



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Punjab Local Government Act
and Rules Framed There under
(Updated) (Application)**

LFA

May Exam-2026

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Q.1. Based on the Punjab Local Government Act (PLGA) 2022 and the proposed 2025 Act, the local government system in Punjab aims to establish an empowered, elected third tier of government that ensures the devolution of power to the grassroots level.

Here are the key aims and objectives:

Core Aims

Devolution of Power: To transfer political, administrative, and financial responsibility and authority to elected representatives at the local level as per Article 140A of the Constitution.

Good Governance & Service Delivery: To promote good governance and ensure the effective and efficient delivery of municipal services to the public.

Local Ownership: To encourage community participation in decision-making, planning, and development to foster ownership of local projects.

Transparency & Accountability: To ensure transparent decision-making and fiscal responsibility in managing public funds.

Specific Objectives

Municipal Service Provision: To provide, manage, and maintain essential services including, but not limited to, solid waste management, sewage, water supply, and street lighting.

Urban Planning & Development: To control land use, zoning, and enforce building codes according to approved master plans, as well as undertaking urban renewal programs.

Socio-Economic Development: To initiate local development schemes, enhance public spaces, and boost economic growth within the local area.

Community Safety & Health: To ensure a clean and green environment, manage public graveyards, and promote public health through sanitation.

Conflict Resolution: To provide mechanisms for community-based dispute resolution, particularly through Village/Neighborhood Councils.

Functional Focus Areas

Capacity Building: To strengthen the financial and institutional capacity of local bodies for better performance.

Inclusivity: To ensure proper representation of all segments of society, including women, youth, and minorities.

Digitization: To improve record-keeping and service delivery through modern, digitized, and accessible systems.

Under the current legal framework, local governments in Punjab are meant to operate autonomously within the provincial framework, focusing on addressing local needs, such as managing cattle markets, public transport terminals, and local infrastructure.

Q.2 In Punjab, Pakistan, if a local government (such as a Union Council, Municipal Committee, or District Council) has a grievance—particularly relating to fiscal transfers, the Punjab Finance Commission (PFC) acts as the redressal authority.

According to the **Punjab Local Governments (Fiscal Transfers) Rules**, the process for removing such grievances is as follows:



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Submission of Grievance: The aggrieved local government must submit a formal reference (complaint) to the **Secretary of the Punjab Finance Commission**.

Grounds for Complaint: The petition must outline the specific grounds of the grievance, which usually relate to matters connected with fiscal transfers, delays in funds, or unfair distribution of resources by the Government.

Action by the Commission: The Commission will review the petition and take appropriate action to address the grievance.

Time Frame: The Commission is expected to consider and decide on the matter within **90 days** of receiving the complaint.

Finality of Decision: The decision taken by the PFC regarding the grievance is considered final.

Additionally, the **Punjab Local Government Act 2022** allows the PFC to intervene if a local government imposes unfair or excessive taxes that are injurious to the public interest, by ordering the local government to remove the objection.

- Q.3.** Budget preparation in Punjab District Authorities (Health/Education) follows a structured, annual, bottom-up process, beginning with a Budget Call Circular from the Provincial Finance Department in January. It involves estimating current (operational) and development expenditures, reviewed by Drawing and Disbursing Officers (DDOs) and submitted for approval by the District Authority before the fiscal year.

Key Aspects of Budget Preparation:

Timeline: The process initiates in January with a budget call letter sent to district administrations.

Components: The budget is divided into two main categories:

Current/Non-Development Budget: Covers employee salaries, pensions, utilities, and daily operations.

Development Budget: Covers new construction, projects, and infrastructure development.

Key Actors:

Drawing and Disbursing Officers (DDOs): Prepare expenditure estimates for their respective units.

District Authority: Specifically refers to District Health Authorities or District Education Authorities.

Chairman: Recommends the budget for approval to the local government/authority.

Process Steps:

Preparation: DDOs prepare estimates based on previous year's expenditures and future needs.

- **Approval:** The proposed budget is presented to the authority for approval.
- **Revision:** A revised budget may be prepared and approved by the end of March if necessary.

The finalized budget must be aligned with provincial priorities for health, education, and infrastructure.

- Q.4.** Preparing a development scheme worth Rs. 200 million (2 Crore) PKR in the Punjab Local Government involves a structured process focused on technical, financial, and administrative viability. For a project of this size, the primary mechanism for approval is the **PC-I (Planning Commission Proforma-I)**, which must be approved by the relevant local development committee. Here is the step-by-step procedure based on Punjab's planning guidelines:



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1. Conceptualization and Preliminary Planning

Need Assessment: Identify the project (e.g., water supply, road improvement, sanitation) and ensure it aligns with the community's needs and the Local Government's development priorities.

Site Selection & Land Feasibility: Ensure the land is available and compliant with the **District Land Use and Zoning Plans**.

Concept Paper: Prepare a brief concept outlining the objective, cost, and expected benefits.

2. Preparation of PC-I Form (Technical & Financial)

Download PC-I Proforma: Use the standard **PC-I form for Infrastructure Sector**.

Key Components to Include:

Project Title & Location: Clear description and map of the site.

Project Justification: Clearly outline why the project is needed and how it benefits the public.

Technical Parameters: Technical specifications, design features, and detailed cost estimates.

Cost Estimation (Bill of Quantities - BOQ): Use the current **Composite Schedule of Rates (CSR)** for Punjab to calculate accurate costs.

Phasing: Provide year-wise financial phasing (e.g., if the project runs over two financial years).

Implementing Agency: Identify the department responsible (e.g., Tehsil Council, Municipal Committee).

Feasibility Study: Although detailed studies are required for projects >Rs. 300 million, you must still provide clear technical data, maps, and justification for a 20 million project.

3. Submission and Approval Process

Submit to Concerned Forum: Submit the prepared PC-I to the appropriate local committee, likely the **Departmental Development Sub-Committee (DDSC)** or the **District Development Committee (DDC)**.

Technical Vetting: The project will undergo technical scrutiny by engineers (Municipal Officer-Infrastructure) to ensure the cost estimate is reasonable.

Approval: Upon clearance, the project is approved, and it is added to the Annual Development Programme (ADP).

4. Implementation and Monitoring

Tendering (Procurement): Follow the Punjab Procurement Rules (PPRA) to hire a contractor.

Execution: Works must conform to the approved design and specifications.

Monitoring: The project will be monitored for quality and progress through the Local Government engineering branch.

Key Considerations for 2026-27 Projects

Include in ADP: Ensure the project is proposed in the 2026-27 Annual Development Programme formulation process, which starts around October 2025.

Sustainability: Ensure that the project includes a plan for operation and maintenance after completion.

EIA: If required, prepare an Environmental Impact Assessment (EIA).



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- Q.5.** Properties in Punjab's local government are managed under the Punjab Local Government Act 2022 and relevant Property Rules, requiring, the, maintenance, of, comprehensive, property, registers, for, all, lands, buildings, and, assets,. These, assets, are, administered, for, public, benefit, through, inspection, leasing, or, renting, via, competitive, bidding, and, protection, against, encroachment,.

Key Management Aspects:

Asset Management: Local governments (Corporations, Municipal/Town Committees) must maintain, register, and annually verify all movable and immovable assets, including parks, playgrounds, and roadsides.

Usage and Disposal: Properties must be used for public purposes. Disposal of immovable property requires prior government approval, while movable items can be auctioned.

Leasing and Renting: Property management includes leasing or renting through open auction or bidding processes to generate revenue.

Encroachment Control: Property managers are responsible for removing encroachments and protecting property.

Acquisition: Local governments can acquire, purchase, or take over properties for public purposes, ensuring, proper, documentation, is, kept.

The management is generally overseen by the local authority, with specific rules for development authorities to manage, lease, or form joint ventures for their properties.

- Q.6.** Based on the most recent available information regarding provincial fiscal arrangements, the Punjab

Provincial Finance Commission (PFC) Awards, specifically focusing on the interim arrangements following the 7th NFC Award, utilize both vertical and horizontal formulas to distribute resources from the provincial government to local governments (districts).

1. Vertical Formula (Provincial Share to Local Governments)

The vertical formula dictates the total percentage of the provincial divisible pool (provincial taxes, revenues, and federal transfers) that is transferred to all local governments combined.

Share: In recent years, the vertical share for local governments has been set to ensure adequacy for local functions.

Focus: It aims to cover the revenue needs of district governments, municipalities, and local authorities for service delivery, such as education and health.

Calculation: The share is calculated after deducting provincial retained amounts (for provincial-level operations) from the Gross Revenue Receipt (GRR).

2. Horizontal Formula (Distribution Among Districts)

The horizontal formula distributes the total local government share among the various districts and municipalities of Punjab. The 2016 interim award shifted from a single-factor (population) model to a multi-factor formula.



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Population (75%): Population remains the dominant factor.

Poverty/Backwardness (10.3%): A significant weight is given to the level of poverty, intending to equalize resources and support underdeveloped districts.

Expenditure Needs & Cost of Service Delivery (Approx. 14.7%): This accounts for the cost of providing services, often favoring districts in South Punjab.

Revenue Generation (5%): Based on the ability of a district to collect revenue.

Inverse Population Density (2.7%): Used to account for the higher cost of service delivery in sparsely populated areas.

Summary of Key Criteria

The formula aims to reduce regional disparities within Punjab, ensuring that underdeveloped or densely populated areas receive a higher share than what population alone would dictate. The formula is generally reviewed to incorporate better metrics for measuring development needs.

- Q.7.** In Punjab, the custody and operation of accounts for District Authorities (such as District Education Authorities and District Health Authorities) are highly regulated, typically kept in separate, interest-bearing bank accounts at authorized banks.

Custody and Operating Procedures

Bank Account Separation: The Local Fund and Public Account of a District Authority are kept in a separate bank account.

Operating Authority: In Lahore, accounts are operated by the **Accountant General, Punjab**. In other districts, they are operated by the **District Accounts Officer (DAO)**.

Joint Operation: For payments exceeding Rs. 50,000, the Chief Officer is generally a co-signatory with the Accounts Officer and Head of Finance Office.

Pension Funds: Pension funds for employees of district authorities are operated jointly by the Chief Executive Officer and the Budget and Accounts Officer.

Financial Controls and Rules

Banking Institution: Funds are kept in a Corporate Premium Account (CPA) or a profit-bearing account, usually within the district headquarter.

Payment Limits: Payments up to Rs. 10,000 may be made in cash, while those exceeding this amount must be made via crossed, non-negotiable cheques.

Salary/Pension Disbursement: As far as possible, salaries and pensions are disbursed via the Direct Credit System (DCS).



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Lapsing of Funds: Funds in the account lapse on June 30th of each financial year, and the remaining balance must be deposited into the respective receipt head of the local government.

Accounting Records

Daily Recording: Drawing authorities are responsible for recording expenditures on a daily basis.

Reconciliation: Expenditure must be reconciled with the DAO/TO on a monthly basis (by the 7th of each month).

Audit: The accounts are subject to audit by the Auditor-General of Pakistan.
