



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Financial System of District Education
and Health Authorities (Application)**

**Treasury
May Exam-2026**

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- Q.1.** Municipal Corporations and District Councils differ primarily in their jurisdiction: Municipal Corporations manage large, urban, or metropolitan cities, focusing on infrastructure and urban services (e.g., water, sanitation). District Councils operate in rural or semi-urban areas at a district level, focusing on broader administrative services, rural infrastructure, and planning across multiple local areas.

Municipal Corporation

Area: Large cities/metropolitan areas.

Focus: Urban services, planning, sanitation, and infrastructure.

Key Officials: Mayor and Municipal Commissioner.

Structure: More autonomy, complex, often divided into wards.

Examples: Karachi Metropolitan Corporation.

District Council

Area: Rural areas, smaller towns, and multiple local units within a district.

Focus: Rural development, education, roads, and welfare.

Key Officials: District Council Chairman/Nazim.

Structure: Generally covers a larger, less densely populated area.

Examples: District Councils (e.g., in Sindh, Pakistan).

Key Difference: Municipal Corporations (urban) are designed for dense cities, whereas District Councils (rural/regional) handle broader, often rural, administrative responsibilities.

Governance: Municipalities may be divided into smaller Town Committees (pop. <50,000) or Municipal Committees (pop. 50,000–300,000).

Services: Both handle local infrastructure, but corporations deal with high-density needs (e.g., flyovers, skyscrapers), while councils focus on broader district-wide development.

Q.2. Recommendations:

1. A tender for work “Rehabilitation of Drainage system of Layyah city amounting to Rs. 15,000,000 was called by the Municipal Council and opened on 15.1.2026
2. Three firms participated in tender. And quoted their rates. The
3. The comparative statement of their rates is as following
 - a. M/s XYX Rs. 15,500,000
 - b. M/s ABC Rs. 16,500,000
 - c. M/s ARY Rs. 17,500,000
4. The scrutiny of Comparative statement showed that M/s M/s XYX has quoted the lowest rates.
5. The rates of lowest bidder are within the in the permissible limit of estimated cost.
6. Keeping in view the high inflation in the economy and depreciation of Pakistan currency versus US dollar, the rates are reasonable and recommended for approval, please.

- Sd-

Member Tender Committee -1

- Sd-

Member Tender Committee

-2

Chairman Tender Committee



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- Q.3.** Re-appropriation is the transfer of funds by a competent authority from one unit of appropriation (head of account) to another within the same grant, used to cover anticipated excesses in one area with savings from another. It is a budgetary mechanism allowing departments to reallocate resources to meet changing needs without requiring additional, new parliamentary approval.

Principal Accounting Officers (PAOs) frequently make re-appropriations in the later part of the financial year (specifically, often around May and June) for several reasons:

Finalization of Actual Expenditure: Towards the end of the fiscal year (ending June 30th), PAOs have a clear picture of which accounts have unutilized funds ("savings") and which have exceeded their allocation ("shortfall").

Preventing Lapses of Funds: Funds that are not utilized or re-appropriated by the end of the fiscal year will lapse. PAOs move these funds to areas where they can be spent to maximize budget utilization.

Meeting Inevitable Payments: Large, unavoidable payments that mature in June, such as final bills for projects or contractual obligations, require quick realignment of funds to avoid default.

Adjustment of Excess Expenditure: To correct technical discrepancies or overspending in specific cost centers (e.g., in Employee Related Expenses) by shifting funds from areas with lower consumption, such as non-essential operating expenses.

Key Regulations and Constraints:

Cut-off Dates: While common in the final months, regulations often discourage or set deadlines (e.g., 31st May in Pakistan) to prevent last-minute, hasty, or "irregular" re-appropriations.

Restrictions: Re-appropriation cannot be made from "unreleased" budgets, and in many jurisdictions, funds cannot be moved *from* Employee Related Expenses (ERE) to non-ERE heads.

Competent Authority: These changes must be approved by the designated competent authority (often the Finance Division or authorized PAOs) to ensure compliance with Public Finance Management (PFM) laws.

- Q.4.** Approval of the budget of a district council is considered an "uphill task" due to a combination of intense political conflict, severe financial constraints, and complex bureaucratic procedures. It is rarely a smooth administrative process and is often marked by conflict, delays, and last-minute negotiations.

Here is a breakdown of why this process is challenging:



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1. Political Conflicts and Power Struggles

Opposition Resistance: Opposition members in the council frequently create, cause, or threaten to disrupt sessions if their demands for funds are not met, leading to uproars and delays in approval.

"Uneven" Distribution Concerns: Opposition members often allege that development funds are allocated unfairly, favoring ruling party members' constituencies over others.

Inter-party Rivalries: The council is often composed of members from different political backgrounds who struggle to reach a consensus on development priorities.

2. Acute Financial Constraints

Heavy Dependence on Provincial Transfers: District councils often lack their own, robust sources of income and rely on Provincial Finance Commission (PFC) awards. Delays or uncertainty in these transfers cripple the ability to plan.

High Current Expenditure (Salaries/Pensions): A significant portion of the budget is absorbed by salaries, pensions, and administrative costs, leaving little for developmental projects.

Unfunded Liabilities: Often, the budget cannot cover all the developmental needs of the district, leading to competition for limited resources.

3. Administrative and Technical Hurdles

Strict Timeframe Limitations: Budgetary grants are valid for one financial year. If not approved on time, unutilized funds lapse, making the timely approval of the budget stressful.

Complex Procedures: The process involves detailed scrutiny of receipts and expenditures based on rigid rules (e.g., Punjab Local Government Budget Rules, 2017).

Lack of Capacity: District offices often lack the technical staff needed for accurate forecasting, resulting in budget underestimation or overestimation, which is considered a serious irregularity.

4. Structural and Institutional Issues

Subordination to Provincial Government: Local governments are often treated as subordinate to provincial bureaucracies rather than autonomous bodies, allowing provinces to dissolve councils or appoint administrators, which disrupts continuity.

Lack of Transparency: There is often a lack of active participation from stakeholders, and the process can be seen as a "ritual" rather than a meaningful, transparent discussion.

Summary: The combination of limited funds, political polarization, and tight deadlines makes the district budget approval process a high-stakes, contentious, and challenging endeavor.



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Q.5. Surrender from Grant No. 2 for Re-appropriation to Grant No. 1

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S.No	Heads of A/c	Allocation for the year 2025-26	Expenditure up March/2026	Surrender for Grant No.1	Final Allocation after surrender
1	Purchase of Machinery & Equipment	30,000,000	20,000,000	2,400,000	27,600,000
2	Purchase of Tools & Plants	25,000,000	17,500,000	1,200,000	23,800,000
3	Utilities	50,000,000	35,800,000	666,667	49,333,333
4	POL	30,000,000	21,500,000	533,000	29,467,000
5	Others	30,000,000	19,900,000	400,000	29,600,000
		165,000,000	114,700,000	5,199,667	159,800,333
			Total Surrender (Rounded)	5,200,000	

S.No	Heads of A/c	Allocation for the year 2025-26	Expenditure up March/2026	Further additions from Grant No.2	Final Budget for 2025-26
1	Pay of Officers	100,000,000	76,800,000	2,400,000	102,400,000
2	Allowances of Officers	10,000,000	8,400,000	1,200,000	11,200,000
3	Pay of Staff	50,000,000	38,000,000	666,667	50,666,667
4	Allowances of Staff	50,000,000	37,900,000	533,333	50,533,333
5	Adhoc Pay	30,000,000	22,800,000	400,000	30,400,000
		240,000,000	183,900,000	5,200,000	245,200,000

Q.6.

S.No	Heads of A/c	Allocation for the year 2025-26	Expenditure up Feb/2026	Revised Budget 2025-26	Budget for 2026-27
1	Pay of Officers	100,000,000	90,000,000	135,000,000	162,000,000
2	Allowances of Officers	60,000,000	54,000,000	81,000,000	97,200,000
3	Pay of Staff	70,00,000	60,000,000	90,000,000	108,000,000
4	Allowances of Staff	40,000,000	35,000,000	52,500,000	63,000,000
5	Adhoc Pay	20,000,000	10,000,000	15,000,000	18,000,000



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6	Purchase of Machinery & Equipment	50,000,000	20,000,000	30,000,000	34,500,000
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7	Purchase of Furniture	20,000,000	15,000,000	22,500,000	25,875,000
8	Utilities	30,000,000	20,000,000	30,000,000	34,500,000
9	POL	10,000,000	7,000,000	10,500,000	12,075,000
10	Others	5,000,000	10,000,000	15,000,000	17,250,000
	Total	405,000,000	321,000,000	481,500,000	572,400,000

Q.7. AUDIT PARA	Departmental Reply
During the Audit scrutiny of accounts records of the District Education Authority, Rahimyar Khan for the year 2024-25, it was noticed that a lot of Dead stock material is in use of Authority. But since many years, its physical verification has not been conducted by the controlling officers since many years. As per rules the physical verification of dead-stock material is required to be conducted annually and controlling officer has to record a certificate thereof about accuracy of the material. Due to non-conduct of physical verification of Dead -stock, the pilferage or shortage of material cannot be ruled out.	Due to busy schedule of CEO District Education Authority, Rahimyar, the physical verification remained pending. It has been conducted on 1.5.2026 and all the material was found accurate and requisite certificate was recorded. Audit is requested to verify the record and settle the para. - Sd- GHY (Finance) Accounts Officer
