

Financial administration is often described as the "life blood" of public administration. Critically analyze the weakness of budgeting, auditing, and capital expenditure in Pakistan and their impact on governance legitimacy.

I. Introduction:

Financial administration is rightly called as the lifeblood of public administration because no public policy, or service delivery can function without financial resources. Pakistan's financial administration consists of two levels:

1) Federal Public Finance Management
(Act, 2019)

NFC
↓

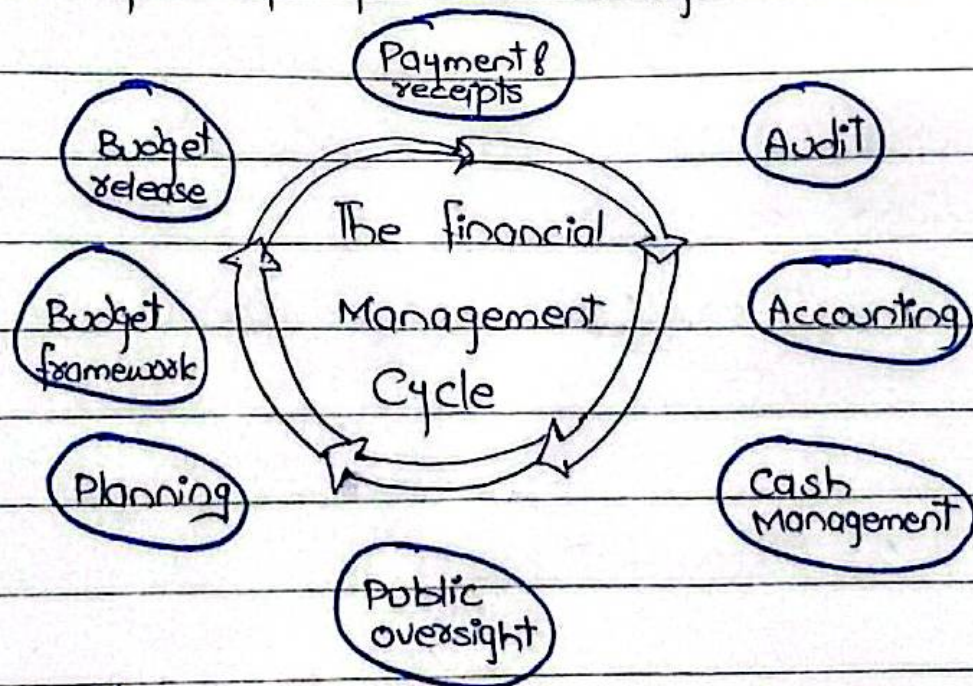
2) Provincial Public Finance Management
(Act, 2022)

Financial administration, in general terms, deals with the collection of public funds (revenue) and spending on public administration. In other way, financial administration is the

study of public funds.

II. Financial administration in Pakistan

Financial administration or management is a critical function in governance that ensures the effective allocation, management, and oversight of public resources. In Pakistan, the cycle of financial management is:



III. Weaknesses in Budgeting process:

In Pakistan, budget is prepared at federal as well as at provincial level. Federal PFM Act, 2019 is responsible for fiscal

transparency, debt management, and budget preparation, execution, reporting, and accountability. On the other hand, Provincial PFM laws generally follow the federal framework but include provisions specific to provincial financial management.

Some weaknesses in budgeting process are:

① Reliance on historical allocations:

Pakistan's budgeting system lacks credibility and proper planning. It relies on historical allocations rather than realistic cost estimates.

World Bank has flagged serious inefficiencies in Pakistan's health budgeting system. The routine payments were found to be bogged down in red tape. A bill as little as Rs. 200 was subjected to multi-layered approval process.

② Weak Single Treasury Account (TSA)

Coverage:

The IMF highlights that weak single Treasury Account (TSA) coverage leading to fragmented

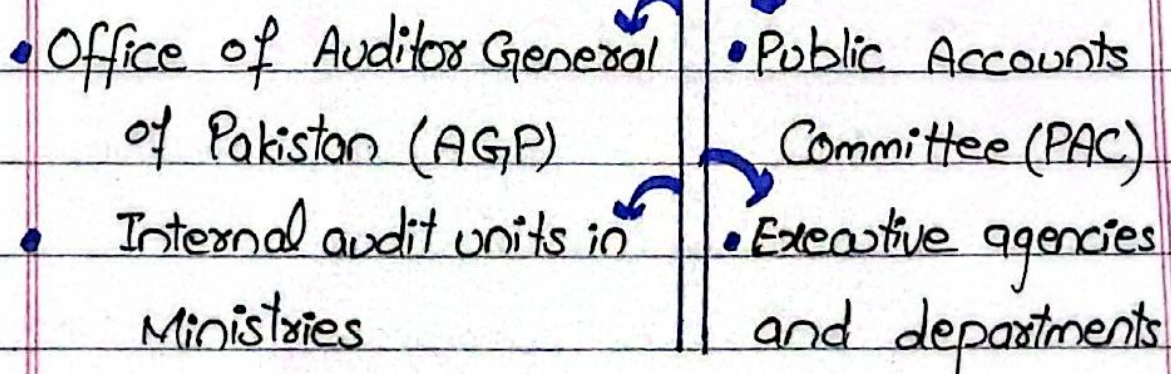
operational autonomy due to dependence on (financial) federal Secretariat for budget releases and staffing. If AGP produces audit reports (e.g. over 6,000 annually), most of the recommendations are largely ignored by ministries or Parliamentary Public Accounts Committee (PAC).

② Internal Audit Gaps:

Despite internal audit gaps requirements under the Public Finance Management Act, there is absence of mandatory internal audit.

AGP reports have flagged Rs. 1100+ billion in irregularities across federal institutions in FY 2023-24.

⇒ Institutions involved in auditing process:



Day: _____ Date: _____

V. Weaknesses in Capital Expenditure (Public Investment):

Capital projects often lack clear feasibility analysis, realistic timelines, and performance monitoring that ultimately reduces development impact.

Some weaknesses in public investment programmes are:

① Uneven Provincial Implementation:

Pakistan's economy valued at approximately Rs. 18877B as of 2024-25 FY demonstrates uneven distribution among provinces. For instance, Sindh spent only less than half of the climate allocation budgets over many years. On the other hand, Punjab maintains its position as the largest provincial economy with significant share of national GDP.

② Weak Oversight and Reporting:

Audits of Pakistan identify weak, defective, unexecuted, or delayed civil works - worth millions of rupees but show poor discipline of spending expenditures.

VI. Overall Impact on Governance Legitimacy:

1) Institutional Erosion: Budget credibility, financial oversight, proper administration on development projects are core to governance; their weakness undermines the institutional foundation of democracy.

2) Space for Corruption: Corrupt governance is the fate of weak nation/democracy. Weak budgeting and auditing systems create clear opportunities for embezzlement.

3) Reduced Accountability: Without strong audit and budget controls, elected officials and bureaucrats operate with low risk of consequences.

⇒ Weak budgeting, capital expenditures, and auditing is the negation of pillars of governance:



VII. Way Forward to strengthen

Financial Administration

- 1) A major reform priority is the full inclusion of provincial treasuries and local governments into the TSA framework. From e-governance theory perspective, transparency and control over public finances are essential for restoring public trust and legitimacy.
- 2) Development administration Theory stresses on integration between accounting and treasury systems, particularly through PIERA and FABS.
- 3) Under Fiscal Federalism Theory, financial autonomy must be matched with accountability. Provincial expenditures should be controlled through revenue generation.
- 4) Medium-term budgeting, realistic revenue forecasting, and strict limits on supplementary grants and funds are essential.

VIII. Conclusion:

In conclusion, financial administration is as important for public administration as blood for the body. Public policies, policies implementation, policies evaluation, at every stage finances are required. The oversight and reporting of these finances in budgeting, auditing, and expenditures is crucial for smooth service delivery. The weaknesses in the system such as weak coordination, fragmented accounts, no proper implementation of plan can harm the legitimacy of governance. By applying theories of development and governance, Pakistan can curb these weaknesses in one way or the other.