



SPEED

KHYBER PAKHTUNKHWA
SPENDING EFFECTIVELY FOR
ENHANCED DEVELOPMENT



KHYBER PAKHTUNKHWA

Facility Level Budget and Expenditure Management

POLICY

2024

Education Sector

GOVERNMENT OF KHYBER PAKHTUNKHWA
FINANCE DEPARTMENT

Message from the **Finance Minister**



The Government of Khyber Pakhtunkhwa remains firmly dedicated to enhancing transparency, accountability, and efficiency in public financial management. It is with immense pride that I present the Facility-Level Budget and Expenditure Management Policy, 2024, for the Education Sector—a landmark initiative aimed at transforming the management of school budgets to better serve our communities and contribute to the province's socio-economic development.

Education is the cornerstone of economic progress, and investing in school-level improvements is vital for shaping a skilled and empowered workforce that drives sustainable growth. This policy decentralizes budget planning by empowering Parent Teacher Councils (PTCs) and School Principals/Head Teachers to prioritize their needs and effectively allocate resources. By ensuring timely availability of funds, enhancing transparency in budget execution, and fostering accountability, this policy seeks to optimize resource utilization and significantly improve service delivery in education.

I urge the Elementary and Secondary Education Department, school administrators, and citizens to embrace this policy and actively participate in its implementation. With the active involvement of all stakeholders, we can ensure that our schools become hubs of excellence, equipping future generations with the knowledge and skills needed to contribute to the province's economic prosperity.

I extend my sincere gratitude to the Finance Department, Elementary and Secondary Education Department, and the KP Spending Effectively for Enhanced Development (KP-SPEED) project for their exemplary collaboration and dedication in developing this policy. Their efforts have laid the foundation for a transparent and accountable education financing framework.

Together, let us work toward building a resilient education system that not only uplifts our children but also serves as a catalyst for the economic growth and development of Khyber Pakhtunkhwa.

Mr. Muzzammil Aslam

Message from the **Secretary Finance**



I am honoured to present the Government of Khyber Pakhtunkhwa's policy on facility-level budgeting and expenditure management for the elementary and secondary education sector.

This policy aims to empower facility managers such as the Head of School to effectively align their service delivery plans with budgetary considerations, fostering the educational service delivery units in the province. Under this policy, facility managers will assume greater responsibility in the planning and budgets, enabling them to address their prioritized needs.

This approach ensures a transparent and citizen-centric budget preparation process and promotes accountability, ultimately leading to improved service delivery outcomes and the overall well-being of the province's residents.

The Government of Khyber Pakhtunkhwa is committed to transparency and further affirms its commitment to ensuring that education remain among top priorities in the governance agenda of the province. The policy is a testament to this commitment and provides a framework for better management and utilization of resources in the education sector.

We will be closely monitoring the outcomes of this policy to ensure that our investments are making a positive difference in the lives of our citizens.

I would like to express my heartfelt gratitude to all the esteemed stakeholders who have contributed to the development of this policy. This includes the dedicated teams from the Finance Department, Elementary & Secondary Education Department, as well as the invaluable insights provided by facility managers, citizens, and subject experts.

Mr. Amer Sultan Tareen

Message from the Project Director



The facility level budgeting and expenditure management policy in education sector is designed to strengthen facility-level budgeting and expenditure management within Khyber Pakhtunkhwa's Elementary and Secondary Education Department. This policy deepens linkages with Finance department and serves as a critical step toward ensuring equitable resource distribution, improving the quality of service delivery, and enhancing accountability at the school level.

Aligned with the Public Financial Management Act of 2022, which seeks to improve transparency, accountability, and fiscal responsibility across all sectors, this policy introduces key reforms. These reforms focus on performance-oriented government budgeting, monitoring, and the alignment of service delivery plans with the strategic priorities outlined in the policy.

Historically, the centralization of budget management in Khyber Pakhtunkhwa has posed challenges, particularly the limited involvement of service delivery units in the budgeting process. This has often led to inadequate resource allocation. This new policy directly addresses these issues by empowering facility managers (particularly the Head Teachers and Principals) and Parent Teacher Councils, to better align budget allocations with local service delivery plans. In doing so, it enhances transparency, accountability, and equity within the public elementary education sector.

The policy applies to all public primary (male and female, excluding mosque schools) and middle schools (male and female) within the Khyber Pakhtunkhwa and aims to transform the financial management practices in these institutions, enabling us to achieve optimal value from available resources and better support the educational outcomes of our students.

We believe that this policy will bring lasting improvements to how our schools are funded and managed, addressing critical challenges and promoting long-term sustainability in our education system.

I encourage you all to familiarize yourselves with the full policy document and begin working together to implement its provisions.

Ms. Gul Bano

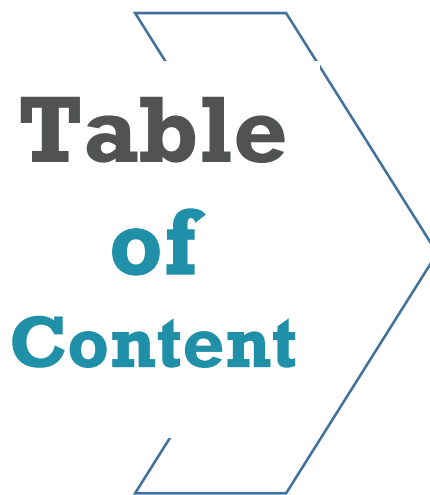


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List of Abbreviations

BPS	Basic Pay Scale
CGA	Controller General of Accounts
DDO	Drawing and Disbursement Officer
DEO	District Education Officer
E&SED	Elementary and Secondary Education Department
IT	Information Technology
PFM	Public Finance Management
PKR	Pakistani Rupees
PTC	Parent Teacher Council

1 Introduction

1.1 Policy Statement

This policy establishes guidelines and procedures for facility level budgeting within the education sector of Khyber Pakhtunkhwa. The aim of facility level budgeting is to ensure effective financial management and allocation of resources to support the operational needs of each facility within the Elementary and Secondary Education Department.

1.2 Context

The Government of Khyber Pakhtunkhwa has been at the forefront of reforms in the primary education sector. This includes providing maximum autonomy to primary schools through the notification of Guidelines for Parent Teachers Councils. Elementary education schools are crucial in delivering services and have a close connection to communities. In the province, there are over 27,000 primary schools and over 3,400 middle schools, with an approximate budget of PKR 90 billion for salaries and PKR 10 billion for non-wage expenses (including PTCs funds). The purpose of these guidelines is to preserve the autonomy provided to the PTCs and address some of the bottlenecks that hinder the achievements of education sector outcomes, such as lack of engagement of service delivery units in planning, budgeting, and resource management functions, budget allocation that does not reflect the needs of facility-level service delivery units, and unpredictable fund transfers skewed towards the end of the fiscal year.

To address these challenges, the new system will empower facility managers to play a pivotal role in translating service delivery plans into budgetary allocations. This participatory approach ensures that resources are allocated in a targeted manner, directly addressing the requirements identified by facility managers in consultation with communities. The implementation of this policy will rely on the use of modern integrated IT solutions and simplified financial and procurement procedures to strengthen capacities and increase transparency.

1.3 Objectives of the Policy

Recognizing the importance of empowering decision-making at the level of service delivery, this policy aims to transfer the responsibility of resource allocation and expenditure management to the elementary education sectors' lower levels. The specific objectives of this policy are as follows:

- Enhance transparency in the allocation and management of budgetary resources by implementing needs-based budgeting and tracking expenditures at the level of service delivery units.
- Ensure equitable distribution of resources based on the actual needs and priorities of each service delivery unit. This will enable budgets and spending to align with the service delivery plans and community needs.
- Improve access and quality of service delivery through targeted and efficient resource allocation and spending at the service delivery unit level.
- Foster accountability by assigning resources to the level where service delivery occurs. This will also promote ownership of the budget and service delivery plans by the service delivery units.

1.4 Guiding Principles

The policy is guided by the following principles:

- **Proximity to Service Recipients:** Decentralizing decision-making to the level where service delivery occurs allows decision-makers to be closer to the needs and preferences of the local population. Facility managers are often better equipped to understand the specific challenges and requirements of their communities, leading to more targeted and effective service provision.
- **Customization and Flexibility:** Different regions and communities within the province have different needs and priorities. Decentralizing decision-making to elementary and secondary education schools will allow better customization and flexibility in service delivery. Facility managers can adapt programs and policies to suit local conditions, preferences, and priorities, resulting in more equitable resource allocations.
- **Equitable Allocations for Fair Education Access:** Each facility-level budget demonstrates the principle of equity by ensuring a fair distribution of resources based on the unique needs and challenges of different schools, promoting inclusivity, and balanced access to education across the province.
- **Participatory Approach:** Promote a participatory approach in budgeting and expenditure management. Engage relevant stakeholders, including facility staff, service users, and local communities, in the budgeting process. Seek their input, feedback, and involvement to ensure that budgets reflect local needs and priorities.
- **Enhanced Accountability:** Assigning responsibility to the level where service delivery occurs will promote increased accountability and transparency. When decision-making power and resources are assigned to individual service delivery units, it becomes easier for the government and communities to monitor value for money and to hold facility managers accountable for the quality and effectiveness of service delivery.
- **Economies of Scale:** Some specific needs can be fulfilled more efficiently through economies of scale (e.g., procurement of textbooks and furniture for school students). For these resources, the service delivery managers will be proactively involved in needs assessment, and appropriate resource allocations and expenditures will be reflected in their budgets, even if the procurements are done centrally.

1.5 Scope of the Policy

This policy focuses on financial management practices at the level of service delivery units in the education sector and shall apply to the service delivery budget management only. With respect to coverage of the service delivery units, the policy will extend to:

- Primary schools (male and female, excluding mosque schools)
- Middle schools (male and female)

2 Policy Guidelines

2.1 Planning

- The E&SE Department, in consultation with Finance Department, shall develop a criterion for non-wage budgetary allocations to districts and from districts to schools. These norms will formulate the basis of funds transfer to facilities.
- Parent Teachers Councils (PTCs), as required under its guidelines, shall prepare and approve a school improvement plan in the prescribed format along with estimated costs and shall submit the same to the concerned District Education Officer. The plan should be based on needs assessment done through citizen participation.
- The District Education Officer (DEO) shall prepare a district education plan based on information received from the facilities.

2.2 Budgeting

- The school-level budgets shall cover all expenditures incurred for service delivery within that school, including those earmarked for PTCs i.e., PTC Funds, Capitation Grant and Conditional Grants.
- The Finance Department shall revise the rates for PTC Funds, Capitation Grant and Conditional Grants, at least once in three years. The same may be revised earlier if required due to high inflation.
- The Finance Department will designate and release the share of PTC Grant, Capitation Grant and Conditional Grant for elementary education based on budgetary norms.

2.3 Delegation of Powers

- The financial powers shall continue to rest with the existing Drawing and Disbursing Officers (DDOs) and the PTCs. They will exercise these powers in line with the Delegation of Power Rules 2018 and the PTC guidelines, respectively, as notified by the Provincial Government.
- The facility managers/PTCs and DDOs shall ensure that the resources provided to each facility are used for the purposes intended and judiciously comply with the powers delegated to them.
- The Finance Department shall ensure that the service delivery units and the DDOs are fully supported through simplified/automated business processes to manage the additional workload arising from the decentralization of budget and expenditure tracking to the facility level before the implementation is rolled out across the province.

2.4 Budget Release

- Budget release shall not be skewed towards the end of the fiscal year.
- The Finance Department, when releasing district non-salary grants, will designate the share for elementary and secondary education and allocate these funds to the respective cost centers of district-level education offices as per budgetary norms.

- The budget allocated under Capitation grant, Conditional Grant and PTC funds shall be released in total in the first quarter of the fiscal year by Finance Department directly to the designated bank accounts of the PTCs as per following norms:
 - **PTC Funds:** The allocation into PTC accounts per classroom and for classroom consumables to be enhanced based on norms developed by Finance Department in consultations with E&SED.
 - **Capitation Grant:** The Capitation Grant per student will be allocated to PTCs at the rate of 200 PKR in the next budget. After formulation of budgetary norms, capitation grant will be revised in the next year and the same shall be revised every 3 years or even earlier by the Finance Department.
 - **Conditional Grant:** This is a top-up grant that will be based on the condition of missing facilities, etc.

2.5 Payment

- Payment out of PTC funds shall continue to be made in accordance with the PTC guidelines.
- Finance Department will issue directions to AG Office that bills up to PKR 100,000 will not be pre-audited.
- DDOs shall adhere to the government financial rules prescribed by the Finance Department.
- Expenditures below the specified limit (as advised by the Finance Department) should be made through an imprest account (petty cash account).
- A delegated officer (Drawing and Disbursing Officer) in charge of the petty cash account must maintain a digital or manual petty cash book.
- Each entity should maintain an imprest account by drawing a monthly cheque in the name of the respective DDO to replenish the original imprest.
- The Finance Department should set the imprest limit to require reimbursement at least once a month, taking into account the department's size and the percentage of the imprest limit that must be spent before a reimbursement claim can be submitted.
- Petty cash payments will be made from the imprest account during the month, against valid petty cash vouchers submitted to the DDO.
- The imprest account must always balance, with the total of all valid petty cash vouchers plus the amount left in the imprest account equalling the value of the original imprest float.
- Primary and middle schools shall maintain books of accounts for facility-level non-wage expenditures incurred through the PTCs.
- DDOs at the district/sub-district level shall manage and maintain books of accounts for employee-related expenditures disaggregated by facilities and consolidate the books of accounts for non-wage expenditures prepared by the facility managers.

- The existing chart of accounts notified by the CGA shall be followed, with new expenditure heads added, if necessary, to ensure adequate classification of transactions at the facility level.
- Facility managers shall be responsible for maintaining and recording invoices, bills, quotations, etc. for expenditure reporting.
- The Finance Department shall provide simplified procedures, digital solutions, IT tools, and training to support facility managers and DDOs in managing the additional workload resulting from facility-level recording of expenditures and maintenance of books of accounts.

2.6 Banking Arrangement

- Each facility shall maintain a designated bank account in a commercial bank as authorized in the PTC guidelines.
- The bank accounts shall be profit & loss accounts and shall be operated by joint signatories.
- These bank accounts shall be non-lapsable, meaning any unused funds at the end of a fiscal year shall be available for utilization in the succeeding year.
- PTC bank accounts shall not go dormant or become inactive when not in use or having NIL balances.

2.7 Budget Execution Reviews

- Line departments and district/sub-district management will hold regular budget execution reviews for facility-level expenditures to assess alignment with service delivery plans.
- Regular oversight of budget execution will allow policy makers and budget managers to identify and address bottlenecks in a timely manner.
- The Finance Department will support the expenditure review mechanism by providing detailed guidelines, tools, and training for budget execution reporting.
- The digital solutions/e-App mentioned earlier will be optimized to regularly publish data on budget allocations and implementation.
- This information will also be published on the websites of the education departments.
- A holistic end-year budget execution review shall be conducted at the district/sub-district level, involving PTCs, sector experts, and civil society, to assess budget implementation performance and identify lessons to inform budget preparation for the coming financial year.
- The findings of the review shall be shared with line departments by district/sub-district management to influence policies and strategic planning at the provincial level.

3 Implementation

3.1 Implementation Committee

- The Finance Department shall establish an inter-departmental Implementation Committee to steer, coordinate, and oversee the implementation of this policy. The Implementation Committee shall comprise:
 - Representative of the Finance Department (not below the rank of Additional Secretary) – Chairman
 - Representative of the Education Sector Reforms Unit, E&SE Department (not below the rank of BPS 18) – Member
 - Project Director, Spending Effective for Enhanced Development Project – Member cum secretary.
 - Representative from the Accountant General Office (not below the rank of BPS 18) – Member
 - Representative from Science and Technology & Information Technology/Khyber Pakhtunkhwa IT Board – Member.
 - Any other co-opted members as deemed necessary by the competent authority.

3.2 Capacity Building

- The government shall implement necessary training and capacity-building programs to enable smooth implementation of this policy reform at the service delivery units.
- The Finance Department, in coordination with the respective line departments, shall conduct a detailed training needs assessment and design and implement a robust training and capacity-building program specific to the policy's needs, targeting DDOs, facility-level managers, and PTCs.
- The training and capacity-building program shall utilize a blended methodology, including face-to-face and learning management system-based trainings. Specialized training academies/directorates of the respective line departments shall provide the trainings, supported by appropriate tools, materials, and Master Trainers from the Finance Department.
- PFM trainings shall be included in the facility manager's induction and continuous professional development courses. A comprehensive training and capacity-building plan, with timely rollout, is necessary for the successful implementation of this policy.

3.3 Policy Review and Update

- This policy may be reviewed to ensure its effectiveness and relevance in future.



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GUIDELINES

Facility-Level Budget and Expenditure Management

2024

Elementary Education

GOVERNMENT OF KHYBER PAKHTUNKHWA
FINANCE DEPARTMENT

Forward

I am pleased to present the “Facility Level Budget and Expenditure Management Guidelines, 2024 for elementary education”. These guidelines have been formulated to offer a systematic strategy, thereby streamlining the intricate process of financial management for the administration of elementary schools. The integration of advanced elements, such as an electronic application/Information Technology (IT) solution, is a testament to our dedication towards the modernization of financial management practices. As we commence the implementation of these guidelines, I am assured that they will not only simplify financial procedures but also foster a sense of responsibility and transparency within our school management.

I would like to express my sincere appreciation to all stakeholders who have contributed to the collective development of these guidelines. Their insights and expertise have been crucial in formulating a document that is in alignment with our vision for a transparent and efficient financial system at the school level.

I am confident that the Finance Department will continue to harness this potential as we anticipate a dynamic and ongoing improvement process for these guidelines, gleaned insights from the lessons learned during implementation and valuable feedback from stakeholders, particularly the committed school administrations and teachers. Your continued support is vital in refining these practices and strengthening our financial system at the school level.

I foresee that the “Facility Level Budget and Expenditure Management Guidelines, 2024” will serve as an invaluable tool for school administration and teachers, making a significant contribution to the enhancement of financial management practices.

Mr. Amer Sultan Tareen
Secretary Finance

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List of Abbreviations

BCC	Budget Call Circular
BE	Budget Estimate
BPS	Basic Pay Scale
DDEO	Deputy District Education Officer
DDO	Drawing and Disbursement Officer
DEO	District Education Officer
E&SED	Elementary & Secondary Education Department
EMIS	Education Management Information System
IT	Information Technology
LG F&P	Local Government Finance and Planning
N/A	Not Applicable
PAO	Principal Accounting Officer
PFC	Provincial Finance Commission
PKR	Pakistan Rupee
PTC	Parent Teachers Council
Rs	Rupees
SIP	School Improvement Plan
SDEO	Sub Divisional Education Officer

1 Introduction

The Finance Department, Government of Khyber Pakhtunkhwa has developed the “Policy for Facility Level Budgeting and Expenditure Management, 2024” for elementary education. The aim of the policy is to ensure effective financial management and allocation of resources to support the operational needs of public sector elementary schools.

In continuation, the Finance Department has framed the Facility Level Budgeting and Expenditure Management Guidelines, 2024 for elementary education to support the facility managers¹ comply effectively with the provisions of the policy. These guidelines are applicable to all public sector elementary schools within Khyber Pakhtunkhwa and are designed to simplify financial management processes (specifically for non-salary component) for facility managers such as assessing school needs, preparing budgets, managing budget allocations, executing budgets, and ensuring accountability and oversight at the service delivery level.

1.1 Objectives

These guidelines aim to achieve the following objectives:

- Standardize the budget management process of primary and middle schools including budget preparation, allocation, budget virement, execution, and reporting.
- Provide detailed instructions, workflows, and unified templates to facilitate the facility managers to effectively comply with the public financial management prevailing laws and standards.
- Establish measures for accountability and oversight, ensuring transparent and responsible financial practices and financial reporting at various levels.
- Foster collaboration among stakeholders, including facility managers, Parent Teacher Council, District Education Office, Elementary and Secondary Education Department, Local Government Finance & Planning Office, and the Finance Department, for effective financial management.

1.2 Overview of the Elementary Education in Khyber Pakhtunkhwa

Elementary education in Khyber Pakhtunkhwa is structured into three distinct stages: early childhood, primary, and middle. Early childhood education, also referred to as pre-primary or katchi, encompasses one mandatory year of education for children aged 3-4 years. Primary education spans five years, comprising CLASSES 1-5, commencing at the age of 5 and continuing until the child reaches the age of 9. Middle school education begins from CLASS 6 and extends to CLASS 8, providing three years of education for children aged 10-12 years. Elementary education in Khyber Pakhtunkhwa is imparted in three types of schools: public schools, private schools, and Islamic madrasas (also known as maktab, normally established in the mosques).

¹ In these guidelines, the term "facility manager" refers to the head teacher or principal of primary and middle schools.

2 Roles and Responsibilities in Facility Level Budgeting and Expenditure Management

2.1 Secretary E&SED

The Secretary E&SED is primarily responsible for education policy formulation, setting budget priorities, budget management, and internal controls. The Secretary is supported by various sections at the E&SED secretariat in respect to financial management affairs of the E&SED. Additionally, the Secretary oversees the alignment of budgetary allocations with the evolving education sector needs and ensures compliance with public financial management standards.

2.2 Director Education

The Director Education is tasked with providing technical and administrative oversight of district education offices and education facilities. Director Education contributes to the effective implementation of education sector policies, programs, and operations at the district level. The Director Education works collaboratively with district education offices to ensure that budgetary allocations are utilized efficiently, aligning with the unique requirements of education facilities, and adhering to the various policies and guidelines in this regard.

2.3 Principal Accounting Officer

The Principal Accounting Officer (PAO) of the Local Government under these guidelines, performs a crucial role in ensuring that resources are effectively utilized for delivery of quality education services at the elementary school level. The PAO shall ensure adherence to the Policy and Guidelines for facility level budgeting and expenditure management at the Local Finance and Planning Office, District Education Office and at elementary school level. The PAO shall ensure that elementary school level needs are reflected appropriately in the district education plans and that the resources earmarked for elementary education are optimally budgeted. The PAO shall ensure that funds earmarked for the non-salary elementary school budgets are promptly transferred as soon as funds are received from the Provincial Government. The PAO shall monitor the utilization of these resources to ensure alignment with Local and Provincial governments' education priorities.

2.4 DEOs, DDEOs, and SDEOs

DEOs, DDEOs, and SDEOs play a pivotal role in supervising and steering the implementation of education policies, programs, and operations at the Local Government level. The District Education Officers are supported by DDEOs (for middle schools) and SDEOs (for primary schools) in discharging their responsibilities at the Local Government level. Specifically, the DEOs, DDEOs, and SDEOs are responsible for the following:

- Provide accurate and updated school level information to the Provincial Government for the calculation of Capitation Grant, Conditional Grant, classroom consumables, petty repairs and any other grant.
- Align local level education priorities with provincial policies and guidelines.
- Conduct needs assessments at the local level and develop or update District/Tehsil Education Plan.

- Collaborate with facility managers and PTCs to identify education sector needs accurately and provide guidance on aligning services with broader education policies
- Incorporate needs assessments of the educational facilities in the District/Tehsil Education Plan.
- Translate local government and education facilities specific needs into budgetary requirements.
- Engage in budget deliberations with the Local Finance and Planning Office to represent local government-level and school-level priorities.
- Collaborate with education facilities to establish and maintain internal controls.
- Conduct budget execution reviews to assess performance against local government-level education objectives and education facilities' targets.
 - Ensure that budget resources are utilized effectively to improve education outcomes.
 - Monitor local government-level performance indicators to evaluate the impact of budget execution.
 - Analyse lessons from budget execution to inform future local level and facility level planning.
 - Share insights with higher authorities for adjustments in future policies and budgets.

2.5 Parent Teacher Councils

PTCs, at the facility level, are responsible for conducting annual school needs assessments and preparing School Improvement Plans based on prioritized community needs. They play a crucial role in optimizing the utilization of available funds, addressing school needs, and ensuring alignment with this guidelines. The specific roles and responsibilities are as under:

- Conduct annual schools' assessments to identify and prioritize needs.
- Develop School Improvement Plan with input from the DDEO/SDEO offices, considering all funding sources.
- Align School Improvement Plan with local and provincial education guidelines.
- Participate in budget deliberations with the DDEO/SDEO office, presenting school requirements.
- Oversee budget execution to ensure alignment with school needs and to improve education outcomes efficiently.
- Ensure transparent reporting and internal controls for effective budget execution.
- Analyse lessons learned from budget execution and provided feedback to the DDEO/SDEO office.
- Participate in reflecting on lessons learned for future budget planning.

3 Budgetary Resource Allocations and Funds Flow to Elementary Schools

The elementary education sector is a devolved subject under the Khyber Pakhtunkhwa Local Government Act 2013 and thus the resource allocation process to this sector is governed by the Provincial Finance Commission (PFC)². The resource allocations (referred to as PFC Award) comprise of three types of funds earmarked for the elementary education sector in Khyber Pakhtunkhwa namely Salary, Non-Salary and Development. Overwhelmingly, the funds comprising of salary and non-salary grants do not come separately for the elementary education sector and rather are parts of the aggregate salary and non-salary grants of the local governments under the PFC Award. Similarly, the PFC Award also contains aggregate development grant for the local governments where a certain share is allocated to education sector.

The resource allocation process to the devolved elementary education sector starts with the issuance of Budget Call Circular (BCC) by Local Finance and Planning Office. The BCC contains forms and guidelines for preparing budget estimates and a budget calendar with schedule of key activities, in the budget preparation process.

The District Education Officer (DEO) prepares budgetary estimates for the respective schools. The DEOs are supported by the Deputy District Education Officers (DDEOs) for preparing budget estimates for middle schools and by the Sub-Divisional Education Officers (SDEOs) for preparing budget estimates for primary schools.

The resource allocations at school level are of two types:

3.1 Direct funding

Following grants are made to PTCs by the Finance Department which are credited to their designated bank accounts:

PTC Funds – The allocation into PTC accounts per classroom and for classroom consumables to be enhanced based on norms developed by Finance Department in consultations with E&SED.

Capitation Grant – The allocation for Capitation Grant based on norms developed by Finance Department in consultations with E&SED. This will be revised in line with policy after every three years or earlier if inflation is very high.

Conditional Grant – This is a top-up grant that will be based on the condition of missing facilities, etc.

² The Provincial Finance Commission is constituted under the Local Government Act, 2013 with the mandate to determine shares of local governments and to devise mechanism for distribution funds among the local governments.

3.2 Indirect funding

Indirect funding to schools is of various types, described below:

Current / Operational Budget – The routine operational requirements of the elementary schools are met from this budget. These current /operational budgets contain the following heads: Salaries (and other staff related expenditures) of the teachers and other staff, Utilities, Rents (if rented buildings) etc. The current / operational budgets are maintained at the district level and are part of the district budget.

Provision of Free Textbooks – A lump sum provision is maintained at the provincial level for the provision of textbooks to students. During the currency of a financial year, textbooks are procured at the provincial level and are sent to the respective districts based on enrolments in various grades in respective schools.

Provision of Furniture – A lump sum provision is maintained in the respective district level cost centres (budgets) for provision of furniture to schools. During the currency of a financial year, the requirements of schools for furniture are fulfilled by respective offices (DDEOs or SDEOs, as the case may be) based on the findings of Annual School Census report.

Others – Besides above, the local and provincial governments may also undertake certain initiatives at school level through developmental schemes. For instance, the local government may construct an additional classroom through local development grant.

4 Facility Level Budgeting and Expenditure Management Guidelines

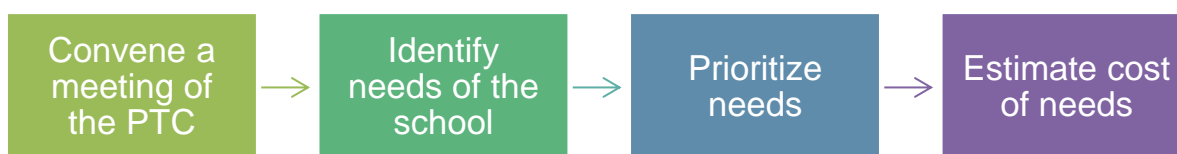
4.1 Planning and Budgeting

The planning and budgeting process starts with the issuance of Budget Call Circular³ from Local Finance and Planning Office (LG F&P) to the DEOs, who shall further circulate it to all facility managers/PTCs to formally start the planning and budgeting process.

The following sections outline the step-by-step process for facility managers to prepare School Improvement Plan (SIP) and for DDOs to prepare school-based budget:

4.1.1 Preparation of School Improvement Plan (SIP)

Step 1: Annual School Needs Assessment – To determine and assess the unique needs of schools and the required resources, facility managers in collaboration with PTCs should conduct an annual school needs assessment. The need assessment shall be carried out as per the approved PTC Guidelines and format given thereof upon receipt of BCC. The PTCs shall be mindful of various resources and fund flows available to them as already explained in Section 3, while undertaking the need assessment for their respective schools. Following is a chart explaining the need assessment exercise:



Step 2: Develop/Update School Improvement Plan (SIP) – On the basis of the need assessment, the PTCs should develop a School Improvement Plan as per format provided in the approved PTC Guidelines with requirements/needs ranked in order of priority (reproduced at Annex – I). The PTCs shall adhere to the non-wage budgetary norms established by the E&SE Department when developing the SIP.

Step 3: Develop/Update District Education Plan – The facility manager shall submit the SIP to the DEO through DDO. The DEO shall consolidate the SIP received from all schools and include it while preparing District Education Plan.

4.1.2 Preparation of School Based Budget

The DDOs shall be responsible to prepare School Based Budget for each elementary school. The Finance Department shall establish e-App/digital solution to enable the DDOs in this process.

³ In the devolved setup, the BCC is issued by the PAO (Local Administration) through Local Finance and Planning Office upon receiving the due share under PFC Award from Provincial Finance Department. In practice, the BCC is issued in December of each year for the coming fiscal year.

The school-based budgets shall cover all expenditures incurred for service delivery within that school, including:

- Funds earmarked for PTCs (i.e. Classroom consumables, Petty Repairs, Capitation Grant and Conditional Grant as specified in Section 2.3 above).
- Salary and Non – Salary shares from the local government budget as per the respective cost centres maintained by the DDOs (for example, utilities, furniture etc.)
- Share of the school from the allocations maintained at the Provincial level.

In respect of the salary and non – salary share from the local government budget, the DDO will determine shares of each school based on the budgetary norms. Similarly, the Director Education shall determine the share of each district based on the budgetary norms for the allocations maintained at the Provincial Level. Following diagram shows the funds flow for school-based budgeting:

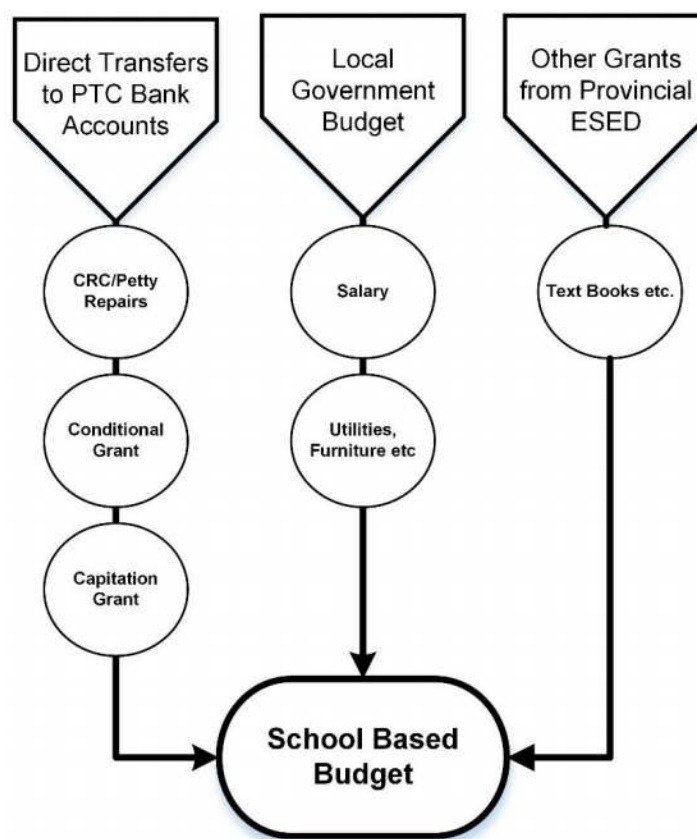


Figure 1 Resource allocations to primary healthcare facilities

4.2 Budget Execution

The Finance Department shall establish the e – APP/digital solution which shall capture any expenditure incurred on service delivery at the school level as explained in Section 4.1.2. The existing budgetary execution procedures of the PTCs and that by the DDOs shall continue. Thus expenditures made by the PTCs, DDOs at the local and provincial level will reflect against the School Based Budget which will ensure transparency and will promote accountability at all levels.

4.2.1 Maintenance of Imprest Accounts (Petty Cash Account) By DDOs

The provision of an imprest account for the DDO is instrumental for an effective and efficient public financial management. This arrangement will provide ease in making petty expenditures more efficiently and thus more robust response to service delivery needs of the facilities can be ensured. The imprest account shall be managed in the following manner:

Petty Expenditures – Expenditures below the specified limit (set by Finance) are made through the imprest account (petty cash account).

Setting Limits – The Finance Department should set the imprest limit taking into account the department's size.

Maintaining the Imprest Account – Each school should maintain an imprest account by drawing a cheque in the name of the respective DDO to replenish the original imprest as soon as 50% of imprest amount is spent.

Record Keeping – DDOs should maintain a petty cash book in either digital or manual form, this should be separate from the Cash Book maintained for Books of Accounts.

Petty Cash Payments – Use the imprest account for petty cash payments during the month, based on valid petty cash vouchers submitted to the DDO.

Account Balance – Ensure the account always balances. The total of valid petty cash vouchers plus the remaining amount in the imprest account should equal the original imprest float.

4.3 Budget Adjustments

This section provides budget adjustment process in respect of funds transfer to PTC accounts only. Reallocation of funds can become necessary to efficiently execute the budget and prioritize school needs. Both facility managers and DDOs play a role in this process. To ensure the efficient allocation of funds and prioritize the school's top needs, facility managers and DDOs will routinely assess the fund status, including during budget execution reviews. If it becomes evident that there is a need to reallocate funds from one budget category to another or from one facility to another, the facility manager will initiate the re-appropriation process by seeking the necessary approvals, in line with Delegation of Financial Powers Rules KP.

4.4 Accounting and Reporting

This section provides detailed instructions on accounting and reporting processes, as well as the monthly bank reconciliation process. Following these steps will ensure transparent, accountable, and efficient financial management.

4.4.1 Maintenance of Book of Accounts

Facility managers are responsible for maintaining simplified books of accounts for non – wage expenditures incurred through the PTCs. The DDOs at the district/sub-district level shall manage and maintain books of accounts for employee-related expenditures disaggregated by facilities and consolidate the books of accounts for non-wage expenditures prepared by the facility managers.

At a minimum, the following books of accounts should be kept for non – wage expenditures incurred through the PTCs, ensuring transparency and efficient financial management and will be consolidated at the level of DDO:

- i) **Cash Book:** Maintain a cash book that documents all receipts and payments into and out of the designated PTC bank account. The cash book should include columns for date, payment reference, payee, receipt/payment description, amounts involved (Debit or Credit), and balance funds after recording each transaction (refer to **Annex-II**).
- ii) **Monthly Bank Reconciliation Statements:** Prepare monthly bank reconciliation statements to reconcile the school's bank statements with the transactions recorded in the cash book to ensure accuracy and identify any discrepancies (refer to **Annex-III**).
- iii) **Monthly Receipts and Expenditure Statements:** Prepare monthly receipts and expenditure statement to summarize the school's receipts and expenses during a specific month and cumulative year-to-date. It will provide an overview of the allocations, cumulative releases, and expenditures to date, whether the school has surplus funds, and any unreleased budget balances (refer to **Annex-IV**). Key elements include:
 - **Receipts:** Releases from the Government and bank interest etc.
 - **Expenditures:** utilities, school supplies, maintenance, and other operational costs etc.

To allow accurate classification of transactions and distinct recording and tracking of various types of expenditures at the facility level, the facility managers shall follow the existing chart of accounts notified by the Controller General of Accounts Pakistan, with new expenditure heads added, if necessary, to ensure adequate classification of transactions at the facility level..

4.5 Budget Execution Review and Progress Reporting

This section provides instructions on budget execution review at level of schools, districts/sub-districts, and E&SE department. These reviews assess progress and performance and allow for timely corrective actions when necessary. The scope, frequency, and responsibilities for these reviews are outlined as follows:

The facility managers must submit the following financial reports to the concerned DDO within one week of closing month:

- i. Monthly Bank Reconciliation Statement, along with a copy of the Bank Statement.
- ii. Monthly receipts and expenditure statement.

4.5.1 Budget Execution Review at School Level

The facility managers will extract budget execution reports from the e – App/digital solution and shall convene meeting of the PTC who shall be responsible for reviewing their school-based budget performance on monthly basis within one week of closing month.

This review should cover the following:

- i. **Evaluating the effectiveness:** Assess the effectiveness of actions taken to address the needs identified and prioritized in the School Improvement Plan. Review the actual expenditures trend and compare realized performance with the planned performance.
- ii. **Analyse Deviations:** Analyse reasons for any deviations from the planned budget.

- iii. **Identify Potential Budget Saving and Additional Requirements:** Identify areas for potential savings (surrenders) or additional budget requirements (excess) and take corrective actions.

4.5.2 Budget Execution Review at District/ Sub-District Level

The district/ sub-district administrations will conduct monthly reviews of the consolidated DDO-wise expenditures statements for all facilities vis-à-vis a School Based Budget performance reports extracted from the e – App/digital solution. During these reviews, they will identify opportunities to accelerate budget execution at the school level and communicate their feedback to the facility managers. Following these reviews, DDOs will compile and submit a consolidated report on budget execution (Annex – IV) to the DEO and E&SED via the District Delivery Unit⁴ (DDU) within 20 days of each calendar month.

4.5.3 Budget Execution Review at Secretariat Level

Education Sector Reforms Unit, E&SED will review the budget and spending of all districts and schools quarterly. Using reports from DEOs and extraction from the e – App/digital solution, the review evaluates budget execution, expenses, and progress against departmental key performance indicators using Output Based Budget methodology and sectoral targets from the Education Sector Plan. The Education Sector Reforms Unit will pinpoint areas for improvement and provide feedback to DEOs for prompt corrective actions. These reviews, guide budget adjustments at school, district, and provincial levels and help the E&SE Department assess policies and make timely corrections.

4.6 Oversight, Accountability and Transparency

This section provides instructions for oversight, accountability, and transparency in the budget management process to ensure financial propriety.

4.6.1 Regular Monitoring & Oversight

4.6.1.1 Role of DDOs

DDOs have a crucial role in overseeing school's functions and financial progress. They will support facility managers to comply with the requirements of these guidelines.

4.6.2 Internal Controls Reviews

- i. The Internal Audit Cells within both the E&SE and Finance Departments have the responsibility of evaluating the effectiveness and adequacy of the internal controls in place. The Internal Audit Cell is responsible for assessing school's compliance with these guidelines to ensure that internal controls are in place and functioning.

⁴The District Delivery Unit (DDU) operates as a specialized unit within the Directorate of Elementary and Secondary Education (E&SE), with a primary mandate of monitoring and reporting on the budget execution progress of district-level devolved entities to the Secretary of E&SED.

- ii. The Internal Audit Cell will select a representative sample of schools to be included in the E&SE Department's Annual Audit Plan. The Internal Audit Cell will use a risk-based approach to select the sample, aiming to provide assurance regarding internal controls and compliance with these guidelines.
- iii. Once the internal audit is concluded, the Internal Audit Cell will present the findings to the Secretary E&SE Department and make recommendations for necessary actions to further enhance internal controls at the facility level.

4.6.3 Support to Internal Control Review by Facility Manager

To facilitate internal control reviews, the facility manager will provide the internal audit teams unrestricted access to personnel, school facilities, PTC members, and financial records.

4.6.4 Transparency and Public Engagement

The E&SED will release budget allocations and execution updates on its official website for public consumption quarterly. These reports shall highlight budget progress at school level. Additionally, E&SED may improve its official website to enable citizens to provide feedback on the budget execution progress at the school level.

4.7 e-APP/ IT Solution for Enhanced Financial Management

4.7.1 Establishment of e-APP/IT Solution

To support facility managers in implementing these guidelines, the Finance Department will deploy a dedicated electronic application (e-App) or information technology (IT) software. This IT e-App / software will offer access points to each school as well as the DEO, DDO, Education Monitoring Authority and Education Sector Reforms Unit. Access will be granted via unique 'User IDs' and 'passwords'.

4.7.2 Using the e-App/IT Solution

The e-App/IT solution will connect schools and their corresponding budget codes in the Financial Accounting and Budgeting System. It will empower facility managers to develop and submit annual budget estimates, as well as real-time reporting.

4.7.3 Integration System for Budget Management

The IT e-App/software will seamlessly integrate approved budget norms, detailed object codes, and their descriptions based on Chart of Accounts. It will perform automatic calculations and provide consolidated as well as separate reports on budget and expenditure by facility, DEO, DDO etc.

4.7.4 Distinct Modules

The e-App or IT solution will feature distinct modules for keeping in view the processes defined in these guidelines.

4.7.5 Manual Process until Implementation of e-App/IT Solution

Until the introduction of such a system, DDOs and facility managers will carry out budgeting and expenditure management responsibilities through manual processes and forms outlined in these guidelines.

4.8 Pilot Testing and Implementation

4.8.1 Pilot Phase

For effective implementation, these guidelines shall undergo a pilot testing phase. The pilot phase will be characterised by the following:

- i. The Finance Department, in collaboration with ESED, will select a district for the initial pilot testing phase. The district will be chosen based on factors such as geographic representation and administrative feasibility. The pilot testing phase will span a predetermined period, allowing for a comprehensive assessment of the guidelines' applicability, effectiveness, and potential challenges.
- ii. The pilot testing phase will adopt an adaptive learning approach, encouraging facility managers, DDOs, DEOs, and other stakeholders to actively participate in refining the guidelines based on real-world experiences and challenges encountered during the pilot.
- iii. Facility managers and other relevant stakeholders will be encouraged to provide feedback on their experiences with the guidelines. This feedback will be systematically collected and analysed for continuous improvement.
- iv. Following the completion of the pilot testing phase, a thorough review of the guidelines will be conducted.
- v. The guidelines will be revised and enhanced based on the lessons learned, feedback received, and the evolving needs of the elementary education sector in Khyber Pakhtunkhwa.

4.8.2 Rollout Phase

Upon the successful completion of the review and update process, the guidelines will be phased out to the rest of the districts in Khyber Pakhtunkhwa. For successful rollout, the following scheme will be adopted:

- i. Comprehensive training programs will be organized to familiarize stakeholders with the updated guidelines. This includes facility managers, PTCs, DEOs and relevant staff members.
- ii. The rollout will occur gradually across different districts, allowing for a smooth transition and adaptation of the updated guidelines.
- iii. Ongoing monitoring and support mechanisms will be established to address any challenges that may arise during the implementation phase. This includes periodic reviews and capacity-building interventions.
- iv. A continuous feedback loop will be maintained to capture insights from the phased rollout, enabling further adjustments and improvements as needed.

ANNEXURE I – SCHOOL IMPROVEMENT PLAN

**Government of Khyber-Pakhtunkhwa
Elementary & Secondary Education Department
School Improvement Plan**

SECTION - A			
1 District: _____	2 Date: _____		
3 Tehsil: _____	4 VC/NC: _____		
5 Circle Office: _____	6 DDO Code: _____		
7 School Level: _____	8 School Code: _____		
9 School Name: _____	10 Gender: _____		
11 Date of Establishment: _____	12 Total Area: _____		
13 Total Enrolment: _____	13 Total Teachers: _____		
14 Bank Name: _____	15 Bank Account Title: _____		
16 Bank Account Number: _____	17 IBAN: _____		

SECTION - B							
S#	Facility	Existing Number	Condition	Additional Required	Previous Funding	Total Cost	Remarks
A	B	C	D	E	F	G	H
1	Number of Additional Class Rooms						
2	Group Latrine						
3	Boundary Wall (length)						
4	Water Supply						
5	Electricity						
6	Solar Panel						
7	Any Other						
	Grand Total (PKR in Million)						

SECTION - C	
1. Proposed By:	
Head Teacher: _____	PTC Chairman/Member: _____
Signature: _____	Signature: _____
Date: _____	Date: _____
Stamp <div style="border: 1px solid black; width: 150px; height: 30px; display: inline-block; vertical-align: middle;"></div>	Stamp <div style="border: 1px solid black; width: 150px; height: 30px; display: inline-block; vertical-align: middle;"></div>
2. Received By: _____ (Comments by the Circle In charge)	
	ASDEO/SDEO/DDEO: _____
	Signature: _____
	Date: _____
	Stamp <div style="border: 1px solid black; width: 150px; height: 30px; display: inline-block; vertical-align: middle;"></div>
3. Approved By: _____ (Comments by the DEO)	
	District Education Officer _____
	Name: _____
	Signature: _____
	Date: _____
	Stamp <div style="border: 1px solid black; width: 150px; height: 30px; display: inline-block; vertical-align: middle;"></div>

Instructions for filling School Improvement Plan (SIP)

All information in SIP shall be provided as per following instructions

Specific instructions for filling Section – A:

1. Write the name of the district where the school is located
2. Write the date of submitting the SIP by the Facility Manger
3. Write the name of Tehsil where the school is located
4. Write the name of Village/Neighborhood Council where the school is located
5. Write the name of concerned Circle Office
6. Write the DDO Code (Drawing and Disbursement Officer Code) as provided in IFMIS e.g. ("PW6663 - GGHS Muhammad Gul Killi" is a DDO Code and Description for Government Girls High School Muhammad Gul Killi in Peshawar, here PW6663 is a DDO Code, consult your respective DEO/ASDEO etc. for the DDO Code).
7. Write the level of the school (e.g. primary, middle, high)
8. Write the school code (five-digit EMIS code)
9. Write the name of the school (as listed in EMIS)
10. Write the gender (Girls/Boys School)
11. Write the year of establishment of the school
12. Write the total area of the schools (in Kanals)
13. Write the total number of children enrolled in school in the reporting period for which SIP is to prepared
14. Write the total number of teachers posted in the school in the reporting period for which SIP is to prepared
15. Write Name of Bank where the PTC Account is opened
16. Write the Bank Account Title as mentioned on the Cheque Book
17. Write the Bank Account Number
18. Write the International Banking Account Number/IBAN (mentioned on the Cheque Book eg. PKHABB01012022102)

Specific instructions for filling Section – B

This section is divided into different columns, instructions for each column is provided below:

- A. Write Serial Number
- B. Write the name of the facility required

Note: Facilities refer to the unavailable facilities that the school needs, which includes the construction/supply/installation of; *additional classrooms, group latrines, boundary walls, drinking water, electricity and solar panels.*

- C. Write the number of units available
 - a) It refers to the number of facilities available in the school, such as two rooms and a group latrine etc.
- D. Write the condition of the facility
 - a) Information about the condition of the facilities in the school, such as "better"— "bad"—or "dangerous condition".
 - i. "Better" means that the facilities provided have been well constructed. Such facilities do not need to be repaired.
 - ii. "Bad" means that the facility has not been properly cared for but is nonetheless usable. Such facilities need repairs.
 - iii. And "dangerous condition" means that the condition of this facility is not usable for students. It needs to be rebuilt.

- E. Write the number of units additionally required, this shall be calculated on the basis of updated instructions/notifications by the E&SE Department.
- F. Write any previous funding available, this refers to whether PTC has received any money (from anywhere) for missing facilities.
- G. Total cost: Cost information for each facility.
- H. Remarks: Any information necessary to understand the status, requirement, funding etc.

Note: When providing details about unavailable facilities, please clarify in the comments column that the school is receiving funds for unavailable facilities and provide details of where the funds came from, how much more funds will be received and from where it is expected to be received?

Specific instruction for filling Section – C

- The SIP will be prepared by the head teacher (Facility Manger) and the respective PTC Chairman and they will be considered "proposers". Therefore, head teacher/headmaster/principal (Facility Mangers) and PTC Chairman will register their name, signature, date and office stamp.
- The Circle In-Charge shall critically review the SIP and write a comment on it in a couple of lines. And finally register his name, signature, date and office stamp.
- The DEO of the concerned District will approve master SIP. After writing his comment, the DEO will register his name, signature, date and office stamp.

ANNEXURE II – CASH BOOK

School Name: _____ DDO Code: _____ Month: _____
 EMIS Code: _____ Bank Account No: _____ Year: _____

A	B	C	D	E	F	G
Date	Cheque No/ Cash/ Online Transfer etc.	Payee	Description	Payments (Rs.)	Receipts (Rs.)	Balance (Rs.)
			Opening Balance			100,000
01 Sep, 2023	C1210203	ABC Supplier	Payment for purchase of chalks	5,000	-	95,000
			Closing Balance			-
			Total	-	-	-

Verified By: _____ Signature: _____ Date: _____

Instructions to fill out this form:

To complete this form effectively, please follow these instructions:

- Column A: Enter the date of the transaction in column A. This is the date when the payment or receipt occurred.
- Column B: Describe the means of payment, whether it is by cheque, cash, online transfer, or any other method.
- Column C: Record the name of the payee, supplier, or recipient of the payment.
- Column D: Provide a brief description of the transaction, indicating the purpose of the payment or receipt. For example, "Purchase of chalks," "Electricity bill," "Budget from Government," or "Interest income."
- Column E: Enter the amount being paid out of the bank to the payee, supplier, or employee, as applicable.
- Column F: Record the amount received in the bank account, such as interest income or funds received from the government.
- Column G: Calculate and enter the closing balance for this transaction. Deduct the payment amount recorded in Column E from the opening balance in Column G and add any amounts from Column F as needed. This reflects the updated balance after each transaction.

General Instructions:

- Debit amounts should be used to represent funds deposited into the bank account, including released funds, and returned cheques.
- Credit amounts should indicate payments made from the bank account, including payments to suppliers and contractors.
- The closing balance at the end of one month will be carried forward as the opening balance for the following month, ensuring a continuous record of account balances.

ANNEXURE III– BANK RECONCILIATION STATEMENT

Bank Reconciliation Statement	
As at: 31 July, 202.....	

Description	Amount
Balance as per Bank Statement as of 31 July, 202....	XX
Add: Deposit in Transit	XX
Less: Outstanding Cheques	(XX)
Adjusted Bank Balance (A)	XXX

Balance as per Cash Book	XX
Add: Deposits received in the bank and not recorded in the cash book	XX
Add: Interest earned reflected in the bank statement and not recorded in the cash book	XX
Less: Cheques issued but not recorded in the cash book	(XX)
Less: Bank charges reflected in the bank statement but not recorded in the cash book	(XX)
Adjusted Balance as per Cash Book (B)	XXX

Reconciled if Zero (A-B)	0
---------------------------------	----------

Instructions to fill out this form:

- Obtain bank statement from your bank for the month for which the bank reconciliation is performed and check the closing balance from the bank statement as the starting point.
- Check for amounts which the DDO has reported as being released to the facility but not yet reflected in the bank statement, these are called deposit in transit and put the figures here.
- Outstanding cheques are cheques that have been issued and recorded in the Cash Book but have not yet been cleared and credited in the bank statement. Trace all cheques that have been issued but not yet cleared in the Bank Statement.
- Adjusted Bank Balance: Calculate this figure by adding deposit in transit and subtracting outstanding cheques from the closing bank balance as per bank statement for the month concerned.
- Bank balance as per cash book is the month closing balances reported in the cash book.
- Trace all deposits from the bank statement that have been reflected in the bank statement but not yet recorded in the cash book.
- Look for interest income reflected in the bank statement and record it here.
- Trace all cheques reflected in the bank statement to the cash book and see if there are any cheques not being recorded. If so, please put that figure here.
- Look for bank charges deducted by the bank and reflected in the bank statement and record the amounts here.
- Adjusted Cash Book Balance: This is the figure calculated by adding unrecorded deposits and interest charges with the cash book closing balance and subtracting cheques issued but not yet recorded in the cash book and bank charges reflected in the bank statement.

- Compare Adjusted Bank Balance with that of the Adjusted Cash Book Balance and these balances should match. If they do not match, review the reconciliation for errors or discrepancies.

General Guidelines for Bank Reconciliation Process

The facility managers will follow the below outlined step-by-step process when conducting monthly bank reconciliations:

Step 1: Collect Bank Statement – Collect the monthly bank statement from the bank where the school holds its bank account.

Step 2: Retrieve Internal Financial Records – Retrieve the school's internal financial records, including the simplified cash book and any transaction records or receipts.

Step 3: Compare Transactions – Carefully compare each transaction listed in the bank statements with the corresponding entries in the cash book. Verify that the amounts, dates, and descriptions match.

Step 4: Identify Discrepancies – Investigate and note any discrepancies between the bank statement and cash book. Common reasons for discrepancies may include outstanding cheques, deposits in transit, bank fees or interest, or errors in recording.

Step 5: Reconcile Deposits – Begin by reconciling the deposits. Check if any deposits made by the DDO have not yet been reflected in the bank statement (deposits in transit). Conversely, identify any deposits shown on the bank statement that have not been recorded internally in the cash book.

Step 6: Reconcile Withdrawals and Cheques – Reconcile withdrawals and cheques issued. Identify any outstanding cheques (cheques issued but not yet cleared by the bank). Also, identify any withdrawals or payments on the bank statement that have not been recorded internally.

Step 7: Account for Bank Fees and Interest Income – Account for any bank fees, charges, or interest earned that may appear on the bank statement but have not yet been recorded in the cash book.

Step 8: Calculate Adjusted Balances – Make necessary adjustments in the internal financial records to account for reconciled items, such as deposits in transit, outstanding cheques, and bank fees or interest etc. and calculate adjusted bank and internal cash book balances as follows:

- **Adjusted Bank Balance** = Balance as per Bank Statement + Deposits in Transit – Outstanding Cheques +/- Other Adjustments
- **Adjusted Cash Book Balance** = Balance as per Cash/Bank Book + Deposits received in the bank and not recorded in the cash book + interest earned reflected in the bank statement and not recorded in the cash book – Cheques issued but not recorded +/- Other Adjustments.

Step 9: Compare Adjusted Balances and Perform Reconciliation – Compare the adjusted bank balance with the adjusted cash book balance. They should match. If they do not match, review the reconciliation for errors or discrepancies.

ANNEXURE IV – MONTHLY RECEIPTS AND EXPENDITURE STATEMENT

School Name: _____ DDO Code: _____ Month: _____
 EMIS Code: _____ Report for the Month: _____ Year: _____

Detail Object Code	Detail Description	Budget Allocation FY 2021-22	Releases to Date and receipt from bank interest payment	Expenditure to Date	Unreleased Budget	Releases Balance	Remarks/ Justification for deviation/ Corrective Measures
1	2	3	4	5	6 = (3-4)	7 = (4-5)	8
A03201	Postage and Telegraph						
A03303	Electricity						
A03805	Travelling Allowance						
A03808	Conveyance Charges						
A03901	Stationery						
A03902	Printing and Publication						
A03919	Payments to Other for Service Rendered						
A03970	Others						
A04114	Superannuation Encashment of L.P.R						
A03970	Others - Classroom Consumables						
A03970	Others - Conditional Grant						
A03970	Others - Petty Repairs						
A03970	Others - Double Shift School Allowance						
Any Other	Bank Interest received in PTC Bank Account						
Any other	Any other						

Instructions to fill out this form:

Column 1 and 2: Add any additional object codes and description of receipts or expenditures from the Chart of Accounts if needed. Please consult the Accounts Officer at the DDO office in case of any confusion.

Column 3: Add the budget allocations under each object code from the approved budget communicated by the DDO.

Column 4 and 7: Refer to the object head wise ledger maintained for the receipts and expenditure to get this figure. This shall be the figures up to the end of last month.

Column 8: Write justification for deviation from the originally planned expenditure and suggest corrective measures.

ANNEXURE V – ABSTRACT OF KHYBER PAKHTUNKHWA DELEGATION OF FINANCIAL POWER RULES 2018

Under these Rules, the powers assigned to the “Administrative Department” are exercised by the Secretary Elementary and Secondary Education Department who is also the Principal Accounting Officer. Whereas, at the District Level, the categories of officers under these Rules can be defined as under:

S#	Designation	Officer Category
1.	District Education Officer	Category II Officer
2.	Deputy District Education Officer (for middle schools)	Category II Officer (if in BPS 19) Or Category III Officer (in in BPS 18)
3.	Sub-Divisional Education Officer (for primary schools)	Category II Officer (if in BPS 19) Or Category III Officer (if in BPS 18) Or Category IV Officer (if in BPS 17)

Powers to sanction expenditures against budget provisions are given in the table below:

S #	Nature of power	Administrative department	Officers in Category I	Officers in Category II	Officers in Category III	Officers in Category-IV
(i)	Project pre-investment analysis	Full powers	Full powers	--	--	--
	Specific condition(s): 1. Include feasibility studies, research, surveys, and exploratory operations.					
(ii)	Operating expenses					
(a)	Fuel and power	Full powers	--	--	--	--
	Specific condition(s): Include high-speed diesel oil – operational and non-operational; furnace oil – operational and non-operational; electric traction. Subject to specified departmental admissibility and prescribed conditions.					
(b)	Fees	Full powers	Full powers	Up to PKR 100,000 each case	Up to PKR. 50,000 each case	Up to PKR 20,000 each case
	Specific condition(s): 1. Include bank fees; legal fees; licence fees; membership fees.					
(c)	Communication	Full powers	Full powers	Full powers	Full powers	Full powers
	Specific condition(s): Include postage and telegraph; telephone and trunk calls; telex, tele-printer and fax; electronic communication; courier and pilot service; photography charges. Subject to observance of prescribed ceilings, where applicable.					
(d)	Utilities	Full powers	Full powers	Full powers	Full powers	Full powers

	Specific condition(s): Include gas; water; electricity; hot and cold weather charges; POL for generator. Subject to observance of prescribed ceilings, where applicable.					
(e)	Occupancy costs	Full powers	Full powers	Up to PKR 50,000 at a time	Up to PKR 25,000 at a time	--
	Specific condition(s): 1. Include charges; rent for office building; rent other than for building; royalties; rates and taxes; rent of machinery and equipment; insurance; security; rent of hall for council meetings; sewerage/waste charges. 2. Rent of office building is subject to the explicit conditions that: a. the accommodation is according to the scale prescribed by the government; b. either the rent does not exceed the rent assessed by the Excise and Taxation Department for the purpose of Urban Immovable Property Tax or the rent to be paid is made the basis of property tax; c. assessment made by the Communication & Works Department; and d. no objection certificate from the Communication & Works Department for non-availability of office accommodation. 3. Rent of land is subject to the rent reasonability certificate given by an officer of the Revenue Department exercising the powers of the Collector under the KP Land Revenue (Amendment) Act, 2014.					
(f)	Operating leases	Full powers	--	--	--	--
	Specific condition(s): 1. Include machinery and equipment; buildings; motor vehicles; computers; medical machinery and technical equipment. 2. Subject to specified departmental admissibility and prescribed conditions.					
(g)	Motor vehicles	Full powers	Full powers	--	--	--
	Specific condition(s): 1. Include insurance; registration.					
(h)	Consultancy and contractual work	Full powers	--	--	--	--
	Specific condition(s): 1. Include computer; management; government departments. 2. Subject to specified departmental admissibility and prescribed conditions.					
(i)	Travel and transportation	Full powers	Full powers	Up to PKR 50,000 at a time	Up to PKR 25,000 at a time	Up to PKR 15,000 at a time
	Specific condition(s): 1. Include training – domestic/international; travelling allowance; transportation of goods; POL charges, aeroplanes, helicopters, staff cars, motorcycles; conveyance charges; CNG charges; tour expenditure state conveyance and motor cars; railway concession voucher. 2. Subject to admissibility under the rules and observance of prescribed ceilings, where applicable.					
(j)	General – printing and publication	Full powers	Full powers	Full powers	Full powers	Full powers
	Specific condition(s): 1. Include stationery; printing and publication; conferences/ seminars/ workshops/ symposia; newspapers, periodicals and books; advertising and publicity; contribution and					

	subscription; essay writing and copyrights; exhibitions, fairs and other national celebrations. 2. Printing and publication at private press to be certified by government press. 3. Subject to admissibility under the rules and observance of prescribed ceilings, where applicable.					
(k)	General – cost of other stores	Full powers	Full powers	Full powers	--	--
	Specific condition(s): 1. Includes hire of vehicles; uniforms and protective clothing; purchase of drugs and medicines; expenditure on confiscated goods; cost of other stores; ordnance store; free textbooks. 2. Subject to admissibility under the rules and observance of prescribed conditions.					
(l)	General – secret service	Full powers	--	--	--	--
	Specific condition(s): 1. Include secret service expenditure. 2. Subject to admissibility under the rules and observance of prescribed ceilings, where applicable.					
(m)	General – Other services	Full powers	Full powers	--	--	--
	Specific condition(s): 1. Include payments to government department for services rendered; law charges; payments to others for services rendered; service charges; special cost incurred in performance of government functionaries. 2. Subject to admissibility under the rules and observance of prescribed conditions.					
(iii)	Write-offs of public money / loss of assets	Up to PKR 100,000	--	--	--	--
	Specific condition(s): 1. Includes loss of public money; inventories obsolescence / slow-moving charge; impairment of property, plant and equipment; write-off of inventories; loss on disposal of property, plant and equipment; loss on sale of scrap. 2. Provided that the loss does not disclose a defect of system the amendment of which requires orders by a higher authority. 3. That there has not been any serious negligence on the part of some individual government officer or officers which may possibly call for disciplinary action requiring orders of any higher authority. 4. All sanctions to write off shall be communicated to the Accountant General and Finance Department.					
(iv)	Scholarships and other awards	Full powers	Full powers	Full powers	Full powers	Full powers
	Specific condition(s): 1. Includes merit scholarships; other scholarships; cash awards to informers. 2. Subject to number of scholarships and rates sanctioned by Finance Department in consultation with Administrative Department. 3. Cash awards subject to admissibility under the rules and observance of prescribed rates and conditions.					
(v)	Entertainment and gifts					

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(a)	Entertainment	Full powers	Full powers	--	--	--
Specific condition(s): 1. For light refreshment up to PKR 50 per head at meetings convened for official business. 2. For serving lunch boxes up to PKR 300 per head in meetings which are prolonged beyond office hours without a break in the interest of government work. 3. For receptions, lunches, and dinners: up to PKR 40,000 in each case subject to condition that per head expenditure should not exceed PKR 1,200.						
(b)	Purchase of gifts for state guests	Principal Secretary to CM Rs. 100,000	--	--	--	--
Specific condition(s): 1. For presentation to foreign dignitaries only.						
(vi)	Expenditure on acquiring physical assets	Full powers	Full powers	Up to PKR 1,000,000 at a time	Up to PKR 500,000 at a time	Up to PKR 300,000 at a time
Specific condition(s): 1. Include purchase of building; computer equipment; commodity purchase (cost of state trading); other stores and stock; purchase of transport; purchase of plant and machinery; purchase of furniture and fixtures; purchase of other assets. 2. Subject to fulfilment of all codal formalities enunciated by relevant legislative and regulatory frameworks.						
(vii)	Civil works	i. Approved development schemes: full powers ii. Non-development schemes: PKR 1,000,000	i. Approved development schemes: full powers ii. Non-development schemes: PKR 500,000	--	--	--
Specific condition(s): 1. Includes roads, highways and bridges; irrigation works; embankments and drainage works; building and structures; other works; telecommunication works; drought emergency relief assistance works. 2. Subject to fulfilment of all codal formalities enunciated by relevant legislative and regulatory frameworks.						
(viii)	Repairs and maintenance	PKR 300,000 or 50% of the book value of machinery, whichever is less	PKR 150,000 or 50% of the book value of machinery, whichever is less	PKR 70,000 or 25% of the book value of machinery, whichever is less	PKR 50,000 or 10% of the book value of machinery, whichever is less	PKR 25,000
Specific condition(s): 1. Include transport. 2. Subject to carrying out repairs in government workshops, in the absence of which due process of public procurement and specific conditions shall be strictly adhered to.						
(ix)	Repairs and maintenance	Full powers	Full powers	Full powers	Up to PKR 200,000 at a time	Up to PKR 100,000 at a time
Specific condition(s): 1. Includes machinery and equipment; furniture and fixtures; buildings and structures; irrigation; embankment and drainage; roads, highways and bridges; computer equipment; general; telecommunication works. 2. Subject to admissibility under the rules and observance of prescribed ceilings, where applicable.						
(x)	Honoraria	Full powers	--	--	--	--

	Specific condition(s): 1. Subject to admissibility under the rules and observance of prescribed ceilings, where applicable.					
(xi)	Reimbursement of medical charges	Full powers	Full powers	Up to PKR 10,000 each case	Up to PKR 5,000 each case	Up to PKR 3,000 each case

ANNEXURE VI – GLOSSARY OF KEY TERMS USED IN THESE GUIDELINES

Budget

Budget is a financial plan for revenue receipts and expenditure for a financial year. Government budget is a document representing the government's proposed revenues and spending for a financial year.⁵

Budget Estimate

This is a general term used in the financial management in public sector. It means, in relation to expenditure, the expenditure proposed for that year, and in relation to receipts, the receipts expected to be realized during that year.

Current Budget (or Current Expenditure or Non-Development Expenditure)

Means expenditure relating to the on-going operations of the Government which includes pay and allowances of employees, operating expenditure, repair, and maintenance, etc.⁶

Development Budget (or development expenditure)

Means an expenditure of an activity undertaken to acquire, build or improve physical assets or services or develop human resources.⁷

Actual Expenditure

Actual figures of expenditure incurred in a financial year.

Financial Year

Means a year commencing on the 1st day of July and ending on 30th day of June.⁸

Recurring expenditure and how it is different from new expenditure

⁵ Adopted from Budget Manual 1st Edition, Government of Pakistan (see Chapter 1, section 1.3).

⁶ Definition adopted from Section 2(n) of KP PFM Act 2022.

⁷ Definition adopted from Section 2(o) of KP PFM Act 2022.

⁸ Definition adopted from Section 2(s) of KP PFM Act 2022.

It is an expenditure, which recurs from year to year. Recurring expenditure is also known as continued expenditure. Whereas new expenditure is an expenditure which is not recurring or an expenditure which is for a new purpose.

Appropriation

Means any Schedule of Authorised Expenditure, given assent to by the Provincial Assembly of Khyber Pakhtunkhwa, to authorise payment from the Provincial Consolidated Fund and Public Account of a given financial year.⁹

Re-appropriation

Means transfer of funds from one head of Account of appropriation to another such head of Account within the same budget grant.¹⁰

Revised Estimates

This is a general term used in the financial management in public sector. This refers to the estimated expenditures for a fiscal year, determined during that year based on recorded transactions, at the time of preparing revised budget.

Excess

An amount of expenditure exceeding the approved budget, which is regularised through an Excess Budget Statement¹¹.

Surrender

An amount included in the Initial approved budget that is given back because it has not or will not be spent in the financial year by the entity¹².

Drawing and Disbursing Officer (DDO)

This is a general term used for officer who is authorised as such by the Administrative Department to incur expenditure in respect of office, or offices for which he is designated as Drawing and Disbursing Officer.

Chart of Account

⁹ Definition adopted from Section 2(d) of KP PFM Act 2022.

¹⁰ Definition adopted from Section 2(am) of KP PFM Act 2022.

¹¹ Adopted from Budget Manual 1st Edition, Government of Pakistan (see Chapter 1, section 1.3).

¹² Adopted from Budget Manual 1st Edition, Government of Pakistan (see Chapter 1, section 1.3).

A listing of codes on the basis of which accounting transactions are classified to provide meaningful financial information.¹³

Cost Centre

Cost centre is the lowest organizational level at which budgetary control occurs and organization information is collected and reported.

¹³ Definition adopted from section 2.6 “Definition” of Accounting Policies and Procedures Manual.