounts Offices and Accountant Generals.
- b. **Accounting Period:** Time period over which financial statements are prepared, normally a year, quarter or a month.
- c. **Accounting Policy:** A set of specific rules and procedures which define how a particular transaction will be treated and accounted for in the books of accounts.
- d. **Accounting Record:** Any document upon which accounting transactions are recorded or any other document issued or used in the preparation and processing of accounting transactions.
- e. **Advance:** An amount paid to a supplier / contractor for the purpose of securing delivery of goods or services. The amount is paid at the outset of procurement process against security generally in the form of a bank guarantee.
- f. **Annual Financial Statements:** A set of financial reports produced after the close of financial year to conform to regulatory requirements or best practices.
- g. **Appropriation:** An allocation of funds to a spending ministry/department on the basis of Schedule of Authorized Expenditure authenticated under Constitutional procedure.
- h. **Approval:** Permission given by an authority or a delegated authority to undertake a particular action such as incurring expenditure.
- i. **Asset:** Future economic benefits controlled by the entity as a result of past transactions or other past events.
- j. **Assignment Account:** A separate bank account opened in favor of a delegated authority in National Bank of Pakistan into which funds are released for specified purposes.
- k. **Attached Department:** A department which has direct relation with a Division and has been declared as such by the Federal Government in Rules of Business and represented in the Chart of Accounts entity code.
- l. **Authorization:** Approval given by an authority or a delegated authority for a particular payment to be made. In the context of Budget, the process of passing the Annual Budget Statement through the legislature for approval.
- m. **Budget:** A statement of estimated receipts and expenditure for a financial year referred to as the Annual Budget Statement.
- n. **Capital Expenditure:** For budget purposes, expenditure met from capital receipts, as Expenditure given by a particular grant number in the Chart of Accounts. In accounting terms, expenditure incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts.
- o. **Cash Accounting:** A method of accounting that records cash payments and cash receipts only.

- p. **Cash Balance:** Amount held in a particular bank account at any point in time.
- q. **Cash Flow:** Net movement in cash over a particular reporting period given by the sum of payments and receipts.
- r. **Cash Flow Statement:** A financial report showing the net movement in cash over a particular reporting period (how and where the cash has been applied and from where it has been received).
- s. **Cash Flow Forecast:** An estimate made of likely future cash flows based on historical patterns of expenditures and receipts, knowledge of expected payments (commitments) and collections (demands), and changes in Government policy and other factors.
- t. **Certification:** A process undertaken by the delegated officer to verify (proper approval and validity) and audit (scrutiny against irregularities) a financial transaction before or after occurrence.
- u. **Chart of Accounts:** A listing of codes issued by CGA on the basis of which accounting transactions are classified to provide meaningful financial information.
- v. **Clearing Account:** A type of General Ledger account which is used to transfer a balance from one entity or process to another (includes exchange and settlement accounts).
- w. **Commitment:** An obligation to make a future payment, the funds for which are reserved against the allocated budget of an entity on memorandum basis.
- x. **Consolidated Fund:** All revenues received by the Federal/Provincial Government, all loans raised and all moneys received in repayment of any loan by that Government.
- y. **Control Account:** A type of general ledger account which summarizes a number of transactions from a subsidiary ledger into a single balance. Cash Accounting: A method of accounting that records cash
- z. **Delegated Authority:** An officer formally empowered by the responsible authority to perform a particular function.
- aa. **Development Expenditure:** Expenditure provided in grants relating to development projects undertaken to acquire, build or improve physical assets or develop human resources.
- bb. **Direct Credit:** A facility provided by the banks which allows salaries and other employee related payments to be made directly into the bank accounts of those persons without the need for an exchange of physical cash or cheques.
- cc. **Double Entry System:** A system of recording accounting transactions which requires all journal entries (inputs) to the General Ledger to be in balance, i.e. total debits equal total credits individually and collectively.
- dd. **Entity:** An organizational unit of Government from an accounting angle that prepares its own financial statements.
- ee. **Equity:** An accrual accounting concept defined as the residual interest in assets of an entity after the deduction of all its liabilities.
- ff. **Expense:** In terms of accrued accounting, a decrease in future economic benefits in the form of reduction of assets or increase in liabilities of the entity, other than those relating to distributions to Government as owner, that result in a decrease in equity. In terms of cash and modified cash accounting, outflow of cash arising as a result of payments issued in a given

reporting period. It is also called the expired cost of an asset when benefits have been received and ended.

- gg. **Financial Year:** Financial year commencing from July 1st and ending June 30th, consisting of twelve monthly periods.
- hh. **Fixed Assets:** Assets characterized by their long-term or strategic purpose (more than a year) e.g. plant and equipment, buildings etc. In government accounting, assets are not capitalized and are cashed out at the time of acquiring; however, a memorandum entry is recorded.
- ii. **Function:** An element used in the Chart of Accounts, which provides financial information on particular economic activities according to the Government classification scheme.
- jj. **Fund:** A pool of money set aside and used for an intended purpose as provided by legislation or special orders.
- kk. **Funds Available:** A term used in budgetary control to describe the remaining budget allocated to an entity, after deducting outstanding commitments and actual payments.
- ll. **General Ledger:** Primary ledger in which accounting transactions are recorded in double entry format and from which financial reports are produced.
- mm. **Grant:** Funding provided to a Ministry or Department through the Schedule of Authorized Expenditure.
- nn. **Internal Controls:** A term used to describe the system of checks and balances to ensure that objectives of an organization are achieved economically, efficiently and effectively; there is adherence to laws, rules, policies and procedures, reliability of financial and other management information being generated, appropriate steps are taken for protection against fraud and for safeguarding of assets.
- oo. **Journal Entry:** A chronological record of accounting transactions with appropriate narration about the nature of transaction explaining the debits and credits. Information from the journal is posted to the General Ledger containing accounting transactions used in the double-entry recording system.
- pp. **Liability:** Future sacrifices of economic benefits controlled by the entity as a result of past transactions or other past events.
- qq. **Memorandum:** An account maintained separately. Information recorded in memorandum accounts is used to provide supplementary information to the Financial Statements. Assets, liabilities and commitments are recorded on memorandum basis.
- rr. **Modified Cash:** A method of accounting in which all cash payments and receipts are recorded in the main accounts whereas certain assets and liabilities/commitments that are recorded outside the main accounts in a memorandum form.
- ss. **Object:** Chart of Accounts element used to describe purpose of expenditure e.g. salaries, travel, transport etc.
- tt. **Obligation:** Legal requirement to honor terms of a contract rather than the term "commitment" which is used in its accounting context.
- uu. **Public Account:** Defined in Article 78 of the Constitution, as all other money received by or on behalf of the Federal Government, other than the Consolidated Fund, or deposited with the

Supreme Court or any other court established under the authority of the Federation. The funds in public account are also called trust funds.

- vv. **Receipt Voucher:** A form containing the particulars of receipt. It also serves as an evidence for audit purposes.
- ww. **Recognize:** Reported on, or incorporated in amounts reported on the face of the financial statements of the entity.
- xx. **Reconciliation:** A process of substantiating/tallying recorded financial information against an alternative source of data (e.g. bank reconciliation, reconciliation between accounts offices and spending departments).
- yy. **Statement of Revenues and Expenditure:** A financial report consisting of balances of revenues and expenditures for an entity over a given reporting period.
- zz. **Revolving Fund Accounts:** Foreign Currency Assignment Accounts opened at the National Bank of Pakistan by Project Authorities for Foreign Donor money.
- aaa. **Supplementary Budget:** Additional budget statement laid before Parliament, where funding for an existing service is insufficient or the need for a new service has arisen which was not included in the original budget.
- bbb. **SAP:** Systems Applications Products. A software used by accounting offices under the Controller General of Accounts, Government of Pakistan for accounting and financial reporting and generation of related reports.

## 5. Introduction

Under Kerry-Logger Bill, the Government of US has committed to work with GoP /GoS to improve the education sector in the areas affected by the floods / torrential rains, in Sindh in year 2010. Considering the damages to the schools in the various districts and in the selected towns of the Karachi, the USAID committed to provide an aid of US \$81 million for construction of new and bigger schools for enhancing accessibility and quality of the education for the poor / marginalized communities in those areas.

For this purpose both governments have signed an Activity Agreement for execution of the program through a well-established Program Management Implementation Unit (PMIU) to be funded through GoS counterpart fund.

### 5.1. Objective of the program

Through a partnership between USAID and the Government of Sindh (GoS) aims to achieve "increased and sustained student enrollment in primary, middle and secondary schools and provide improved infrastructure in various geographical locations in Sindh". The objective of the Sindh Basic Education Program (SBEP) is to manage and implement the program and monitor the construction of schools in the eight programmed districts severely affected by the floods during 2010 in the Sindh Province:

- Jacobabad
- Shahdadkot @ Kamber
- Karachi (Lyari, Kemari, Orangi, Gadap, and Bin Qasim Towns)
- Kashmore @ Kandhkot
- Larkana
- Sukkur
- Khairpur
- Dadu

### 5.2. Components of the program

- a. Construction of schools affected by 2010 floods;
- b. Support to Government of Sindh (GOS) Policy Reforms to merge, consolidate and upgrade schools through construction of schools;
- c. Improvement in early grade reading in primary schools;
- d. Community mobilization with a focus on increasing girls enrolment and improving nutritional status of children;
- e. Technical assistance to the Department of School Education & Literacy;
- f. Monitoring & Evaluation and
- g. School Construction Design and Construction Management & Supervision.

### 5.3. SBEP Funding Streams

There are two funding streams available to the PMIU, for implementing the PC-I of the program, duly approved by the provincial and federal forums and authenticated by ECNEC.

#### 5.3.1. USAID Grants

Under the Government to Government (G2G) mechanism agreed between Government of Sindh and USAID/Pakistan in the shape of an "Activity Agreement" the USAID has committed to provide US\$81 million (approx. Rs: 7,047 million @ US\$1:87PKR) to GoS for construction

activities. The money will be used only for school construction works. The USAID funds shall be managed through **Assignment Account (FCY)**.

Summary of year wise cost estimates of USAID grants is given in the table below:

**Table – 1:**

Financial Year	2012 - 2013	2013- 2014	2014- 2015	2015 - 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	FY 21- 22 (July 2021 To Dec 2021)	Total Cost
Program Year	1	2	3	4	5	6	7	8	9		
Reconstruction flood schools	-	645.9	516.1	935.6	1137.00	1035.50	1961.30	1799.20	1384.00	318.22	9732.82
Consolidation, upgrade and merge school construction	-	6.5	5.1	9	10.9	9.5	14.7	13	10	2.3	81
<b>Total</b>	<b>-</b>	<b>652.4</b>	<b>521.2</b>	<b>944.6</b>	<b>1147.9</b>	<b>1045</b>	<b>1976</b>	<b>1812.2</b>	<b>1394.00</b>	<b>320.52</b>	<b>9813.82</b>

### 5.3.2. GoS Counterpart Funds

GoS has committed to provide US\$10 million (approx. Rs: 870 million @ US\$1:87PKR) as the capital, recurring / revenue and other costs of the establishment of the PMIU required to manage and implement the construction work and procurement of furniture, fixtures, equipment, books etc.

The GoS funds shall be managed through Assignment Account.

Summary of cost estimates of GoS counterpart funds (physical assets and operating costs), consulting services and non-salary capital and operating costs are given in the table below:

Financial Year	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	FY 21- 22	Rs. in million
Program Year	1	2	3	4	5	6	7	8	9		Total
	-	-	-	-	-	-	-	-	-	-	

Project management & implementation	11.2	28.8	47.3	58.5	49.3	67.7	100	195.7	201.3	110.2	870
<b>Total</b>	<b>11.2</b>	<b>28.8</b>	<b>47.3</b>	<b>58.5</b>	<b>49.3</b>	<b>67.7</b>	<b>100</b>	<b>195.7</b>	<b>201.3</b>	<b>110.2</b>	<b>870</b>

**Table – 2:**

### **5.3.3. Accounting Streams**

- a. Assignment Account (FCY)  
All USAID grants shall be managed through Special Assignment Account opened at the designated branch of the NBP with the permission of Finance Department GoS, Finance Division and Controller General Accounts, GoP.
- b. Assignment Account (LCY)  
All GoS counterpart fund shall be managed through Assignment Account opened at the designated branch of the NBP with the permission of Finance Department GoS.

### **5.4. Program Steering Committee (PSC)**

A Program Steering Committee (PSC) with representation from USAID for observing the Program and overall coordination among all GOS Departments is to be chaired by Secretary, School Education & Literacy Department.

#### **5.4.1. Members of the PSC include**

- a. Secretary, School Education & Literacy Department (Chair-person);
- b. Secretary, Planning & Development Board;
- c. Additional Secretary, Finance Department;
- d. Chief Program Manager, Reform Support Unit, School Education & Literacy Department;
- e. Deputy Commissioner (DC) of the concerned Department;
- f. Program Director, SBEP will act as Member / Secretary of the PSC; and
- g. Directors School Education & Literacy (Sukkur, Larkana, and Karachi)
- h. Representative of USAID / Pak will attend the meetings of the PSC as an observer and may contribute to the discussions.

#### **5.4.2. Terms of reference of the PSC**

Primary function of the Program Steering Committee is to take responsibility for the achievement of outcomes of the Program, overall coordination, and guidance on and approval of major business decisions.

The Program Steering Committee is responsible for:

- a) Monitoring and review of the program status, as well as providing oversight of the program deliverables rollout;
- b) Controlling program scope in the changing circumstances, ensuring that scope aligns with the agreed outcome requirements of GoS and USAID. Scope management will be particularly important in pre-budget meetings and at the time of Mid-Term Review of the Program;
- c) Resolving program conflicts and disputes, reconciling differences of opinion and approach;
- d) Granting formal acceptance of program deliverables as reported through various progress reports;
- e) Granting acceptance/clearance to the sub-project PC-Is for placing in PDWP for formal approval; and
- f) Championing and building support for the Program

PSC may review, redefine, add or modify the above terms of reference in its meetings. PSC will meet on quarterly basis or as required. The Program Director SBEP facilitates the PSC meetings. Program Director, SBEP will be responsible for preparing Minutes of the PSC Meetings to be

shared with the Chief Minister Secretariat, members of the Committee, all Program staff, and general public through the Program website.

## 6. Responsibilities

S. No.	Designation	Responsibilities / Expectations
1	Chairman P&DB	<ul style="list-style-type: none"> <li>a) Recommendation of approval for PC-1 and sub PC-1s for the construction of schools</li> <li>b) Approval of provincial ADP schemes</li> </ul>
2	Secretary Finance	Allocation and release of funds as per PC-1 and ADP Schemes
3	Secretary SELD	<ul style="list-style-type: none"> <li>a) Review and approval of schemes below 60 million as Chairman DDWP</li> <li>b) Processing requests for budget allocations and sanction of funds</li> <li>c) Approval and execution of provincial ADP schemes and transfer of funds to Assignment account of PMIU.</li> </ul>
4	Program Director	<ul style="list-style-type: none"> <li>a) Ensure compliance to this policy/procedure manual</li> <li>b) Preparation, updating and implementation of PC-1 and sub-PC-1s</li> <li>c) Budget management with respect to salaries and operational expenses</li> <li>d) Financial reports to government</li> <li>e) Overall financial, accounting and contract management</li> </ul>
5	Deputy Program Director	<ul style="list-style-type: none"> <li>a) Assist PD in the implementation of financial policies and procedures provided in this manual</li> <li>b) Head Budget Committee in the PMIU</li> <li>c) Ensure utilization of the budgetary allocations as per PC-I and sub-PC-Is</li> <li>d) Supervisory role over financial management</li> </ul>
5	PM-SS	<ul style="list-style-type: none"> <li>a) Assist PD and DPD in the implementation of the procedure provided in this manual</li> <li>b) Person responsible for maintaining and updating this manual</li> <li>c) Supervisor of financial management in the PMIU</li> </ul>
6	Managers Finance & Accounts	<ul style="list-style-type: none"> <li>a) Abide by the guidelines set forth in this policy/procedure and undertake the financial management in accordance with the procedures set forth in this document.</li> <li>b) Manage Accounts, Financial Books and prepare and submit reports for review of higher authorities as may be required.</li> <li>c) Prepare annual financial plan for procurement plan</li> </ul>

- d) Make payments, maintain vouchers/receipts as per given procedures
- e) Prepare financial statement for the consideration of budget committee and submission to the SELD

## **6.1. Program Management and Implementation Unit (PMIU)**

PMIU is established in the School Education & Literacy Department, Government of Sindh. PMIU is headed by a Program Director (PD) who reports directly to the Secretary SELD. PMIU will serve as the Secretariat of the PSC and PD as its Secretary. The PMIU management is also mandated to develop policies and procedures to ensure that its directives are followed. PD is assisted by a Deputy Program Director (DPD) and three Program Managers (PM) supervising different sections of the program:

- a) Schools Construction Design and Construction Management & Supervision;
- b) Learning, Reforms and Community Mobilization; and
- c) Support Services.

### **6.1.1. Terms of Reference / Functions of PMIU**

Overall objective of the PMIU is the transparent and efficient management of SBEP, ensuring programmatic quality and effectiveness, technical coordination, internal and external communication, accountability, and sound administration. PMIU is accountable to PSC.

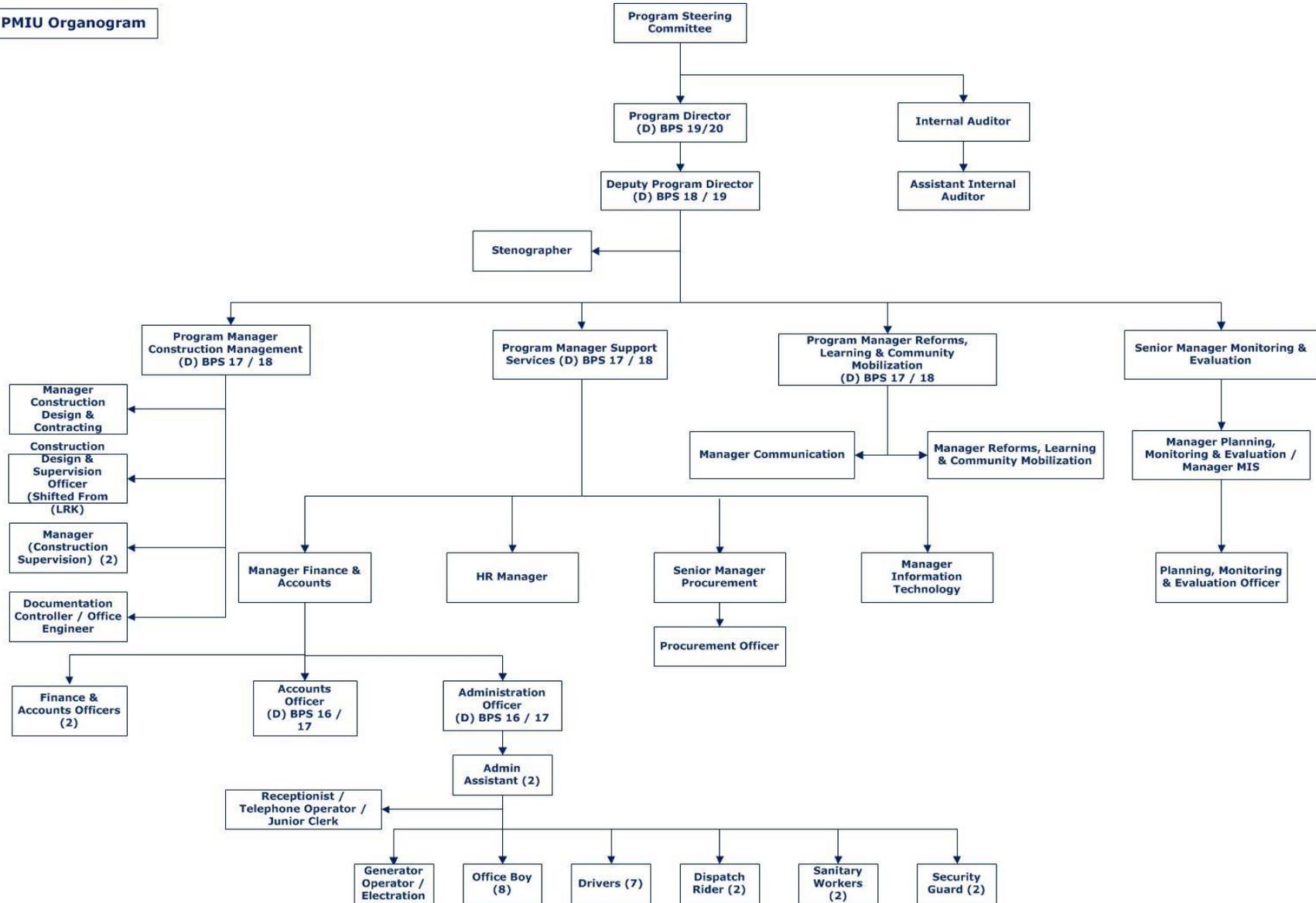
The PMIU is responsible for:

- a. Engaging with SBEP stakeholders on strategy and policy matters;
- b. Identifying windows of opportunity to further develop the Program and components; managing actively the scope of the Program according to changing strategic environment;
- c. Elaborating PC-I document guiding implementation at the individual component level;
- d. Appraising sub-project PC-Is within the mandate given by the Program Steering Committee;
- e. Working out frame works, regulations, policies, and procedures necessary for effective management of the Program, to be approved by PSC;
- f. Identifying schools for construction and/or up-gradation in accordance with agreed policies;
- g. Initiating and managing architectural design of schools and preparing procurement packages for contractors;
- h. Supervising construction in terms of timeliness, cost effectiveness, delivery, and quality of works;
- i. Introducing systems and procedures for Project Management Cycle as specified by USAID;
- j. Procuring or facilitating the procurement of services and other inputs to the interventions at component level;
- k. Approving the utilization of funds within the mandate given by the PSC;
- l. Monitoring progress and outcomes of all components under its jurisdiction and undertaking specified evaluations;
- m. Preparing quarterly & annual work plans and budgets as specified by the Project Monitoring & Evaluation System (PMES);
- n. Preparing monthly and quarterly progress reports as per PC-III format;
- o. Developing and implementing a quality plan for identification, design, and construction of sub-projects to ensure quality of work in line with agreed upon standards;
- p. Preparing a risk management framework to identify potential risks and risk response measures for active risk control;

- q. Collaborating and coordinating with SBEP staff, to be hired by USAID, to implement all components of the Program in an integrated manner for optimum results;
- r. Promoting a team culture within PMIU and with its stakeholders; ensuring timely staff recruitment and creating incentives for staff retention;
- s. Publicizing the achievements of the Program through paper, and electronic media to ensure its visibility and to improve accountability of implementers;
- t. Undertaking any other assignments as delegated by the PSC.

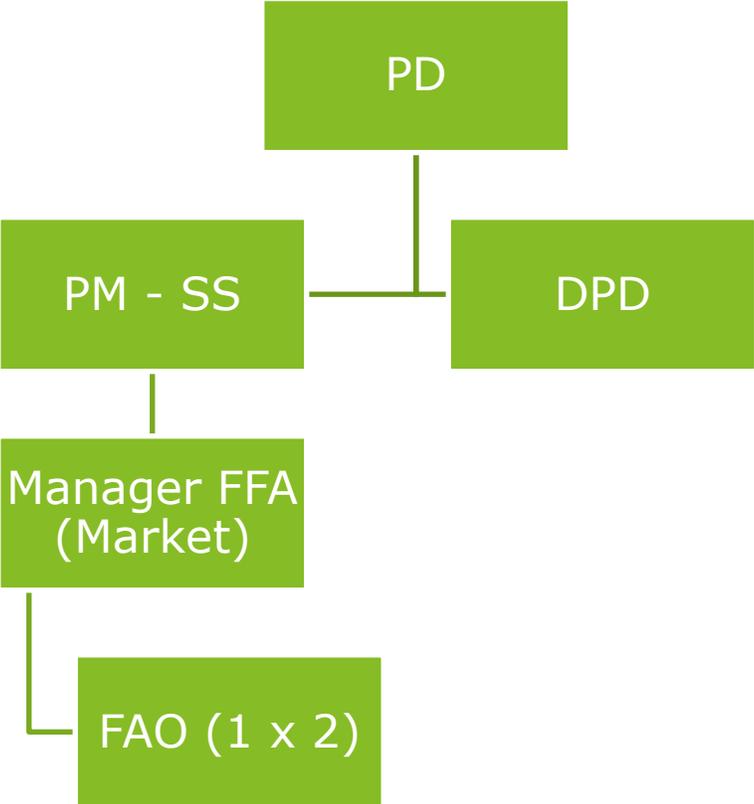
### 6.1.2. Organogram

PMIU Organogram



**6.1.3. Finance Structure at PMIU**

PD will enjoy full powers of Category-I Officer as well as DDO in the PMIU-SBEP. All financial powers as delegated by the Finance Department GoS will be exercised by the PD. Approval and sanction of the competent authority for such financial powers specifically not delegated to the PD shall be obtained invariably. Financial management activities in PMIU-SBEP will be headed by Manager Finance, Accounts and Administration (Manager FAA). He will be working under Program Manager Support Services (PM – SS). Manager FAA will be supported in PMIU by Finance and Accounts Officers (FAO).



## 7. Budget

For the purpose of the program government of Sindh and USAID have signed an Activity Agreement for execution of the program through a well-established Program Management Implementation Unit (PMIU) to be funded through GoS counterpart fund. For a proper budget management, the PMIU with the approval of PD shall form a Budget Committee as under:

- i. The DPD chair-person,
- ii. Program managers (all),
- iii. Senior Procurement Specialist, and
- iv. Senior Manager M&E.

Recommended terms of reference of Budget Committee is provided in **Annexure – I**.

The PC-I provides the annual allocations for this purpose as mentioned below:

### 7.1. GoS Counterpart Funding

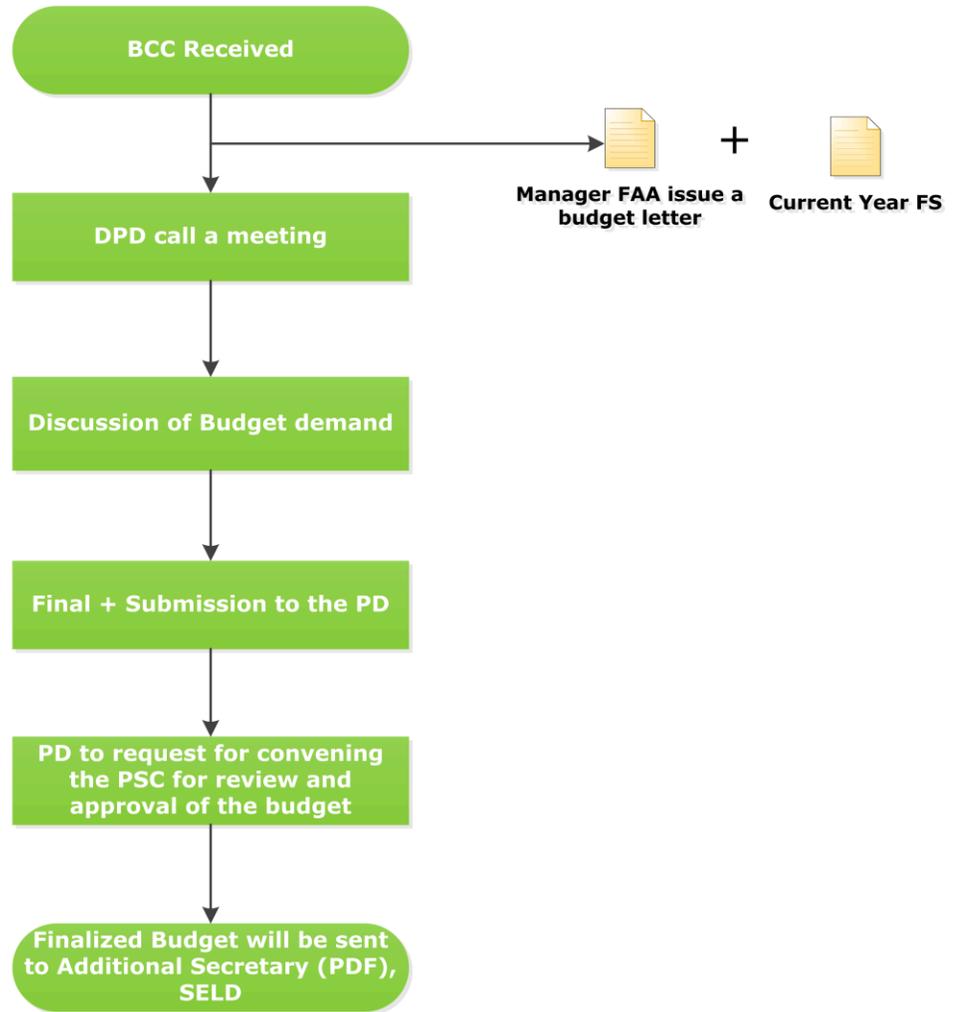
#### a. Preparation

On receiving "The Budget Call Circular", the DPD shall call the meeting of the budget committee to initiate the process for preparation of the budget for next financial year. The committee shall decide a calendar to be followed for various activities leading to the approval of the budget from PSC. Manager FAA shall prepare financial statement:

- i. The Manager FAA will issue a budget letter along with financial statement of the current year's allocations, to all the sectional heads to prepare following statements:
  - Regular expenditure estimates for both revenue and development components for current year;
  - Excess/Surrender estimates for revenue and development components for the current year;
  - Revenue estimates for new financial year;
  - Proposed development schemes (ADP) for new financial year.
- ii. After the preparation of the above statements by the respective sections, the DPD shall call a meeting of the budget committee to finalize the Financial Statement of the PMIU;
- iii. The committee shall finalize the Financial Statement and submit it to the PD for his approval;
- iv. The PD shall request the chairperson PSC for convening the PSC meeting for review and approval of the budget of the PMIU;
- v. Upon review and approval budget estimates by PSC, the Budget estimates is sent to Additional Secretary (PDF), SELD.

Flowchart 1

## BUDGET PREPARATION (LOCAL CURRENCY)



## Chart of Budget Making Activities

S. No.	Activity	Responsible Person	Deadline of FD	Timeline for PMIU	Remarks
	1	2	3	4	5
1	Receiving of budget Call Circular	PD	15-Oct-17	-	
2	Manager FAA shall send budget Call circular along with financial statement of the current year	Manager FAA			
3	Budget review meeting	DPD			BC finalizes the calendar (Column 4) for PMIU.
4	Finalization of Budget to the PD	DPD			
5	Request chairperson for convening of the PSC meeting	PD			
6	PSC meeting for approval and review of the budget				
7	Submission of Regular Expenditure Estimates CFY	PD / DPD	20-Feb-17		
8	Submission of 'MTBF' Expenditure Forecast for next 2 years	PD / DPD	20-Feb-17		BC reviews the rolling plan of the PMIU
9	Submission of revised estimates / Final list of excess & surrenders in Current Year	PD / DPD	20-Feb-17		
10	Finalization of Annual Development Program (ADP)	PDB / FD	16-May-17		PMIU to ensure that its final proposal for allocations and schemes has been incorporated
11	Communication of Final approved ADP				On approval of Finance Bill from the Provincial Assembly

Note:

1. Dates in above table are indicative as per Actual "Budget Call Circular 2017-18".
2. The Budget committee will decide the calendar for PMIU on receipt of BCC for each year

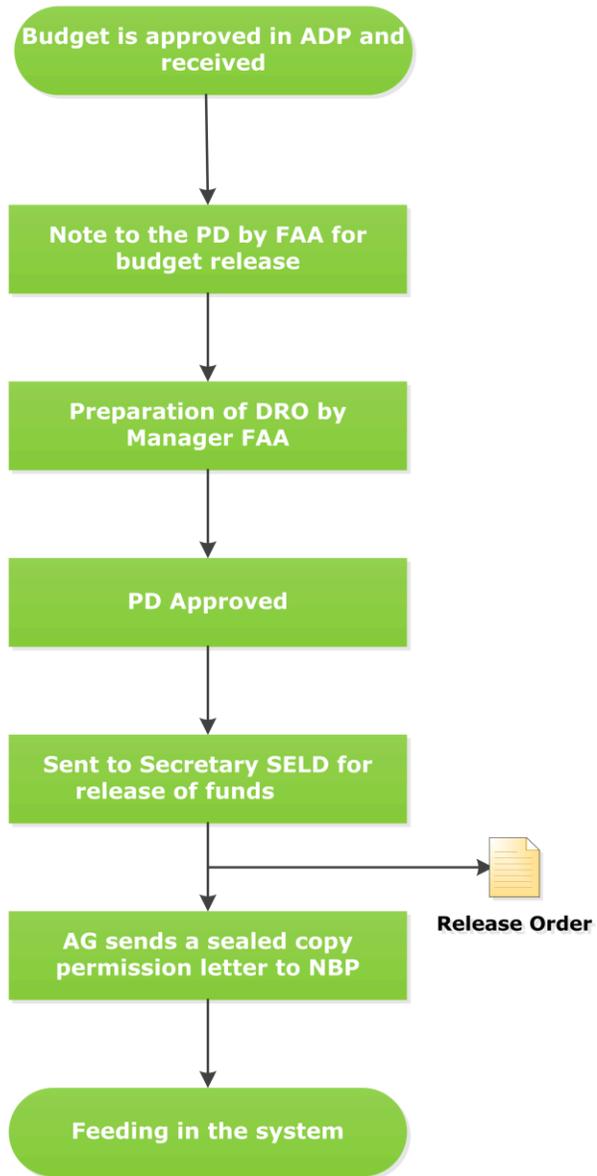
**b. Authorization / Release**

After the approval of the budget by GoS is communicated to the PMIU, the Manager FAA shall move note to the PD for his approval for the release of the budget from FD.

- i. For above authorization, Manager FAA shall prepare a Draft Release Order ( DRO ) containing the following detail:
  - a. Extracts of financial provision from PC-I;
  - b. Budget Allocation for the current year;
  - c. Head wise allocation of the budget.
- ii. DRO is prepared after consultation with the sectional heads, which is sent to PD for his approval;
- iii. DRO is sent to Secretary SELD for release of funds from Finance Department, GoS, (FD);
- iv. The FD issues the release order address to the AG Sindh after its inclusion in SAP by IT department of FD;
- v. The AG issues permission for utilization of funds from assignment account through the designated branch of NBP;
- vi. AG sends a sealed copy of permission letter to NBP and Treasury Department for their information;
- vii. Finance & Accounts Officer feeds the details of allocated budget, as per chart of account provided by PIFRA, in system.
- viii. Double entry:
  1. Debit: Bank (Assignment A/C)  
Credit: Government Grant

Flowchart 2

**RELEASE OF BUDGET (LOCAL CURRENCY)**



## **c. Expenditure**

For the expenditure from the budgetary allocations of the current year, the sections will place requisition with the finance section according to their respective work plan/procurement plan.

The quarterly report, after due consideration and approval from the budget committee, shall be presented before the next quarterly meeting of the PSC for review of the budget.

## **7.2. USAID Funding**

The USAID has committed to provide an aid of US \$81 million for achieving the objectives of the program. For this purpose both governments have signed an Activity Agreement which provides mechanism for utilization of funds through PMIU.

### **a. Allocations as per PC-I;**

The annual allocations for the period of the program, have been provided in Section 5.3. Of this Manual.

### **b. Authorization through Project Implementation Letter**

Commitment for providing the funds for various packages of procurement for construction, consolidation and upgradation of schools in each program/ financial year within the annual allocations given in Table – 1 of Section 5.3.1 is communicated through PIL executed between GoS and USAID and acknowledged by the Economic Affairs Division Government of Pakistan.

### **c. Utilization of USAID Grant**

The Utilization of allocations through USAID grant shall be in accordance with the rolling procurement plan, prepared by the Program Manager Construction management in consultation with USAID and/or its consultants (M/s. Halcrow) for achieving the objectives set forth in the PC-I and Activity Agreement.

Accordingly, within the framework of the rolling plan, the manager construction will prepare annual work plan giving the number of schools to be constructed during the year and forecast for the payments to the contractors.

### **d. Release of Foreign Currency Budget**

The release of foreign currency budget is based on the achieving of milestones as stated in PIL.

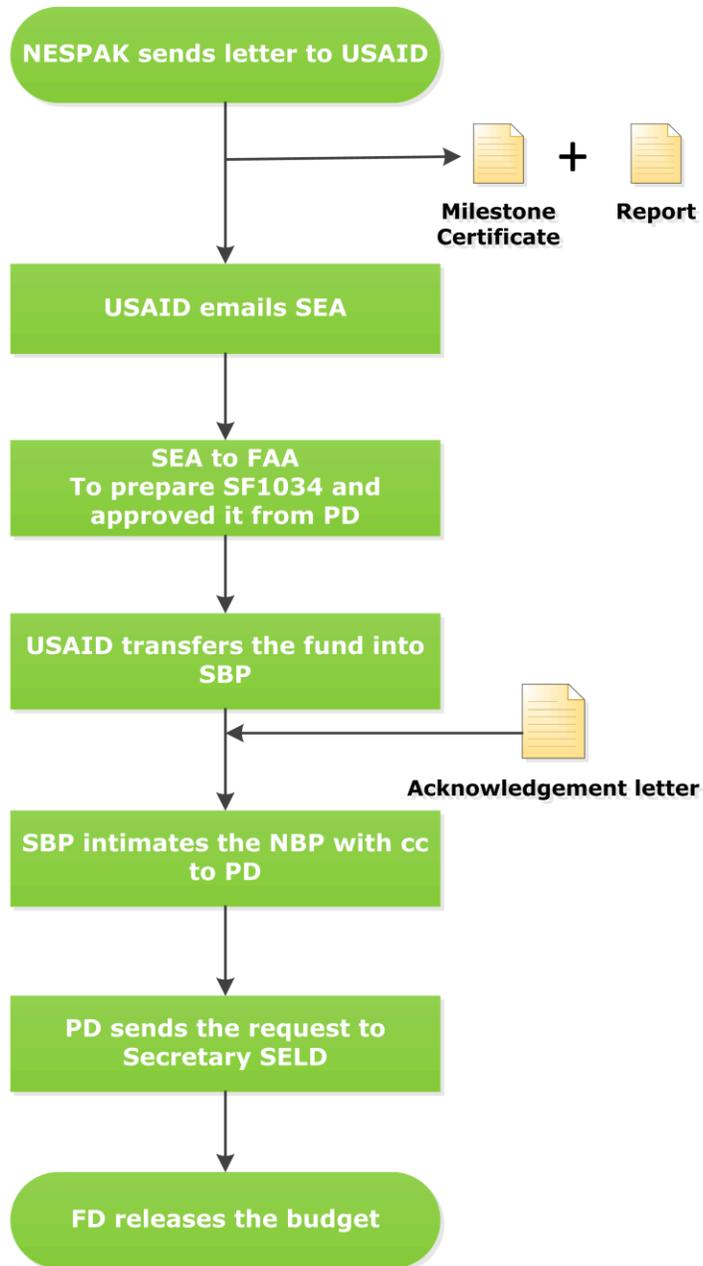
Following procedures are followed to reimburse the foreign currency account:

- i. Associates In Development (Pvt) Ltd "**AID**" sends the milestone certificate along with the report to the USAID;
- ii. On receiving of milestones, the USAID sends these to the USAID Advisor for Engineering,
- iii. USAID Advisor for engineering informs the Manager FAA, who shall prepare the reimbursement request on the basis of milestone along with preparation of payment voucher of USAID standard document i.e. SF-1034, and shall send it to USAID after getting approval from PD;
- iv. USAID transfers the funds into SBP, after receiving of funds by the Federal Reserve Bank of United States of America, SBP intimates the National Bank of Pakistan with CC to PD;

- v. When the PD receives the acknowledgement from SBP, he sends request to Secretary SELD for budget release for foreign currency account;
- vi. Secretary SELD forwards the request for budget release to FD, GoS;
- vii. FD releases the budget and intimates to the Secretary SELD, with copy to PD/DPD.
- viii. Entry after budget release is given below:
  - 1. Debit: Bank (Assignment A/c (FCY))  
Credit: Government Grant

Flowchart 3

## RELEASE BUDGET (FOREIGN CURRENCY)



### **7.3. Monitoring / Review of the budget.**

#### **a. Review by the budget committee**

As a measure of internal control over budgeting, the budget committee shall undertake quarterly review of the budget, including the GoS and USAID funds, and implementation of work plan/procurement plan of the PMIU.

The finance section shall prepare a quarterly variance analysis report showing releases from FD, head wise expenditures, committed expenditures, and demand for the rest of the financial year. Likewise, all section heads will prepare report on the implementation of their work plan/procurement plan with achievements and justifications for the underutilization (if any). Sample Variance Analysis is provided in **Annexure – II**.

#### **b. Review by the PSC.**

The quarterly report, after due consideration and approval from the budget committee, shall be presented before the next quarterly meeting of the PSC for review of the budget.

## 8. Commitment Accounting

**Commitment:** An obligation to make a future payment, the funds for which are reserved against the allocated budget of an entity on memorandum basis.

To ensure the matching of expenditure against appropriations, the cash basis of accounting has been modified to recognize some items of expenditure on a commitment basis.

Commitments are used to control large and non-regular expenditures against appropriation, and need not be recorded for immaterial expenditure of a recurring nature. Commitments will be accounted for on a memorandum basis.

While determining and recognizing a commitment, following criteria / procedure shall be followed:

- a valid purchase order is raised and, where applicable, a purchase contract (legal undertaking or legally binding) has been entered with the supplier. The amount involved should be clearly mentioned in the purchase order/contract;
- the officer in accordance with the Delegation of Financial Powers (who shall be deemed to be the approving officer) has authorized the commitment;
- the amount involved (expenditure) is above Rs. 10,000 or 10% of total budget head, whichever is higher;
- exclude the following types of payments:
  - salaries and related deductions;
  - pension;
  - GP fund; and
  - loans and advances to employees.
- Once a commitment is entered into and approved by the delegated authority (approving officer), it must be recorded by the DDO;
- Commitments shall only be raised for those expenditures expected to be paid for in the current financial year;
- A commitment advice form (form 4C) must be completed by the DDO and after approval by the delegated authority (approving officer), the form shall be sent to the DAO/AG/AGPR office along with the relevant purchase order. A copy of any contract/agreement shall also be sent with the commitment advice form 4c. Form 4c is provided in **Annexure – III**;
- A commitment, if recorded, must not be reversed unless:
  - payment has been made; or
  - the purchase order or other legally binding contract has been cancelled and the same delegated authority entering into the commitment has approved the reversal.
- At the close of the financial year all outstanding commitments made during that year are duly scrutinized by the AG/MoF and provision made in the next year's appropriation to allow for the reinstatement of valid commitments in the next financial year.
- Commitments which are not renewed are cancelled;
- Where payment relates to a commitment previously entered into by the entity, the claim voucher shall give reference details to the commitment advice form already sent by the DDO to the DAO/AG/AGPR office;

- In cases where a commitment advice is sent with the purchase order and the certifying officer disagrees with the DDO in relation to commitment, the officer shall communicate with the DDO and resolve any disagreement;
- In cases where a commitment advice is not sent with the purchase order and the certifying officer feels (in accordance with the commitment criteria) that a commitment needs to be set up, the officer shall communicate with the DDO and resolve any disagreement;
- Where the purchase order meets the commitment criteria and the certifying officer is in agreement with the DDO, the officer shall sign the commitment advice form and shall pass it on to the authorizing officer.

## 9. Payments

According to the PC-1, there are two streams of funding available to the PMIU i.e. USAID funds and GoS counterpart funds. USAID funds are utilized for the payment to the contractors for the constructions of schools structures and related activities. While GoS counterpart funds are utilized, for operational costs and furniture procurement.

GoS has now provided third stream through ADP schemes for procurement of furniture for the schools constructed through USAID funding, funds for financing for EMOs to manage these particular schools, installation of transformers for providing electricity and solarization of schools for providing alternate source of energy. All these schemes are implemented through PMIU except for EMO funds which are utilized by the SELD through PPP-Node.

SPPRA rules and regulations shall be taken into consideration while making payment to contractors, as per para 7 (ii) of approved PC-I of the program.

Payments from USAID and GoS funds Assignment Accounts (FCY) and Assignment Account (LCY) is opened respectively.

S. No.	Types of Payment	Funding Source	Account	Payment Procedure
1.	Construction of Schools	USAID funds	Assignment A/c (FCY)	9.1.
2.	Furniture For schools	GoS funds	Assignment A/c (LCY)	9.1.
3.	Salaries	GoS funds	Assignment A/c (LCY)	9.2.
4.	Operational expenses /fixed assets of PMIU	GoS funds	Assignment A/c (LCY)	9.3.
5.	ADP Schemes (other than SBEP)	GoS funds	Assignment A/c (LCY)	

### 9.1. Payment to contractors for School construction, furniture and fixed assets of PMIU

Following types of payments can be made to contractors:

#### 9.1.1. Advance Payments

The PMIU may extend the advance payments to its contractors in the following shapes:

##### i. Mobilization Advance

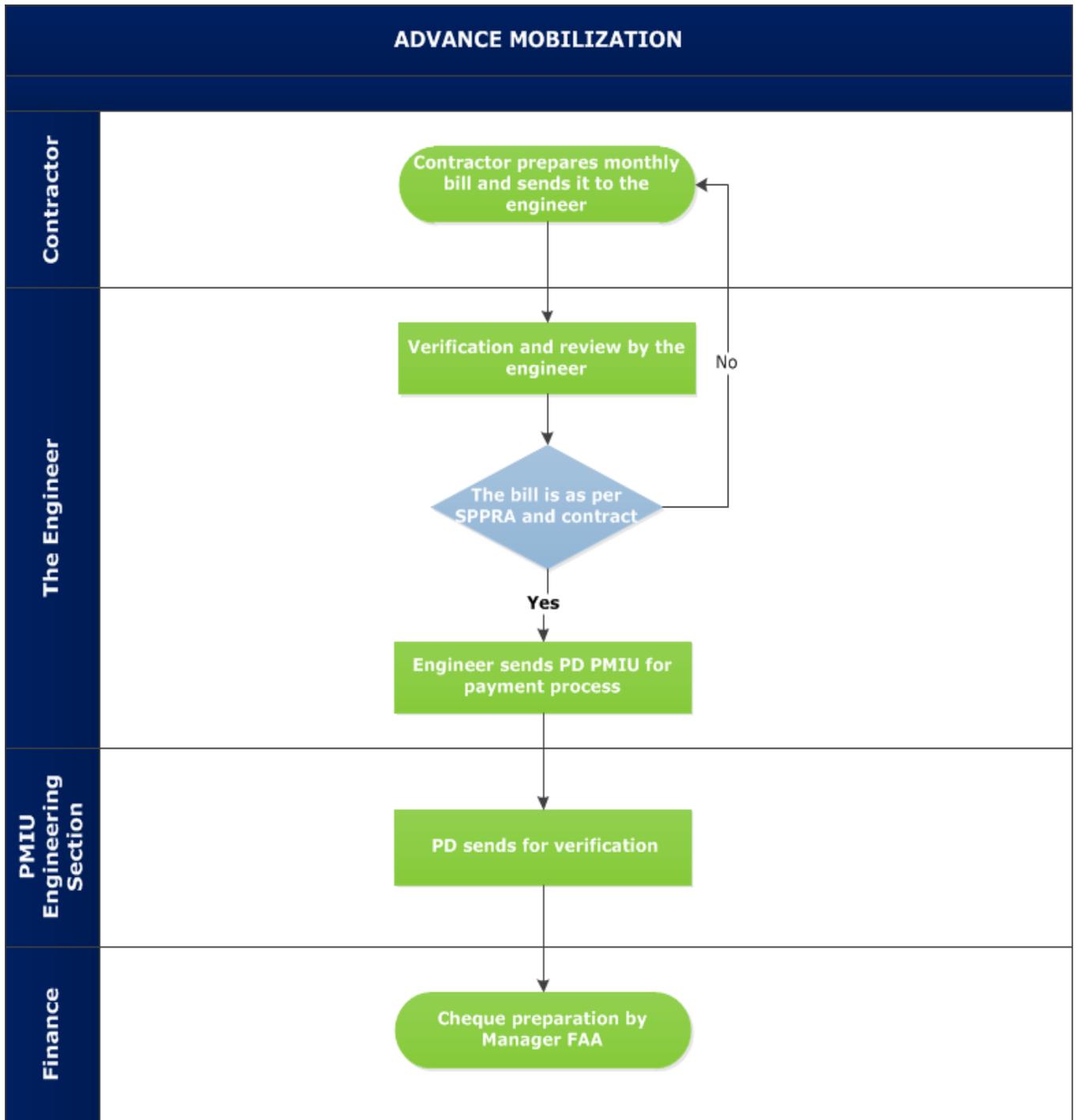
Mobilization advance is extended to the contractors, up to **10%** of contract cost stated in the letter of acceptance, usually for the projects worth Rs. 2.5 million and above to enable them to make initial arrangements for starting work. Mobilization advance is allowed on the contracts where contract conditions provide for same, or the authority competent to accepting tender can allow the mobilization advance on the works subject to following conditions:

- contractor has **signed** the contract;
- contractor has provided the **performance security**;
- contractor has furnished the irrevocable bank guarantee of amount equal to mobilization advance in specified form from a scheduled bank in Pakistan in favor of the PMIU;
- contractor shall pay interest on the mobilization advance at the rate of 10% per annum on the advance as prescribed in Sindh Financial Rules. The rates may vary and are subject to change from time to time as per instructions issued by the Government.

## Procedure

- i. the contractor shall send the request to the Engineer, (M/S Halcrow), for the mobilization advance accompanied with irrevocable bank guarantee of the same amount;
- ii. the engineer shall forward the same to the PD;
- iii. the engineering section shall verify the request and forward the request to the Manager FAA for payment processing;
- iv. the manager FAA shall keep in safe custody;
- v. Manager FAA shall maintain a record which shall include amount of mobilization advances forwarded to the contractor which shall be subject to interest **@10%**, calculating from the date of debit in assignment account and shall pass entries in the system respectively in the school account:
  1. Debit: Mobilization Advance  
Credit: Income
- vi. The bank guarantee shall be returned after 50% of the total amount of the contract has been paid to the contract and the mobilization advance has been adjusted accordingly.

Flowchart 4



ii. **Secured Advances**

**As per regulations 9.3. (2):**

Financial assistance is given to the contractor to enable him to overcome financial encumbrances and shall be made available by adopting any one of the following methods:

**Secured Advance** on the written request of the contractor whose contract is for finished work is allowed to a contractor on the basis of non-perishable / non-combustible materials brought and properly stocked/stored to site of work. Secured advance as a good practice is avoided/discouraged. However, wherever allowed, it should be strictly in conformity with the rules and procedure in addition to the condition mentioned below:-

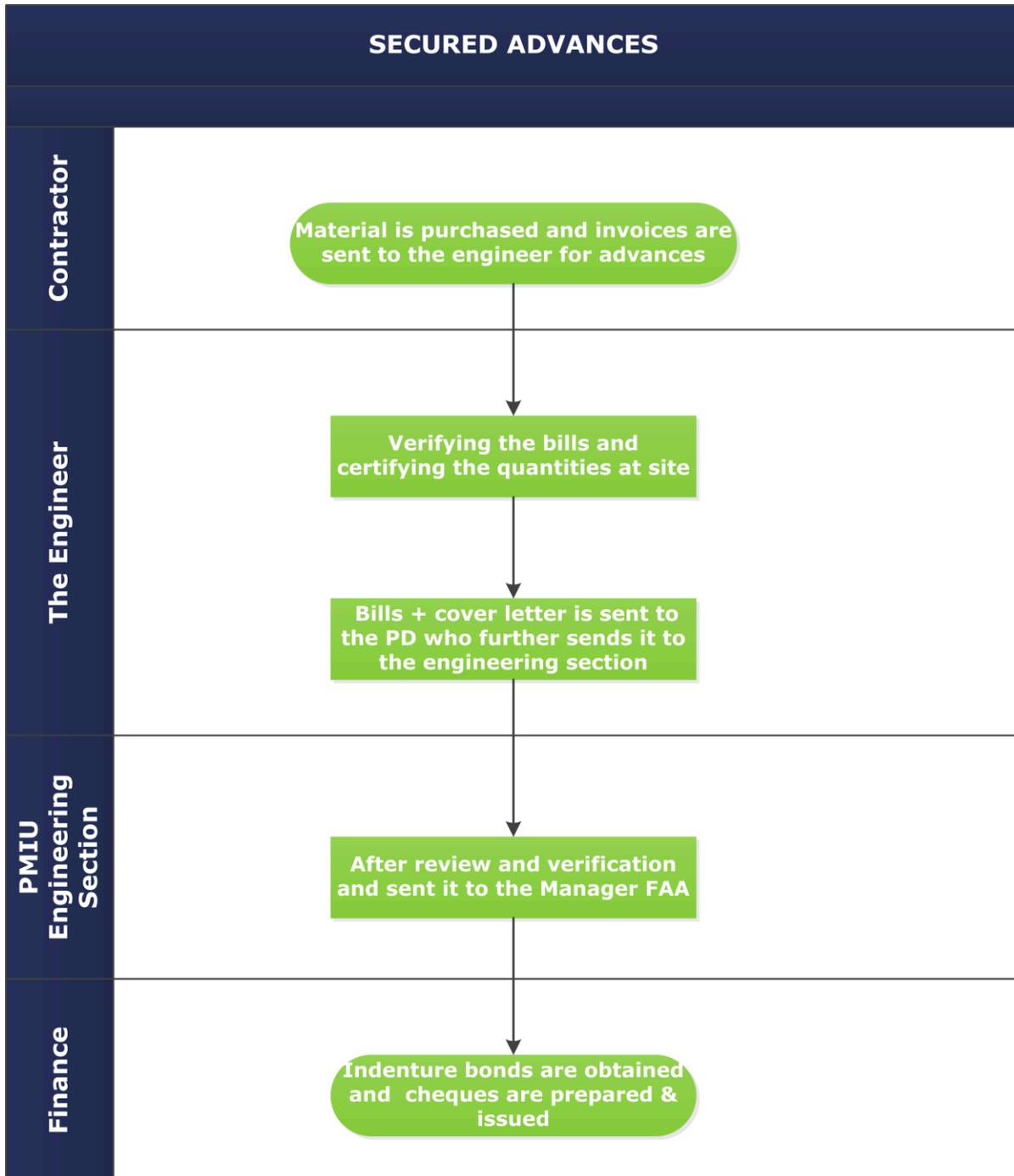
- on verification and certification of quality, quantity and market rates of the material by the Assistant Engineer/Engineer's representative;
- contractor has to furnish the **"Indenture Bond"**
- secured advance shall be paid to the contractor on the quantities brought and properly stored at site of work. Full quantities of materials for entire work / contract should not be advanced;
- recoveries of advances so made should be made from his bills for work done as the materials are used, the necessary deductions be made whenever the items of work in which are used are billed for, or shall be recovered in full within 90 days, even if unutilized;
- new secured advance should not be allowed until and unless the previous advance, if any, stands fully recovered;
- advance amount is calculated on the basis of 75% of the market value of that material.

**Procedure**

- i. The secured advances are allowed on the following nonperishable/non-combustible materials stated in contract:
  - a. Cement,
  - b. Steel,
  - c. Cables,
  - d. Bricks, and
  - e. Aluminum windows
- ii. The contractors shall purchase and supply the above material on the site and request the Engineer along with the invoices to the engineer for advances accompanied by Indenture Bond; Sample of Indenture Bond is given at **Annexure – IV**;
- iii. The Engineer shall verify and certify the quantities at site;
- iv. The Engineer shall send the invoices after verification and certification with cover letter, called as IPC, to the PD, who further sends it to the engineering Section;
- v. The engineering section shall review the verification and certification provided by the Engineer, then it will be forwarded to the Manager FAA for payment processing;
- vi. Advance amount shall be restricted to 75% of the invoice, as the invoice is deemed to be market value of the material;
- vii. Before handing over the cheque to the contractor, the Manager FAA shall obtain **"Indenture Bond"** from the contractor;
- viii. FAO shall pass following entry in the system when the indenture bond has been received:

1. Debit: Advance to Contractors A/C  
Credit: Assignment A/C (FCY)

**Flowchart 5**



### **9.1.2. Interim / running payments**

#### **As per regulations 9.3. (1):**

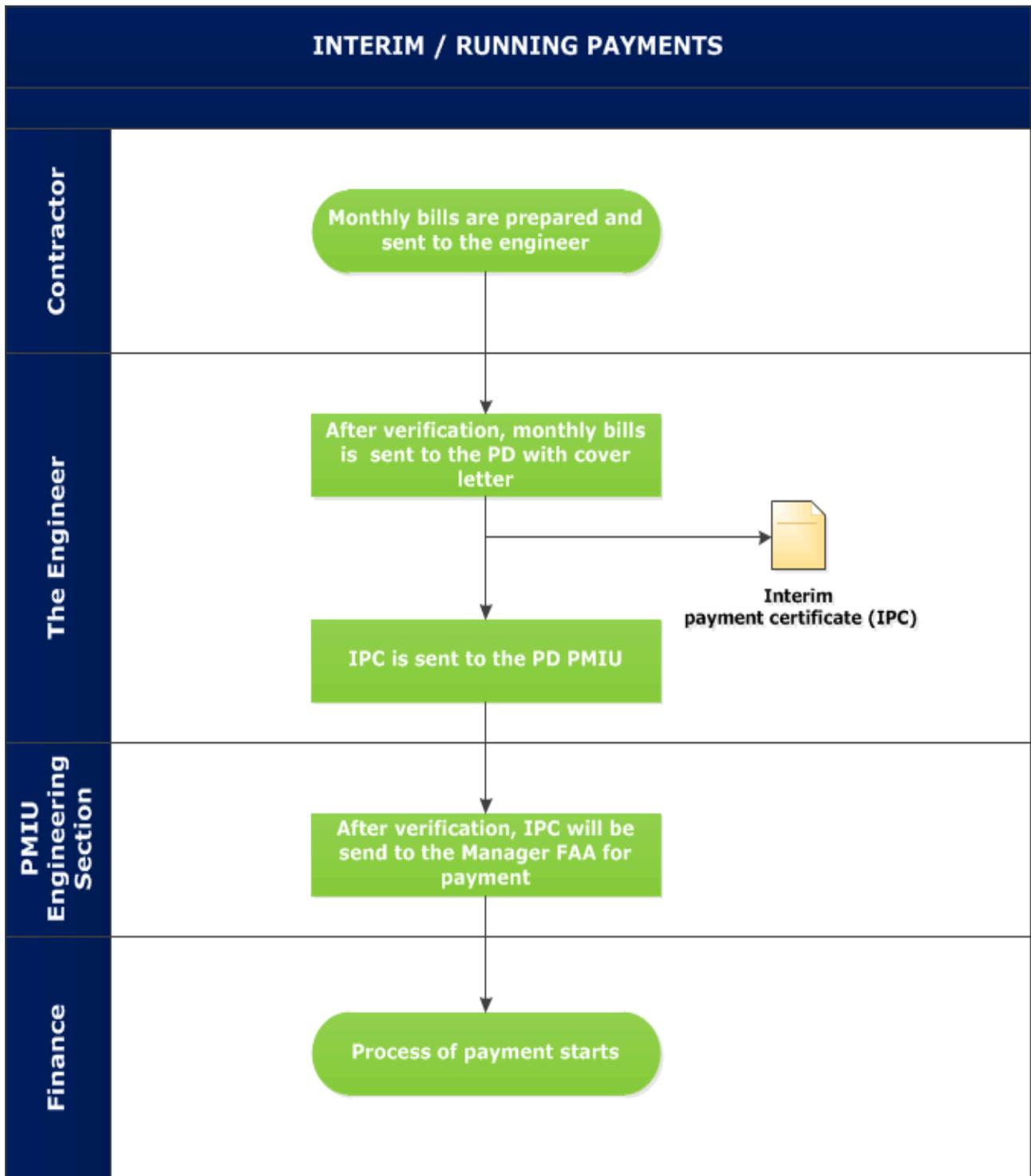
- a. Interim/running account bill received by the Executive Engineering/Project Director duly certified by the Assistant Engineer or Engineer in case of projects after deducting the security deposit/retention money and other advances to be paid to the contractor within **28 days** after its receipt or as mentioned in terms and conditions of the contract;
- b. Bill submitted by contractor is to be verified/certified by the assistant engineer within specified time mentioned in conditions of agreement;
- c. All intermediate and running payments to the contractor against measurements are made through running account bills, and for all other purposes are treated as measured advances subject to adjustment in final measurement/bill.

#### **Procedure**

- i. Contractor shall send the running bills month wise to the Engineer for verification and review;
- ii. The bill is reviewed by the Engineer, it is sent to the PD for payment with covering letter called IPC providing the details of the contract amount, billed amount, previous payments, any advances and deductions thereof with dates;
- iii. PD sends the running bill (IPC), to the engineering section for review of financial and physical progress of the sub-project;
- iv. the engineering section reviews the progress and verifies the quantities and rates with BOQ and forwards IPC to the Manager FAA;
- v. Manager FAA performs the pre-audit of IPC and processes the payment.

Procedure for payment authorization / sanction and cheque preparation mentioned in Section 9.4. of this Manual shall be followed.

Flowchart 6



### 9.1.3. Deductions

The Manager FAA shall be making following deductions at the time of processing the payment:

#### a. Retention Money

##### As per regulation 7.12.3.

The PMIU will retain/deduct from each interim/running payments due to the contractor, the security deposit in proportion stated in the contract data/data sheet until completion of the whole of the works. The cumulative total of such amount will be **5%** of bid total mentioned in the letter of acceptance.

In this way total amount with the PMIU will be **10%** of bid cost in the shape of performance security and retention money/security deposit. Recoveries so made from contractor are returned to him by the PMIU as per terms and conditions of contract.

Release of Security deposit: It can be released in either of following ways, but the same shall be mentioned in the contract data /special conditions of the contract:-

- On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction;
- Full amount be released after completion of defect liability period.

#### b. Secured Advances

##### Procedure

- i. The engineer shall be deducting the secured advances from the running bills received;
- ii. The Manager FAA shall maintain a summary of advances forwarded to the contractors; a request for refund shall be sent to the contractor if the secured advance is not settled in 90 days of time;

#### c. Mobilization Advances

##### Procedure

As per regulation no. 9.3. (2)(b), the deduction of advance shall be made as follows:

The manager FAA who has maintained sheet shall be using it for deduction from running bills, the deductions shall be made in the following manner:

- i. In case there are 5 or more running bills, it shall be recovered in 5 equal installments from the 5 R.A bills and
- ii. In case the number of bills is less than five (5), then 1/5 of the advance inclusive of the interest thereon shall be recovered from each bill and the balance together with interest be recovered from the final bill.

It may be insured that there is sufficient amount in the final bill to enable recovery of the mobilization advance. When sufficient amount is not available in final bill, then amount is adjusted from deposits available with the PMIU or by any other means as the PMIU may deem appropriate.

#### d. Statutory Deductions

**i. Income Tax**

As per Income Tax Ordinance, 2001 Section 153

Every prescribed person making prescribed person making a payment in full or part including a payment by way of advance to a resident person:

- a. for the sale of goods;
- b. for the rendering of or providing of services;
- c. on the execution of a contract, including contract signed by a sportsperson, but not including a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

**Provisions relating to all income deductions are provided in Annexure – V.**

**ii. Sales Tax**

As per Sales Tax Special Procedure (withholding) Rules, 2007,

The PMIU is withholding agent, for the purpose of deduction and deposit of sales tax.

**As per Section 2:**

The PMIU shall deduct an amount equal to **one-tenth** of the total sales tax shown on the sales tax invoice issued by persons registered as a wholesaler, dealer (including petroleum dealers) or distributor, and make the payment of the balance amount to him.

In case the PMIU is making purchase of taxable goods from the person liable to be registered but not actually registered, deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier and, unless otherwise specified in the contract between the buyer and the supplier, the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply.

**iii. Sindh Sales Tax on Service under Sindh Revenue Board Act 2010.**

While making payment to Inland Revenue, following entries shall be made:

1. Debit: Income Tax / Sales Tax  
Credit: Bank (Assignment A/c (FCY) or Assignment A/c (LCY))

Entries for interim / running bills

When the cheque is received from Treasury department after endorsement following entries shall be passed in the system:

1. Debit: Contractors  
Credit: Bank  
Credit: Mobilization Advance  
Credit: Secured Advance  
Credit: Income tax / Sales tax (advance tax)  
Credit: Retention Money

## **9.2. Salaries and Wages**

In PMIU, salary statements of employees are prepared in three categories i.e. Deputationists, Market Staff and Contractual staff. Following procedure shall be followed in the preparation of the monthly statements and disbursement of salaries:

### **i. Attendance Record**

As per **HR Manual**:

The Manager HR shall prepare "Employee Attendance Roll" based on their daily attendance during the month. Such attendance roll / timesheet shall be sent to the Manager FAA for preparation of payroll by 20<sup>th</sup> of the each month.

The attendance for the remaining 10 days of the month, shall be taken into account in the payroll of next month.

Sample of "Employee Attendance Roll" is provided in HR manual.

### **ii. Preparation of Payroll Sheet**

FAO shall prepare "**Payroll Sheet**" along with journal voucher from the approved Employee Attendance Summary. First copy of Payroll Sheet along with vouchers will be kept for payment. Second copy will be retained in the Finance Section. Third copy will be kept in the Payroll Register for record in HR Section.

#### **Procedure for calculation**

#### **a. For deputationist**

FAO shall refer the "Last Pay Certificate" for salary calculation, the FAO shall also consider the project allowance for deputationist from "Terms and Conditions for Deputationist" signed by deputationist and approved by Services, General Administration & Coordination Department;

Following deductions shall be made from the salary of the Deputationists according to the rates mentioned LPC:

- Income Tax under Income Tax Ordinance 2001;
- Provident Fund;
- Gratuity Fund;
- Benevolent Fund under Sindh Government Benevolent Ordinance 1960;
- Group Insurance under the Sindh Civil Servants Welfare Fund, 1980.

#### **b. For Market Staff**

FAO shall refer the "Offer Letter" for the basic pay of the employee and other entitlements and increments from employee appraisal form; the FAO shall check the provision in the revised PC-I the salary of the concerned personnel;

Only Income Tax under Income Tax Ordinance, 2001, shall be deducted from the salary of the market staff.

- i. FAO shall take out the printouts of the salary sheets of the employees and forward it to the manager FAA;
- ii. Manager FAA shall forward the Payroll Sheet to the DPD, through PM – SS for his review, after correctness of the "Payroll Sheet" ;
- iii. DPD shall, after review, give his recommendation to the PD for sanction;

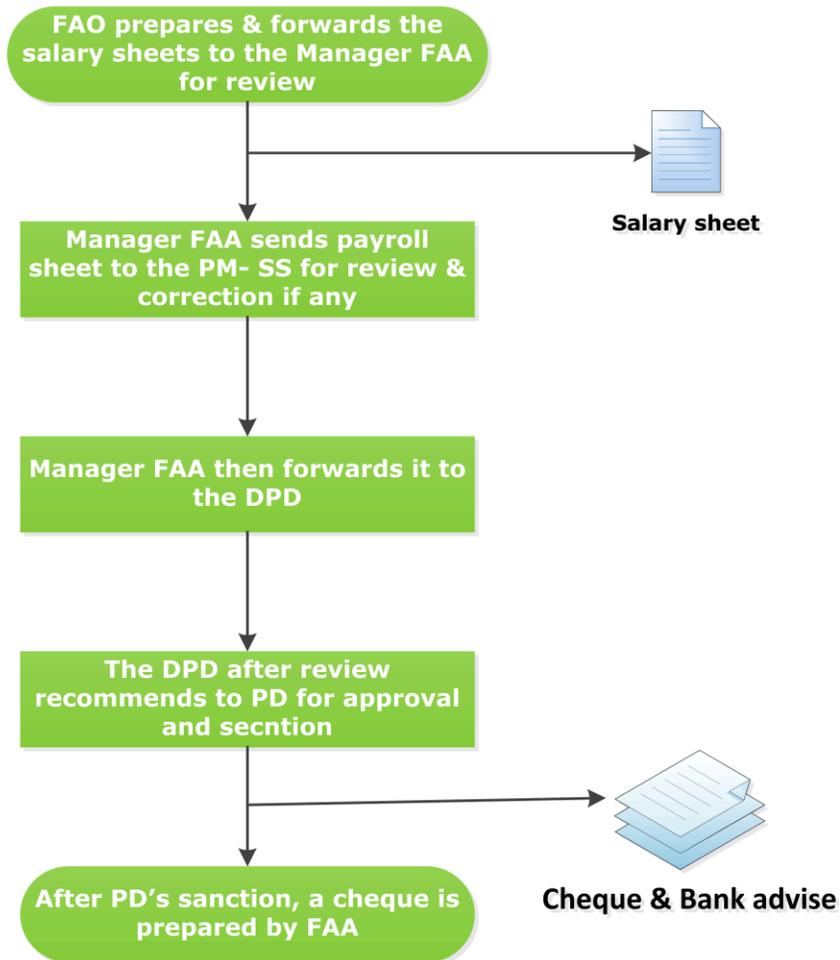
After PD's sanction, a Bank Advice shall be prepared by FAA containing the amount of salaries of the employee, which shall be accompanied by a cheque of total amount of the Payroll Sheet.

Entries for payments to staff shall be made as follows:

1. Debit: (Account Code) Salaries  
Credit: Bank (Assignment A/c)  
Credit: Income Tax (withholding)  
Credit: GP+PF+GI (in case of Govt. Employees)
2. Debit: Income Tax  
Credit: Bank (Assignment A/c)

**Flowchart 7**

**PREPARATION OF PAYROLL SHEET FOR MARKET STAFF**



### 9.3. Operational Expenses / Fixed Assets of PMIU

Following procedure shall be followed once the procurement cycle is complete, the Manager FAA shall receive the request for payment along with following documents for initiating the process of payments:

- Note Sheet;
- Purchase Requisition;
- Budget Availability form;
- Good Receiving Note (GRN) in case of goods; and
- Satisfactory Report in case of services;
- Delivery Challan; and
- Invoice.

#### i. Preparation of the Claim Voucher

The FAO shall prepare the Claim Voucher which shall include the following details:

- details of the officer making the claim;
- the name of the supplier with National Tax Number (NTN) / CNIC # and full postal address; in case of partnership, companies, association, societies, etc., the registered title;
- actual dates of supply or periods of service and the location and nature of service or work in respect of which expenditure is incurred. Each claim should be accompanied by all necessary supporting documentation;
- an account number and the name of the expenditure head to which payment will be charged;
- a reference number of the contract account, or other registers as the case may be;
- for payments in respect of contracts for buildings, works and services, the full amount of the contract and progress payments supported by certificates given by the relevant engineer, architect or other delegated officer as the value of work completed;
- deductions made (e.g. withholding tax, security, adjustment of advances etc.); (Separate Sections shall be developed for deductions withholding taxes, specially referencing to income tax withholding tax);
- a copy (2nd copy) of the sequential purchase order attached to the claim voucher.

FAO shall then submit note to the PM – SS for approval of the competent authority / PD through DPD.

#### ii. Sanction of Expenditure

The Manager FAA shall submit a "Note Sheet" along with pre-requisites mentioned above, for sanction/approval of PD through PM–SS. The PD shall sanction the expenditure as per "The Sindh Delegation of Powers under the F.R. & the Powers of Re-appropriation Rules, 1962".

Entries shall be made as follows for the recording of expenditure:

1. Debit: (Account Code) Expenditure  
Credit: Bank (Assignment A/c)  
Credit: Income Tax (withholding)
2. Debit: Income Tax  
Credit: Bank (Assignment A/c)

## 9.4. Preparation of Cheques

### i. Cheque Preparation

When the payment is authorized by the PD, the FAO shall prepare the cheque. The FAO shall ensure the following controls over the preparation of cheque:

Cheques shall be either typed or hand written. All cheques shall be drawn "to order" and shall be crossed and marked "Not Negotiable", except cheques drawn in the name of the DDO for petty cash.

- a. The amount payable shall be expressed in both words and figures on all cheques;
- b. Where hand written cheques are issued, the cheques shall not be prepared or signed using pencil or erasable ink type pens.
- c. It is the responsibility of the PD to ensure that:
  - the cheque is not back-dated (i.e. given an earlier date than the date on which it is prepared);
  - the amount and full name of payee of each cheque agrees with the amount and name of payee as shown on the authorized voucher for payment;
  - payment shall be evidenced on the claim voucher by stamping the claim voucher with the word "PAID" and the relevant details of the payment, i.e. cheque number, date, amount paid as per cheque;
  - The counterfoil contains all the details mentioned on the cheque i.e. name of the payee, and amount in figures.
- d. Before a cheque is released to the payee, or personally collected by the payee or his authorized agent, it shall be recorded as 'PAID' in the claim register along with the date it is posted to, or collected by, the payee.

For the purpose of nominating Authorized Agent, the vendor must ensure that following details are provided with the authorization letter:

- Full Name and Fathers name;
- CNIC Number with copy;
- Copy of Employee Card;
- Mobile Number

### ii. Preparation of Payment Voucher

- a. The FAO shall prepare the payment voucher after endorsement from Treasury Department. Sample of Payment Voucher is provided in **Annexure – VI**.
- b. The delegated officer who prepares the cheque shall enter the cheque details in the "Cheque Register".
- c. The cheque shall be sent / handover to the payee.

### iii. Stop payment and replacement cheque

- a. When a cheque needs to be stopped, the FAO, who prepared the cheque shall first determine whether the cheque has been presented and paid by the bank on which the cheque was drawn. If the cheque has not been paid, a stop payment notice shall be lodged promptly with the bank. The bank's written acknowledgement must be obtained in such circumstances.
- b. When payment of a cheque is stopped, the details shall be recorded in the cheque register.
- c. Original returned or cancelled cheque must be crossed in red pen and stapled with its counter folio of cheque book.
- d. If a cheque payment is stopped or cancelled, the FAO shall reverse the original expense entry in the Sub-ledger, and where required, re-establish

the previously raised commitment. Where the stopped or cancelled cheque relates to prior year then the entry shall be reversed.

**iv. Unclaimed and stale cheques**

If a cheque payment is unclaimed or stale, the FAO shall record the details in the cheque register, on the relevant claim voucher and make the required adjustment in the Sub Ledger. This provides an audit trail that enables prompt payment if the money is subsequently claimed.

**v. Daily Advice Note to Bank**

- The FAO, who prepares and dispatches the cheques, shall also prepare a "Daily Advice Note" from the cheque register, once the cheque is signed by the cheque signatory officers and before it is dispatched to the payee. Sample of Daily Advice Note is provided in **Annexure – VII**.
- The Daily Advice Note shall include all cheque payments dispatched on that day.
- The Daily Advice Note shall be sent to the designated bank branch by the officer at the end of that day, to arrive at bank by 9 am next working day.

## 10. Reporting

### 10.1. Income tax and Sales tax

As per Section 165 of Income Tax Ordinance

Statements

- (1) Every person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall, within two months after the end of the financial year or within such further time as the Commissioner may allow by order (Substituted for "notice" by Finance Act, 2003) in writing, furnish to the Commissioner a statement in the prescribed form setting out—
  - a. the name and address of each person from whom tax has been collected under Division II of this Part or Chapter XII or to whom payments have been made from which tax has been deducted under Division III of this Part or Chapter XII in the year;
  - b. the total amount of payments made to a person from which tax has been deducted under Division III of this Part or Chapter XII in the year;
  - c. the total amount of tax collected from a person under Division II of this Part or Chapter XII or deducted from payments made to a person under Division III of this part or Chapter XII in the year; and
  - d. such other particulars as may be prescribed.
- (2) In addition to the annual statement required to be furnished under subsection (1), a person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part or Chapter XII may be required to furnish statements on a monthly, quarterly or six monthly basis as may be prescribed.

### 10.2. Accountant General

- i. In order to record expenditure upon issue of cheques the PD shall ensure that a schedule is submitted to the AG/AGPR on a daily basis in addition to a monthly statement of account. A copy of this schedule shall be sent to NBP on a monthly Basis.
- ii. Each project shall prepare its own financial statements comprising
  - a. Expenditure from RFA
  - b. Direct Payments (Showing in three separate columns for RFA, GoP Assignment Account and third party payments).
- iii. The financial statements should be submitted to USAID as well as external Auditors.
- iv. NBP shall also send copy of Bank Statement on 5th of the following month to SBP which shall be returned duly verified by 10th of the month.
- v. The direct payment by USAID shall be reported as a contra receipt, noted as a third party transaction and reported to AG/AGPR, EAD/and Finance Division/Department.
- vi. Each Project shall prepare its own financial statements comprising expenditure from RFAs and Direct payments.

## 11. Banking

The Project Accounting Procedure has been detailed in Chapter 17 of the APPM. The Controller General of Accounts, Pakistan, with the approval of the Finance Division GoP, has issued detail guidelines for operations and maintenance of project accounts such as Assignment Account for foreign Funding [(Revolving Fund Account (RFA))] and Assignment Account for government financing (counterpart funds).

The procedure for opening and operating of these accounts is given below.

### 11.1. Establishment of Assignment Account (FCY)

Government of Pakistan, guidelines for Operation and Maintenance of Assignment Accounts provide that:

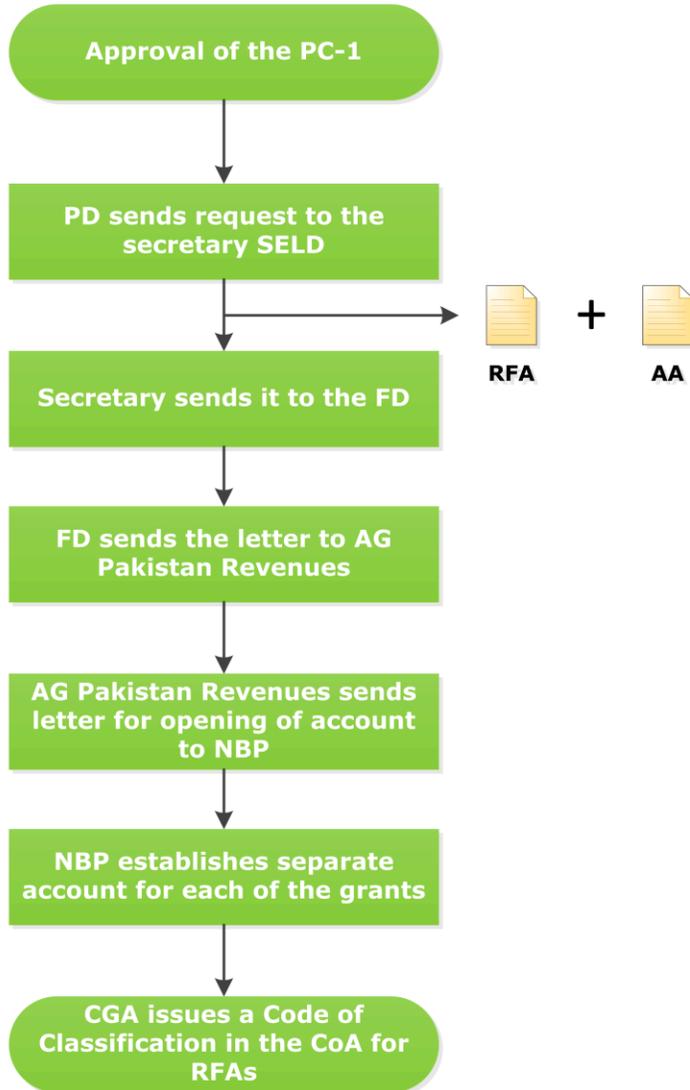
*"The concerned Departments and the project implementation agencies will arrange immediate opening of the Assignment Accounts at an authorized branch of National Bank of Pakistan (NBP) that shall be the designated bank for handling all transactions, for the foreign currency component. A separate account shall be opened for the Government share".*

On the approval of the PC-1, the PD shall follow laid down procedures for establishment of RFA and Assignment Account (AA) for counterpart GoS funding and USAID grant respectively.

- i. The PD sends request to the Principal Accounting Officer/secretary of the department for establishment of RFA and AA along with the approved PC-I;
- ii. The Secretary refers the matter to Finance Department which will forward the request to the Finance Division for concurrence;
- iii. Finance Division sends the letter, on Form – A, to AG Pakistan Revenues, Islamabad; Form–A is given at **Annexure – VIII**;
- iv. AG Pakistan Revenues sends letter, on Form–B for opening of account to NBP; NBP shall open the account only after obtaining necessary permission from exchange policy Department of the State bank of Pakistan, Karachi. Form–B is given at **Annexure – IX**;
- v. Separate account shall be established by the project management at NBP for each of the grants;
- vi. NBP shall open the account only after obtaining necessary permission from exchange policy Department of the State bank of Pakistan, Karachi; and
- vii. The Controller General of Accounts (CGA) will issue a Code of Classification in the Chart of Accounts for RFAs.

Flowchart 8

## ESTABLISHMENT OF ASSIGNMENT ACCOUNT (FCY)



## **11.2. Operation of Assignment Account**

- i. The foreign currency amounts received under the USAID funding for RFA shall be converted into Pak rupees at the SBP Weighted Average Buying Rate of exchange (WABRE) prevailing on the date of transfer of funds by the Donors;
- ii. The payments out of RFA for reimbursement to NBP would be translated notionally at the WABRE prevailing on the date of payments from the RFAs;
- iii. The RFA shall in the books of NBP show all the debits and credits and balances in Pak rupees along with the US Dollar equivalent;
- iv. The funds available to the PMIU would be in Pak rupee;
- v. The USD balances and debits and credits shall be used for reporting to, reimbursement/disbursement from and reconciliation with Donors;
- vi. The reimbursement by NBP shall be claimed from the SBP-BSC on a daily basis. SBP shall ensure that reimbursement is made within two working days;
- vii. The RFA shall be lapsable. The lapsed balance shall however be protected through a budgetary allocation next year;
- viii. In case payment out of the RFA has to be made for eligible expenditures in currency other than USD prevailing conversion rate shall be applied;
- ix. On receipt of credit advice regarding receipt of funds from USAID through SBP Karachi, SBP shall advise the Chief Manager SBP-BSC to credit Pak Rupee equivalent of USD to the RFA under appropriate Debt or grant Head;
- x. The Chief Manager shall by next business day authorize amount in Pak Rupee to be credited to the RFA of the Project;
- xi. The SBP-BSC will also immediately report receipt in Pak Rupee and the equivalent foreign currency to NBP HQ with a copy to;
  - a. the concerned NBP Branch;
  - b. the relevant Project Director, Planning & Development Division/Department, Economic Affairs Division and Finance. Division/Department/AG/AGPR. No accounting entry shall be made at this stage.
- xii. It is the NBP that shall thereafter make the accounting entry in RFA in Pak Rupee and USD under intimation to SBP Karachi, SBP-BSC local office, relevant PD and NBP Head Office;
- xiii. In case of Projects under control of Provincial Governments or Local Governments, Financial and nonfinancial institutions under administrative control of Provincial Governments the SBP will transfer funds to the concerned Provincial Government Account;
- xiv. Budget checks shall be applied by the Provincial Government;
- xv. The payments of Donor funds into the RFA shall be initiated through Withdrawal Applications (WA) signed by the PD with the approval of the Secretary of the department. The assigned identification number of the RFA shall be indicated on the WA. Copies of the WA shall be sent to the concerned EAD, Finance Department, NBP Head office, relevant branch of NBP, SBP Karachi and concerned AG/AGPR office;
- xvi. The Project Management shall submit through SELD, its budget for the following year to be included in the Schedule of Authorized Expenditure;
- xvii. The Project accounts shall be subject to audit by the Auditor-General of Pakistan;

- xviii. Cash payments or funds transfers from SAA to any DDO account or any other account for the sake of onward disbursement is strictly prohibited;
- xix. The consultancy charges to be paid by the Donor shall be paid after verification of services by the Project Director;
- xx. The PD shall reconcile expenditure on account of foreign grants with AG Sindh on monthly basis. In case of non-reconciliation by 21st of the following month AG Sindh may advise the Donor through EAD to take appropriate action as per Donor's Financial Management Guidelines.

### **11.3. Issuance of Cheque Books / reissuance of cheque books**

#### **A. Issuance of Cheque Books**

For Assignment Account (LCY) the cheque book is issued by Accountant General Sindh and for Assignment Account (FCY), the cheque book is issued by NBP. Once the accounts are opened at NBP,

- a. In case of Assignment Account (FCY), NBP sends the cheque book to the PD;
- b. In case of Assignment Account (LCY), the request for cheque book is sent to treasury department for the issuance of cheque book along with the letter of opening of assignment account by the NBP.

#### **B. Reissuance of Cheque Books**

Both cheque books contain Cheque Order Form and the memorandum for the issuance of cheque book in case of SAA and AA respectively.

- The FAO shall ensure that the cheque leaves are sufficient to avoid any delay in payment due to unavailability of cheque leaves;
- The FAO shall inform Manager PM – SS when 30 leaves are left in the cheque book, who shall send the cheque Order Form and the memorandum to the NBP and AG Sindh respectively;
- Authorized person shall be sent to collect the cheque books from Treasury and NBP.

### **11.4. Handling of Cheque Books**

Following are the steps involved in handling of cheque books:

#### **i. Cheque book in-use**

FAO will ensure that only one cheque book will be used at one time for each bank account. Cheques of Assignment Accounts shall contain cost center or Program code and object code which will be recorded by the FAO on all cheques. This code will be used for entry of paid cheques by the AG Sindh on receipt of paid cheques from the NBP.

#### **ii. Cheque Book Register**

Manager FAA will control receipt and issuance of cheque books to the authorized personnel through Cheque Book Register. Sample of Cheque Book Register is provided at **Annexure – X**

#### **iii. Custody of Cheque Book**

FAO will retain all used and unused cheque books under lock and key.

#### **iv. Cheque Dispatch Register**

FAO will record particulars of dispatched cheques in Cheque Dispatch Register  
Sample of Cheque Dispatch Register is provided at **Annexure – XI**.

**v. Undelivered Cheques**

FAO will retain undelivered cheques for a period of thirty days. Afterwards, these will be cancelled and retained in the cheque book.

**vi. Lost Cheque**

Manager FAA will intimate the Bank vide a letter containing particulars of lost cheque to stop payment. A reference is made under the Bank Reconciliation Form for PD to know.

**11.5. Bank Reconciliation**

Following is the procedure for bank reconciliation:

**i. Obtaining Bank Statements**

FAO will obtain Bank statements of Assignment Accounts within one week from the end of month.

**ii. Bank Reconciliation Statement**

Bank Reconciliation Statement will be prepared by FAO for each bank account on **monthly basis within five days** from the month end. Items revealed through preparation of bank reconciliation are dealt with as follows:

Discrepancies are pursued with the bank for resolution.

Un-reconciled credits are reconciled and adjustment is made in the books of accounts accordingly.

Un-presented cheques for more than six months are cancelled and reversal is recorded in the general ledger after taking approval from PD. New cheque is prepared instead of revalidating the old one. Concerned vendor and relevant department are informed.

Lost checks are identified and noted as a footnote.

Sample of Bank Reconciliation Statement is provided at **Annexure – XII**.

**iii. Checking of Bank Reconciliation**

FAO will check Bank Reconciliation Statement and forward it to Manager FAA for approval.

**iv. Acknowledgment of Bank Reconciliation**

Manager FAA will approve the Bank Reconciliation Statement in consultation with the PM SS.

**11.6. Signatory of Cheques**

As per the Guidelines, there would be two signatories for signing the cheques of the PMIU as follows:

- i. Principal Signatory: Program Director
- ii. Other Signatory:
  - DPD or an officer of preferably BS-19;
  - An officer dealing with Finance and Accounts in the project, in case an officer of BS-19 is not available or the PD himself is a BS-19 officer;
  - Any Gazetted officer within the PMIU not less than BS – 17.

## 12. Petty Cash

As per APPM 4.2.10 Use of Petty Cash Account – for all the petty expenditures below the limits set in the Procurement manual.

### 12.1. Establishment of Petty Cash Account

- a. All petty expenditures or procurement shall be made through a petty cash account;
- b. A petty cash book shall be maintained by an official of PMIU authorized by the PD for maintain the petty cash account;
- c. The Finance Section shall draw a cheque in the authorized official of the amount not exceeding Rs. 50,000/- required to replenish the original petty cash limit;
- d. FD, GoS, has fixed the limit of petty cash Account at Rs. 50,000/- via order no. FD-SO (RES-V) 5(137)/2012-13, subject to provisions as laid down the APPM sub Rule 4.2.10.3.

*Note: PD has authorized the Mr. Sarfaraz Ahmed, Admin Assistant, via Office order dated April 16<sup>th</sup>, 2015.*

### 12.2. Expenses out of Petty Cash Account

- a. For the petty procurements, the Procurement Officer shall forward the request to the Admin Assistant from petty cash account along with documents;
- b. The Admin Assistant shall be making procurement from the market as per the request;
- c. The Admin Assistant shall prepare Petty Cash Expense Voucher, for making entries into petty cash book against each account head; he shall mark 'PAID' on each invoice/bill/cash memo to prevent re-use; Sample of Petty Cash Expense Voucher is given at **Annexure – XIII**.
- d. For reimbursement of expense already incurred, the Admin Assistant shall reimburse the amount on the request of person(s) having incurred the expense through "Petty Cash Expense Voucher" signed by the Supervising Officer;

### 12.3. Petty Cash Expenses and Replenishment

Following are the steps to replenish petty cash account:

#### 1. Recording of Petty Cash Expenditure

Assistant Admin shall submit Cash Reimbursement Statement with Petty Cash Expense Vouchers along with the invoices/bills/cash memos to the FAO for replenishment of petty cash account once in a month or when amount of Rs. 25,000/- has been spent, whichever is earlier. Sample of Cash Reimbursement Statement is provided at **Annexure – XIV**.

#### 2. Review and Verification of Expenditure

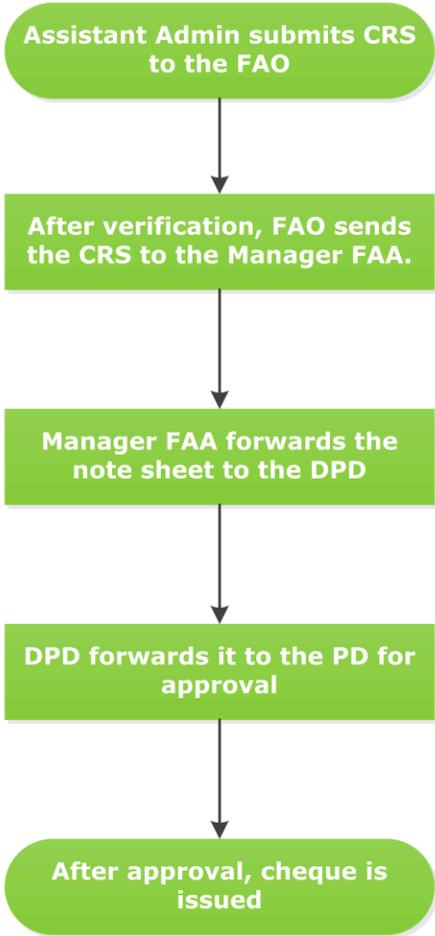
The FAO will scrutinize the Cash Reimbursement Statement and verify each Petty Cash Expense Voucher is supported by original invoice/bill/cash memo.

#### 3. Replenishment

Before issuing cheque for replenishment of petty cash account, the Manager FAA will obtain approval of PD, through DPD, on note sheet. The PD shall sign the cash reimbursement statement and petty cash register.

**Flowchart 9**

**PETTY CASH REPLENISHMENT**



#### **12.4. Revision of Petty Cash Limit**

There is no limit on number of replenishments of petty cash. However, the amount of petty cash may be enhanced to ensure smooth operations.

Following is the procedure for getting the petty cash limit revised:

1. PD may send the request for the revision in petty cash limit to the Secretary SELD, Principal Accounting Officer, with reasons/justifications for increase.
2. The Secretary SELD, after determining the need, shall recommend to the FD, GoS, for the revision of the Petty Cash Limit as per APPM rule no. 4.2.10.3.
3. FD shall be making the final order for the revision in the petty cash limit through Order.

## 13. Annexures

### Annexure – I: Terms of reference of Budget Committee

## Sindh Basic Education Program

Program Management and Implementation Unit



### Draft Notification

**NO.PMIU/----/2017:** the Program Director, Sindh Basic Education Program, is pleased to constitute the Budget Committee (BC) with following composition to perform the functions given below:

1. The DPD chair-person,
2. Program Managers (All),
3. Senior Procurement Specialist,
4. Senior Manager M&E, and
5. Manager Finance, Secretary of the Committee

### Terms of Reference of Budget Committee:

1. Initiating the process of budget on the receipt of Budget Call Circular (BCC) from Finance Department,
2. Arranging required information on the formats provided in BCC for the budget demands;
3. Analyzing and approving the requests received by different sections,
4. Reviewing the procurement rolling plan of the PMIU;
5. Finalizing the Financial Statement for the current year;
6. Deciding the calendar for PMIU on receiving of BCC;
7. Review and approval of quarterly reports;
8. Monitoring of budget through quarterly review of budget;
9. Preparing budget documents of the PMIU for review and approval of PSC.

-sd-

**Annexure – II: Sample Variance Analysis**

**Sindh Basic Education Program**

Program Management and Implementation Unit



<b>Account No</b>	<b>Account Detail</b>	<b>Expense for the month of March</b>	<b>Expense for the month of April</b>	<b>Different in Rs.</b>	<b>Different in %</b>	<b>Reason for Variance</b>

**Preparer Signature:** \_\_\_\_\_

**Reviewer Signature:** \_\_\_\_\_

### Commitment Advice Form

DDO:  Date:

DDO Reference No:

Division/Department:

Purchase Order /  Date of Purchase Order:   
Contract Number

Committed Amount: Rs:

Rupees (in words): \_\_\_\_\_

**Account Code:**

**Entity**

**Object**

**Fund**

**Function**

**Project**

**Supplier/Contractor Details:** \_\_\_\_\_  
(Name & Address) \_\_\_\_\_

**Details of Goods /** \_\_\_\_\_  
**Service under Commitment:** \_\_\_\_\_

**Schedule of Payment:** \_\_\_\_\_

**Prepared by:** \_\_\_\_\_ **Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_ **Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Embossing Seal: 

DAO/AG Use Only

**Certified by:** \_\_\_\_\_ **Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Authorized by:** \_\_\_\_\_ **Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## Annexure – IV: Sample of Indenture Bond

### INDENTURE FOR SECURED ADVANCES.

This INDENTURE made the \_\_\_\_\_ day of \_\_\_\_\_ 197\_\_\_\_\_ "\_\_\_\_\_ BETWEEN (hereinafter called "the \_\_\_\_\_ Contractor" which expression shall where the context so admits or implied be deemed to include his heirs, executors, administrators and assigns) of the one part and THE GOVERNOR OF SINDH (hereinafter called "the Government" of the other part). WHEREAS by an agreement, dated \_\_\_\_\_ (hereinafter called the said agreement, the contractor has agreed to perform the under-mentioned works (hereinafter referred to as the said work) :- (Here enter (the description of the works). AND WHEREAS the contractor has applied to the \_\_\_\_\_ for an advance to him of

Rupees \_\_\_\_\_ (Rs. \_\_\_\_\_) on the security of materials absolutely belonging to him and brought by him to the site of the said works the subject of the said agreement for use in the construction of such of the said works as he has undertaken to execute at rates fixed for the finished work (inclusive of the cost of materials and labor and other charge) AND WHEREAS the Government has agreed to advance to the Contractor the sum of Rupees, (Rs. \_\_\_\_\_) on the security of materials the quantities and other particulars of which are detailed in Part II of Running Account Bill (E). the said works signed by the contractor on \_\_\_\_\_ and on such covenants and conditions as are hereinafter contained and the Government has reserved to itself the option of marking any further advance or advances on the security of other materials brought by the Contractor to the site of the said works. NOW THIS INDENTURE WITNESSETH that in pursuance of the said agreement and in consideration of the sum of Rupees

\_\_\_\_\_ (Rs. \_\_\_\_\_) on or before the execution of these presents paid to the Contractor by the Government (the receipt whereof the Contractor doth hereby acknowledge) and of such further advances (if any) as may be made to him as aforesaid (all of which advances are hereinafter collectively referred to as the said amount) the Contractor doth hereby assign unto the Government the said materials by way of security for the said amount.

And doth hereby covenant and agree with the Government and declare ay follow:-

1. That the said sum of Rupees \_\_\_\_\_ (Rs. \_\_\_\_\_) so advanced by the Government to the Contractor as aforesaid and all or any further sum or sums which may be advanced aa aforesaid shall be employed by the contractor in or towards expending the execution of the said works and for no other purpose whatsoever.
2. That the materials detailed in the said Running Account Bill (B) which have been Fin R Form No. 17-A Offered to and accepted by (he Government as security for the said amount are absolutely by the Contractors own property free from encumbrances of any kind and the Contractor will not make any application for or receive a further advance on the security of materials which are not absolutely his own property and free from encumbrances of any kind and the contractor hereby agrees, at all times, to indemnify and save harmless the Government against all claims whatsoever to any materials in respect of which an advance has been made to him as aforesaid.
3. That the said materials detailed in the said Running Account Bill (B) and all other Materials on the security of which any further advance or advances may hereafter be made as aforesaid (hereinafter called the said materials) shall be used by the Contractor

solely in *the* execution of the said works in accordance with the directions of the Divisional Officer \_\_\_\_\_ (hereinafter called the Divisional Officer) and in the terms of the said agreement.

4. That the Contractor shall make at his own cost all necessary and adequate arrangement for the proper watch, safe custody and protection against all risks of the said material and that until used in construction as aforesaid the said materials shall remain at the site of the said works in the Contractor's custody and at his own risk and on his own responsibility and shall at all times be open to inspection by (he Divisional Officer or any officer authorized by him. In the event of the said materials of any part (hereof being stolen, destroyed or damaged or becoming deteriorated in a greater degree than is due to reasonable use and wear thereof Contractor will forthwith replace the same with other materials of like quality or repair and make good the same as required by the Divisional Officer and the materials so brought to replace the said materials so repaired and made good shall also be considered as security for the said amount.
5. Hurt the said materials shall not on any account be removed from the site of the said works except with the written permission of the Divisional Officer or an officer authorized by him in that behalf.
6. That the said amount shall be payable in full when or before the Contractor receives payment, from the Government of the price payable to him for the said works under the terms and provisions of the said agreement PROVIDED THAT if any intermediate payments are made to the contractor on account of work done then on the occasion of each such payment the Government will be at liberty to make a recovery from the Contractors Bill for such payment by deducting there from in the value of the said materials (hen actually used in the construction and in respect of which recovery has not been made previously the value for this purpose being determined in respect of each description of material at (he rates at which the amount of the advances made under these presents were calculated.
7. That if the Contractor shall at any time make any default in the performance or observation in any respect of any of the terms and provisions of the said agreement or of these presents the total amount of the advance or advances that may still be owing to the Government shall immediately on the happening of such default be repayable by the Contractor to the Government together with interest thereon at twelve percent per annum from the date or respective dates of such advance or advances to the date or repayment and with all costs, charges, damages and expenses incurred by the Government in or for the recovery thereof or the enforcement of this security or otherwise by reason of (the default of the Contractor and any moneys so becoming due and payable shall constitute a debt due from the Contractor to the Government and the Contractor hereby covenants and agrees with the Government to repay and the same respectively to it accordingly.
8. That the Contractor hereby charges all the said materials with the repayment to the Government of the said sum of Rupees \_\_\_\_\_ (Rs. \_\_\_\_\_ ) and any further sum or sums which may be advanced as aforesaid and al l costs charges damages and expenses payable under these present PROVIDED ALWAYS and it is hereby agreed and declared that notwithstanding anything in the said agreement and without prejudice to the powers contained therein if and whether the covenant for payment and repayment hereinbefore contained shall become enforceable and the money owing shall not be paid to accordingly.

Once there with the Government may at any time thereafter adopt all or any of following courses as it may deem best ;-

- a. Seize and utilize the said materials or any part thereof in the completion of the said works on behalf of the Contractor in accordance with the provisions in that behalf contained in the said agreement debiting the Contractor with the actual cost of effecting such completion the amount due in respect of advances under these presents and crediting the Contractor with the value of work done as he had carried it out in accordance with the said agreement and at the rates thereby provided. If the balance is against the Contractor he is to pay the same to the Government on demand.
  - b. Remove and sell by public auction the seized materials or any part thereof and out of the moneys arising from the sale retain all the sums aforesaid repayable to the Government under these present and pay over the surplus (if any) to the Contractor.
  - c. Deduct all or any part of the money owing out of the security deposit or any sum due to the Contractor under the agreement.
9. That except as is expressly provided by the presents interest on the said advance shall not be payable.
10. That in the event of any conflict between the provisions of these presents and the said agreement the provisions of these presents shall prevail and in the event of any dispute or difference arising over the construction or effect of these presents the settlement of which has not been hereinbefore expressly provided for the same shall be referred to the Superintending Engineer Circle whose decision shall be final and the provisions of the Indian Arbitration Act for the time being in force so far as they are applicable shall apply to any such reference. In witnesses whereof the\* \_\_\_\_\_ on behalf of the Governor of Sindh and the said \_\_\_\_\_ have hereunto set their respective hands and seals the day and first above written.

Signed, sealed and delivered by\* In the presence of

**Annexure – V: Income Tax Deductions provision (Rates given are for the Tax year 2019)**

Section	Provision of the Section	Tax Rate	Who will deduct/ Collect/ Agent	From whom	When	Time of deposit	Taxation Status
149 Tax on Salary Income	<p>Every person responsible for paying Salary to an employee shall deduct tax from the amount paid</p> <p>1. Where the taxable income does not exceed Rs, 400,000.</p> <p>2. Where the taxable income exceeds Rs, 400,000 but does not exceed Rs, 800,000.</p> <p>3. Where the taxable income exceeds Rs, 800,000 but does not exceed Rs, 1,200,000.</p> <p>4. Where the taxable income exceeds Rs, 1,200,000 but does not exceed Rs, 2,500,000.</p> <p>5. Where the taxable income exceeds Rs, 2,500,000 but does not exceed Rs, 4,000,000.</p> <p>6. Where the taxable income exceeds Rs, 4,000,000 but does not exceed Rs, 8,000,000.</p>	<p>0%</p> <p>Rs. 1,000/-</p> <p>Rs. 2,000/-</p> <p>5% of the amount exceeding Rs, 1,200,000.</p> <p>Rs, 65,000/- + 15% of the amount exceeding Rs. 2,500,000.</p> <p>Rs. 290,000/- + 20% of the amount exceeding Rs. 4,000,000.</p>	Person responsible for paying salary to the employee	Employee	At the time the <b>salary</b> is actually paid	<p>In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a).</p> <p>In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)</p>	Adjustable

Section	Provision of the Section	Tax Rate	Who will deduct/ Collect/ Agent	From whom	When	Time of deposit	Taxation Status
	7. Where the taxable income exceeds Rs, 8,000,000.	Rs. 1,090,000/- + 25% of the amount exceeding Rs. 4,800,000.  [Provided that where the taxable income exceeds Rs. 800,000/- the minimum tax payable shall be Rs.2,000/-]					
152 (2A)	Every Prescribed person making payment to a Permanent Establishment of Non- Resident. For:  (a) Sale of goods  (i) in case of a company : Filer: 4% Non-filer: 7%  (ii) Other than company cases: Filer: 4.5% Non-filer: 7.75%  (b) Rendering /providing of services. in the case of Transport service. (i) in case of a company : Filer: 8% Non-filer 14%		Every prescribed person	Non-Resident	At the time amount is paid	In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a).  In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)	Minimum for S.152(2A)(b) and the provisions of sub clauses (i), (ii) and (iii) of clause (b) of sub section (3) and subsection (4A) of section 153 shall mutatis mutandis apply [152(2B)]



Section	Provision of the Section	Tax Rate	Who will deduct/ Collect/ Agent	From whom	When	Time of deposit	Taxation Status
	Filer Non-filer	4.5% 9%					
		Goods: No deduction of tax where payment is less than Rs. 75,000/- in aggregate during a financial year [S.153(1)(a)]					
153 (1)(b)	Transport services:  All others:  (i) In the case of Companies  Filers Non-filers  (ii) In all other than Company Taxpayers  Filers Non-filers  (iii) Person making payment to Electronic & Print Media for advertising services  Filer Non-filer Non-filer other than company	2%    8% 14.5%   10% 17.5%  1.5% 12% 15%	Prescribed Person	Resident Person; Resident Person; and Permanent Establishment in Pakistan of a Non-Resident	At the time the amount is actually paid	In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)	Minimum Tax  Except tax deducted on payment for advertising services to electronic and print media which will be Final tax

Section	Provision of the Section	Tax Rate	Who will deduct/ Collect/ Agent	From whom	When	Time of deposit	Taxation Status
		Services : No deduction of tax where payment is less than Rs. 30,000/- in aggregate during a financial year [S.153(1)(b)]					
153 (1)(c)	Execution of Contracts i) In case of sportsperson ii) In the case of Companies : Filers Non-filers iii) In the case of other than companies Taxpayers Filers Non-filers	10% 7% 14% 7.5% 15%	Prescribed Person	Resident Person; Resident Person; and Permanent Establishment in Pakistan of a Non-Resident	At the time the amount is actually paid	In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)	Final Tax except payments received on account of execution of contracts by Public Company listed on registered Stock Exchange in Pakistan
155 Income from Property	Any payment made on account of rent of immovable property (A) In case of individual or AOP Where the gross amount of rent does not exceed Rs, 200,000	Nil	Every Prescribed Persons as per Section 155 of Income Tax	Recipient of <b>rent</b> of immovable property	At the time the <b>rent</b> is actually paid	In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each	Adjustable

Section	Provision of the Section	Tax Rate	Who will deduct/ Collect/ Agent	From whom	When	Time of deposit	Taxation Status
	Where the gross amount of rent exceeds Rs, 200,000 but does not exceed Rs, 600,000	5% of the gross amount exceeding Rs, 200,000	Ordinance, 2001			week ending on every Sunday. Rule 43(b)	
	Where the gross amount of rent exceeds Rs, 600,000 but does not exceed Rs, 1,000,000	Rs, 20,000 +10% of the gross amount exceeding Rs, 600,000					
	Where the gross amount of rent exceeds Rs, 1,000,000 but does not exceed Rs, 2,000,000	Rs,60,000+15% of the gross amount exceeding Rs, 1,000,000					
	Where the gross amount of rent exceeds Rs, 2,000,000	Rs, 210,000 +20% of the gross amount exceeding Rs, 2,000,000					
	B) in case of company						
		Filer 15% Non-Filer 17.5%					

## Annexure – VI: Sample Payment Voucher



**Sindh Basic Education Program**  
(Program Management & Implementation Unit)  
School Education Department  
Government of Sindh  
Phone: 021-35296931, Fax: 021-35296935

Sanctioned Order No.:

Cheque No.

Karachi, dated:



### Payment Voucher

**Subject:**

Payee To:

The office has incurred expenses on account of XYZ of Rs:

Approval for the gross amount of Rs - (Rupees in words) may kindly be accorded to issue cheque of net amount is Rs. 0000/- in favor of M/s N & F Enterprises

The Federal Board of Revenue income tax on Services has been withheld is Rs. XXXX which is xyz% of the gross amount. The Sindh Revenue Board Sales tax on services has been withheld is Rs. 0000/- which is xyz% of the gross amount. The sub-head wise detail of the budgetary allocation during the current financial year 2018-2019 is given hereunder:

Object Code	Account Head	Available Balance	Bill Amount	Remaining Balance
1	2	3	4	5
<b>Others</b>				

Total Amount of Cheque will be (Rupees In words) 0000

Draft "Sanction Order" is enclosed

1. Prepared by FAO-1
2. Reviewed by FAO-2
3. Program Manager SS
4. Deputy Program Director.
5. Program Director Sanctioned gross amount Rs.000, (Rupees in words)
6. FAO Cheque may kindly be signed.
7. Program Director: Cheque No: XYZ Signed. May be co-signed.
8. Deputy program Director: Cheque No: \_\_\_\_\_ co-signed, may be issued.
9. Finance & Accounts Officer.

**Annexure – VII: Daily Advice Note to Bank**



**Sindh Basic Education Program**

(Program Management & Implementation Unit)  
 School Education Department  
 Government of Sindh  
 Phone: 021-35296931, Fax: 021-35296935  
 Karachi, dated: \_\_\_\_\_

**To,**  
 The Treasury Officer,  
 Government of Sindh, Karachi.  
 The Manager (Operations),  
 National Bank of Pakistan,  
 Income Tax Building Branch, Karachi.

**Subject: Schedule of Assignment Account Cheques**

**Name of Program & Principal Signatory:** USAID-Sindh Basic Education Program  
**Principal Signatory :** \_\_\_\_\_, (Program Director)  
**Co-Signatory:** \_\_\_\_\_, (Deputy Program Director)  
**Assignment A/C Name and No:** USAID-Sindh Basic Education Program, LCY, 1272-1  
**Cost Center** \_\_\_\_\_  
**Project Description** USAID-Sindh Basic Education Program SBEP, PMIU Government of Sindh is a program to construct / re-construct of schools in 7 Districts of Sindh & 5 selected towns of Karachi.  
**Project Code** \_\_\_\_\_  
**Sub-Detailed Function:** \_\_\_\_\_

S No	Cheque No	Date of Cheque	Payee Name	Amount (Rs.)	Object Codes
1	Xxxx	Xxxx	_____	Xxxx	Xxxx
			Total Amount	Xxxx	

Certificate: It is certified that money being drawn through above cheque(s) is required for immediate disbursement and will not be kept in any bank account.

**Deputy Program Director**

**Program Director**

**Annexure – VIII: Form – A**

**(Sanction for opening of Assignment Account)**

Ministry of -----  
-----

No. -----

Islamabad, the -----, 200x

From : -----,  
-----  
Islamabad.

To : The Accountant General  
Pakistan Revenues,  
Islamabad.

Subject: - OPENING OF LAPSABLE ASSIGNMENT ACCOUNT IN PAK RUPEE TITLED "-----  
-----  
-----  
-----".

Dear Sir,

I am directed to convey the sanction of the President for opening of Lapsable Assignment Account in Local Currency for ----- titled "-----  
-----  
-----" at National Bank of Pakistan (NBP) ----- --Branch, -----.

The above account will be operated jointly by Mr. ----- and  
Mr. ----- whose specimen signatures duly attested are attached  
herewith in triplicate.

It is therefore, requested that necessary authority may kindly be issued to NBP  
for the opening of Lapsable Assignment Account at National Bank of Pakistan (NBP) -----  
Branch -----.

The above account will be operated /maintained in accordance with the approved  
revised procedure circulated by the CGA vide No. ----- dated ---  
-----.

The funds in the assignment account will be provided through sanctioned  
Current/Development budget grant.

Government of Pakistan  
Finance Division  
(BR Wing)

No. -----

Islamabad, the -----, 200x.

Forwarded to Accountant General Pakistan Revenues, Islamabad for further necessary action.

Name -----

Designation -----

Tele -----

Copy forwarded for information to:

1. The Federal Treasury Office, Islamabad.
2. The Deputy Financial Adviser -----Division, Islamabad.
3. The Director General Audit, Federal Government, F-8, Islamabad.
4. Project authority.

A.O (T.M Section) AGPR,  
Islamabad.

**Annexure – IX: Form – B**

(Authority to NBP for opening of Assignment Account)

OFFICE OF THE  
ACCOUNTANT GENERAL PAKISTAN REVENUES  
G-8/4 ISLAMABAD

No. -----

Dated: -----, 200x

To

Manager  
National Bank of Pakistan  
-----.

Subject: - OPENING OF LAPSABLE ASSIGNMENT ACCOUNT IN PAK RUPEE TITLED "-----  
-----"  
-----".

In pursuance of ----- Division, Islamabad letter No.-----  
-----, dated ----- bearing Finance Division Budget Wing endorsement  
No.-----, dated -----, you are hereby authorized to open a  
lapsable Assignment Account with the above title in the National Bank of Pakistan, -----  
Branch at -----.

2. The account shall be subject to the conditions annexed to this authority.
3. Specimen signatures of the officers authorized to operate the Account Jointly by Mr. --  
----- and Mr. ----- are enclosed.

Encl: As above

(-----)  
Assistant Accountant General/Accounts Officer  
Tele: -----

Copy to:

1. The director General Audit, federal Audit, Islamabad.
2. Project Authority
3. Mr. -----, DS (BR-II), Finance Division, Islamabad.
4. The branch officer, Special Seal Authority, etc., Local.

(-----)  
Assistant Accountant General/Accounts  
Officer

OFFICE OF THE  
ACCOUNTANT GENERAL PAKISTAN REVENUE  
G-8/4, ISLAMABAD.

No.

Conditions for Opening of Lapsable Assignment Account, in Pak Rupees, for Titled "-----  
-----".

1. The revised procedure of assignment account circulated vide No. -----  
----- dated ----- will be followed.
2. The account will be operated jointly by following two officers:
  - a. Mr. -----
  - b. Mr. -----.
3. The above account shall be lapsable at the end of each financial year.
4. Regular accounts of the expenditure out of this Assignment Account will be auditable by the Auditor General of Pakistan.
5. The above terms are subject to modification from time to time for better financial discipline.

Name -----

Assistant Accountant General/Accounts Officer

Tele: -----

**Annexure – X: Sample of Cheque Book Register**

**Sindh Basic Education Program**

Program Management and Implementation Unit



Cost Centre: \_\_\_\_\_  
ADP Number: \_\_\_\_\_  
Assignment Account Number: \_\_\_\_\_  
Utilization of Cheque Book Serial Number: \_\_\_\_\_

S.NO	Cheque Number	Date of Cheque	Payee Name	Amount	Head of Account	Remarks

Prepared by FAO

Checked by FAO-1

Reviewed by DPD (Co-Signatory)

Approved by PD (Principal - Signatory)



**Annexure – XII: Sample of Bank Reconciliation Statement**

**USAID SBEP  
Reconciliation Detail**  
**(Account Number) – USAID-SBEP (FCY), Period Ending \_\_\_\_\_**

<b>Type</b>	<b>Date</b>	<b>Number</b>	<b>Name</b>	<b>Clr</b>	<b>Amount</b>	<b>Balance</b>
<b>Beginning Balance</b>						
Cleared Transaction						
<i>Cheque and Payment</i>						
-----						
-----						
<i>Deposits and Credits</i>						
-----						
-----						
Uncleared transactions						
<i>Cheques and Payments</i>						
-----						
-----						
Register balance						
<b>Ending Balance</b>						

**FAO**  
Prepared by

**FAO**  
Checked by

**PM-SS**  
Reviewed by

**Deputy Program Director**  
Reviewed by

**Program Director**  
Approved by

**USAID SBEP  
Reconciliation Summary**  
**(Account Number) – USAID-SBEP (FCY), Period Ending \_\_\_\_\_**

	(Month/Year)	
<b>Beginning Balance</b>		
Cleared Transaction		
<i>Cheque and Payment</i>		
<i>Deposits and Credits</i>		
Total Cleared transactions		
Cleared Balance		
Uncleared Transactions		
Cheques and payments		
Total uncleared transactions		
Register balance as on _____		
Ending Balance		

**FAO**  
Prepared by

**FAO**  
Checked by

**PM-SS**  
Reviewed by

**Deputy Program Director**  
Reviewed by

**Program Director**  
Approved by

**Annexure – XIII: Sample of Petty Cash Expense Voucher**



**Sindh Basic Education Program**

(Program Management & Implementation Unit)

School Education Department  
Government of Sindh

Phone: 021-35296931, Fax: 021-35296935

Sanctioned Order No. \_\_\_\_\_

Cheque No.: \_\_\_\_\_

Karachi, dated: \_\_\_\_\_



**NOTE SHEET**

**Subject:**

**Payee To:**

**Description of expenses and total amount spent in rupees**

Object Code	Account Head	Available Balance	Bill Amount	Remaining Balance
1	2	3	4	5

Total Amount of Cheque will be "Rupees in words"      0000

Draft "Sanction Order" is enclosed

- 1: Prepared by FAO-1
- 2: Reviewed by FAO-2
- 3: Program Manager SS
- 4: Deputy Program Director.
- 5: Program Director Sanctioned gross amount Rs. 0000, (Rupees in words)
- 6: FAO Cheque may kindly be signed.
- 7: Program Director: Cheque No: XYZ Signed. May be co-signed.
- 8: Deputy program Director: Cheque No: XYZ Co-signed, may be issued.
- 9: Finance & Accounts Officer

**Annexure – XIV: Sample Cash Reimbursement Statement**



**Sindh Basic Education Program**

Program Management and Implementation Unit

**Date:**

**Month:**

Sr. No.	Description	Amount (Rs.)																								
A.	Opening Balance (Cash balance on Previous day)	XXX																								
B.	Cash Received to																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: black; color: white;">Cheque No.</th> <th style="background-color: black; color: white;">Voucher No.</th> <th style="background-color: black; color: white;">Amount</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>	Cheque No.	Voucher No.	Amount										XXX												
Cheque No.	Voucher No.	Amount																								
C.	A+B	XXX																								
D.	Less: Cash Payments																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: black; color: white;">Head</th> <th style="background-color: black; color: white;">Amount (Rs.)</th> </tr> </thead> <tbody> <tr><td>Entertainment &amp; Gifts</td><td>XXX</td></tr> <tr><td>Water</td><td>XXX</td></tr> <tr><td>Other Occupancy</td><td>XXX</td></tr> <tr><td>Conveyance Allowance</td><td>XXX</td></tr> <tr><td>Stationary</td><td>XXX</td></tr> <tr><td>Transport Repair</td><td>XXX</td></tr> <tr><td>Others A03970</td><td>XXX</td></tr> <tr><td>Gas Bills</td><td>XXX</td></tr> <tr><td>R/M Furniture</td><td>XXX</td></tr> <tr><td>Training &amp; Workshop A03801</td><td>XXX</td></tr> <tr><td>Hardware Purchase A09201</td><td>XXX</td></tr> </tbody> </table>	Head	Amount (Rs.)	Entertainment & Gifts	XXX	Water	XXX	Other Occupancy	XXX	Conveyance Allowance	XXX	Stationary	XXX	Transport Repair	XXX	Others A03970	XXX	Gas Bills	XXX	R/M Furniture	XXX	Training & Workshop A03801	XXX	Hardware Purchase A09201	XXX	
Head	Amount (Rs.)																									
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Stationary	XXX																									
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Others A03970	XXX																									
Gas Bills	XXX																									
R/M Furniture	XXX																									
Training & Workshop A03801	XXX																									
Hardware Purchase A09201	XXX																									

	Electronic Communication	XXX	
	Total	XXX	
			XXX
E.	Cash In hand	C-D	XXX

**Prepared by:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Verified by:** \_\_\_\_\_

**Date:** \_\_\_\_\_