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~~[TO BE INTRODUCED IN SENATE]~~

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to provide for the mandatory implementation of the audit recommendations of the Auditor General of Pakistan by federal public sector entities and to provide for the matters ancillary thereto

WHEREAS it is expedient to ensure transparency, accountability, and enforcement of the audit recommendations of the Auditor General of Pakistan by all federal public sector organizations and ensure transparency, fiscal discipline, and administrative responsibility in the management of public funds, while empowering Parliament and oversight bodies to enforce audit findings effectively.

It is hereby enacted as follows: -

1. Short title, extent, application and commencement. - (1) This Act may be called the Auditor General's Recommendations (Implementation) Act, 2026

(2) It extends to the whole of Pakistan and shall apply only to federal public sector entities.

(3) It shall come into force at once.

2. Definitions.- In this Act, unless there is anything repugnant in the subject or context:

- a) "Auditor General" means the Auditor General of Pakistan appointed under Article 168 of the Constitution of the Islamic Republic of Pakistan;
- b) "Audit Recommendation" means any finding, directive, or observation made by the Auditor General of Pakistan in an official audit report submitted to the Parliament or its committees;
- c) "Audited Entity" means any Ministry, Division, Department, Attached Department, Subordinate Office, Autonomous Body, Public Sector Enterprise, or any institution established by or under Federal law that is subject to audit by the Auditor General of Pakistan under Article 169 and 170 of the Constitution.
- d) "Competent Authority" means the authority empowered under relevant laws or service rules to take administrative, disciplinary, or financial decisions in relation to the concerned officer(s) or department.

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- a) **"Compliance Officer"** means an officer, not below BPS-18, nominated or designated by each federal public service entity.
- b) **"Compliance"** means full and effective implementation of audit recommendations, or submission of satisfactory justification as accepted by the DAC or PAC, within the prescribed time frame.
- c) **"Compliance Certificate"** means a written statement issued by the PAC, or the Auditor General of Pakistan on behalf of the PAC, certifying that the audited entity has satisfactorily implemented all outstanding audit recommendations for the relevant period.
- d) **"DAC"** refers to the Departmental Accounts Committee constituted under the Rules of Business, 1973, or any other relevant rules, responsible for initial consideration of audit reports.
- e) **"Federal Public Sector Entity"** includes any Ministry, Division, Department, Autonomous Body, Corporation, Authority, or Organization wholly or partly funded by the Federal Consolidated Fund;
- f) **"Financial Penalty"** means any monetary deduction, fine, or recovery imposed on the responsible officer(s) or institution as recommended by the PAC and approved by the competent authority.
- g) **"Implementation Report"** means a written compliance report submitted by a federal public sector entity in response to audit recommendations, in a manner prescribed under the rules.
- h) **"Monitoring Cell"** means a dedicated unit to be established within the Office of the Auditor General of Pakistan for the purpose of tracking and monitoring the implementation status of audit recommendations, maintaining relevant records, and furnishing quarterly progress reports to the Public Accounts Committee (PAC) of the Parliament.
- i) **"PAC"** means the Public Accounts Committee of the National Assembly, or any sub-committee thereof, exercising oversight on public expenditure in accordance with the Rules of Procedure and Conduct of Business in the National Assembly or Senate.
- j) **"Reasonable Cause"** means any legally or administratively acceptable ground for non-implementation, duly accepted by the PAC after objective evaluation.
- k) **"Responsible Officer"** means the Principal Accounting Officer, Head of the Department, or any other officer whose actions or omissions led to audit

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observations and who is designated by the PAC or DAC as responsible for compliance.

3. Implementation of audit recommendations. - (1) Every federal public sector entity shall implement the audit recommendations made by the Auditor General within ninety (90) days of the receipt of the audit report.

(2) In case full implementation is not feasible, a detailed written explanation along with supporting evidence shall be submitted to the Public Accounts Committee (PAC) within the said period

4. Monitoring and compliance. - (1) Each federal public sector entity shall nominate or designate an officer, not below BPS-18, as Compliance Officer, who shall be responsible for ensuring implementation of audit recommendations.

(2) The Office of the Auditor General shall establish a Monitoring Cell to track the implementation status of audit recommendations and furnish quarterly reports to the PAC.

5. Penalty for non-compliance with Audit Recommendations. - (1) Where any audited entity fails to implement audit recommendations or provide a satisfactory justification within the prescribed time period without reasonable cause, the matter shall be referred by the DAC or PAC to the competent authority for appropriate action, including but not limited to:

- a) Initiation of disciplinary proceedings under the applicable service rules;
- b) Imposition of financial penalties as determined and recommended by the PAC;
- c) Suspension of financial and administrative powers of the Principal Accounting Officer or other responsible officer(s), for a specified duration as recommended by the PAC.

(2) The PAC may, after affording an opportunity of hearing to the concerned officer(s), recommend one or more of the following sanctions:

- a) Suspension, demotion, or compulsory retirement;
- b) Withholding of annual increments, bonuses, or promotions for a period not less than one year;
- c) Withdrawal or reversal of any performance-based incentives or honorariums granted during the audit period;
- d) Blacklisting of officer(s) from holding key financial, procurement, or administrative positions for a period of up to three years.

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(3) In case of continued non-compliance for two or more successive audit cycles by the same entity or department, the PAC may further recommend:

- a) Referral of the matter to the National Accountability Bureau (NAB), Federal Investigation Agency (FIA), or any other competent accountability forum for investigation and legal action;
- b) Initiation of contempt proceedings before the appropriate judicial or parliamentary forum;
- c) A special audit or performance review of the entity under Article 170 of the Constitution.

(4) The Ministry of Finance shall consider the audit compliance status of any entity or department, as reported by the PAC, as a mandatory criterion during the evaluation of annual budget proposals.

(5) An audited entity found to be in non-compliance for more than one financial year may have its:

- a) Development budget provisionally withheld, reduced, or re-appropriated;
- b) Supplementary grants or major re-appropriations delayed or denied; based on PAC recommendations and upon issuance of a Compliance Status Report by the Auditor General of Pakistan.

(6) No additional budgetary releases shall be made to a non-compliant entity unless a Compliance Certificate has been issued by the PAC or the Auditor General of Pakistan on its behalf.

6. Referral to the Council of Common Interests for Consideration and Formulation of a Uniform National Framework for Provincial Adoption. – (1) The Federal Government may refer matters relating to the implementation of audit recommendations, the challenges faced, or the identification of best practices in federal public sector entities to the Council of Common Interests (CCI) for consideration and consultation.

Provided that this referral shall aim at ensuring that any national framework for the implementation of audit recommendations considers the interests of both the federal and provincial governments.

(2) The Council of Common Interests (CCI) shall consider the referred matter and, through consultation with the provinces, may develop a national framework that provides guidelines on the implementation of audit recommendations. The national framework shall aim to ensure that all public sector entities, both federal and provincial, follow best practices for transparency, accountability, and compliance.

(3) The CCI shall make recommendations on a uniform framework to guide the provinces in adopting measures to implement audit recommendations effectively. However, the framework shall remain advisory in nature and is not intended to be binding on the provinces.

(4) Each provincial government shall have the discretion to voluntarily adopt the national framework or modify it according to their specific needs. The provinces may choose to align their policies with the national framework to enhance uniformity in audit recommendation implementation, but the decision to adopt shall rest with the respective provincial legislatures.

(5) The Federal Government shall provide technical assistance, training, and other necessary support to the provinces for the implementation of the framework. The federal government shall also ensure that the provinces have the resources required to effectively track and implement audit recommendations.

(6) The Council of Common Interests (CCI) shall periodically review the implementation of the framework across the provinces and recommend adjustments or improvements to the Federal Government, if necessary, to ensure greater efficiency and uniformity in the implementation process. The provinces shall report their progress to the CCI and the Federal Government.

7. **Right of Appeal.** – (1) Any federal public sector entity or responsible officer aggrieved by the imposition of a penalty or adverse finding by the Public Accounts Committee under this Act may, within thirty (30) days of the communication of such decision, submit a written representation for review.

(2) The representation shall be submitted to a Review Committee comprising:

- a) One member of the Public Accounts Committee (to be nominated by the Chair);
- b) One senior officer of the Auditor General's Office not involved in the original audit; and
- c) One independent legal expert nominated by the Speaker or Chairman Senate, as the case may be.

(3) The Review Committee shall dispose of the representation within sixty (60) days and its decision shall be final.

8. **Protection Against Retaliatory Action for Audit Cooperation.** -No officer or employee of any federal public sector entity shall be subjected to disciplinary action, demotion, harassment, or any form of reprisal solely on the basis of providing information, documents, or assistance relevant to the implementation of audit recommendations or proceedings under this Act.

(2) Any such retaliatory act shall be deemed "misconduct" and shall be subject to disciplinary proceedings under the applicable service rules.

9. **Evaluation and Rating of Audit Compliance Performance.** –(1) The Monitoring Cell established under this Act shall, at the end of each financial year, prepare and publish a Compliance Performance Report rating each audited federal entity on a scale prescribed by rules.

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(2) The rating shall take into account the timeliness, completeness, and quality of audit recommendation implementation.

(3) The report shall be submitted to the PAC and laid before both Houses of Parliament.

(4) The Compliance Rating may be used as a factor in evaluating the administrative performance of the Principal Accounting Officer.

10. Annual Report to the Parliament. – (1) The Auditor General of Pakistan shall prepare and submit an Annual Audit Compliance Report to the Parliament by 31st March of each year, outlining:

- a) The overall status of implementation of audit recommendations;
- b) Entity-wise performance;
- c) Major instances of non-compliance; and
- d) Any recommendations for systemic reforms.

(2) The report shall be a public document and shall be placed before both Houses of Parliament.

11. Powers and Functions of the Monitoring Cell. – (1) The Monitoring Cell established under this Act shall have the power to:

- a) Call for records, reports, or data from any federal public sector entity relating to audit compliance;
- b) Summon the Compliance Officer of any entity for clarification or update;
- c) Recommend issuance of warning notices in case of unjustified delays;
- d) Inspect any document or relevant file pertaining to the implementation of audit recommendations.

(2) All federal public sector entities shall cooperate with the Monitoring Cell and provide full access to relevant information.

12. Power to make rules. -The Federal Government may, by notification in the official Gazette, make rules to carry out the purposes of this Act within ninety (90) days of the commencement of this Act.

13. Overriding Effect and Harmonization with Other Applicable Laws. - (1) The provisions of this Act shall have an overriding effect notwithstanding anything contained in any other law for the being in force and shall operate in addition to, and not in derogation of, any other law for the time being in force, except to the extent of inconsistency.

(2) Where there is any inconsistency between the provisions of this Act and the provisions of any other law, the provisions of this Act shall prevail to the extent of the inconsistency.

(3) Nothing in this Act shall be deemed to limit or restrict the powers of the National Accountability Bureau, Federal Investigation Agency, or any other agency lawfully authorized to investigate financial or administrative irregularities.

(4) The provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force, in so far as it relates to federal public sector entities.

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STATEMENT OF OBJECTS AND REASONS

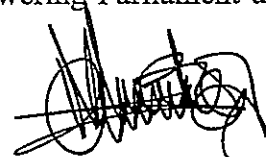
The Auditor General of Pakistan, under Article 169 of the Constitution of the Islamic Republic of Pakistan, is mandated to conduct the audit of public accounts of the Federation. While audit reports containing financial and administrative recommendations are regularly submitted to Parliament, there exists no binding statutory obligation on federal public sector entities to implement such audit recommendations within a defined timeframe or face consequences for non-compliance. This Bill seeks to establish a robust and enforceable legal framework to ensure the mandatory, time-bound implementation of audit recommendations issued by the Auditor General of Pakistan. It introduces statutory duties for federal public sector entities to implement audit recommendations, submit compliance reports, and designate officers responsible for audit compliance. It further provides for the establishment of a Monitoring Cell within the Office of the Auditor General to oversee compliance and submit periodic implementation reports to the Public Accounts Committee (PAC) of the Parliament.

To ensure accountability, the Bill empowers the PAC to recommend administrative and financial penalties for continued or unjustified non-compliance. It introduces sanctions, including disciplinary proceedings, suspension of financial powers, referral to accountability agencies, and budgetary consequences for persistently non-compliant entities. The Bill also mandates the issuance of a "Compliance Certificate" before additional budgetary releases can be made to such entities.

In light of the principles of cooperative federalism, the Bill also provides for a consultative mechanism through the Council of Common Interests (CCI) for the development of a national framework on audit compliance for possible adoption by provinces. Following provisions have been introduced to strengthen enforcement and procedural safeguards, including:

- i. The right of review against adverse decisions through an independent Review Committee;
- ii. Statutory protection against retaliatory action for officers assisting in audit implementation;
- iii. A system of performance-based audit compliance ratings for public disclosure and administrative accountability;
- iv. Time-bound rulemaking by the Federal Government;
- v. Mandatory submission of an annual Audit Compliance Report to Parliament;
- vi. Express powers for the Monitoring Cell to seek records and summon compliance officers;
- vii. And harmonization with other applicable laws to prevent legal conflict and ensure institutional coherence.

This legislation aims to institutionalize transparency, fiscal discipline, and administrative responsibility in the management of public funds, while empowering Parliament and oversight bodies to enforce audit findings effectively.



(SENATOR SAMINA MUMTAZ ZEHRİ)

MEMBER IN-CHARGE