Compliance with Authority Audit Report Template

Please read the following instructions very carefully.

1. The template that follows these instructions shows instructions in red ink. When actually writing the report, you will delete the red ink sentences and phrases and fill the blank spaces by selecting the appropriate phrases as applicable, where there is a choice.

2. The paragraph numbers in the template are only for purpose of illustration. In actual practice, this will change according to each audit report.

3. The paragraph numbers are sequential and not related to any heading a sub-heading.

4. One audit observation can have more than one recommendation.

5. First line of each paragraph will have a left indent of 0.5 spaces.

6. All paragraphs will have a justified format.

7. All audit paras will start with a topical sentence. The topical sentence shall be **bold**.

8. Except for headings and sub-headings, the normal text should use Times New Roman Font size 12 with line spacing 1.15.

9. The Word software recognizes different levels of headings. **Heading 1** is main heading. **Heading 2** is sub-heading. While writing text, select the level of heading from the Tool Bar. It will help, subsequently in creating a Table of Contents automatically.

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AUDIT REPORT
ON
THE ACCOUNTS OF
(INSERT THE NAME OF AUDITED ENTITY AUDIT YEAR)

AUDITOR – GENERAL OF PAKISTAN

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Preface

[The objective of the preface is to introduce the report as a document. Preface may highlight information, which requires immediate attention of the audited organization or the readers in general. Only in rare cases the Preface should be of more than one page. No reference should be made in the preface about the results of the audit.]

Articles 169 & 170 of the constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance 2001(add reference of any other relevant laws and regulations as applicable to your area of audit), require the Auditor General of Pakistan to conduct audit of (identify the accounts or any other subject of audit as applicable).

The report is based on audit of (identify the accounts or any other subject of audit as applicable) for the (identify period covered in the report and there should be a clear mentioning of the fact whether the audit report contains audit observations of the previous financial years or not). The Directorate General of Audit (give your office name) conducted audit during (identify period during which audit was carried out) on test check basis (amend if basis are different) with a view to reporting significant findings to the relevant stakeholders.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

The Audit Report is submitted to the President in pursuance of the article 171 of the Constitution of Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora [Parliament].

(OR In case of Provincial Reports)

The Audit Report is submitted to the Governor [insert name of the province] in pursuance of the article 171 of the Constitution of Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly.

Dated:28 February 2011

[insert name of the Auditor General]
Auditor-General of Pakistan

EXECUTIVE SUMMARY

[Insert Audit Title]

[From here onward: Font Times New Roman, Size 12, Normal text]

Executive summary is supposed to give an immediate glimpse of the total activity of the audited organization. Executive summary is for general consumption by the reader and is very useful for a quick idea of the state of the affairs of the audited organization. In fact this is the summarized version of the entire report. Executive summary should provide essential information about the auditors, the audited, the year of accounts and the nature of the audit undertaken as succinctly as possible. This part of report should give audited entity's profile. The main objective is to present all essential information contained in the report in the same sequence as it appears in the audit report. Effort should be made to provide the reader with all necessary information and a definite sense of the nature of audit efforts and the results achieved. Major issues pointed out in the report may be reflected in this section.

Following Executive Summary is for illustrative purpose only

(Illustration-1)

EXECUTIVE SUMMARY

The DG Federal Audit carries out the audit of Federal Government. Federal Government – Islamic Republic of Pakistan conducts its operations under the Rules of Business 1973 that envisage Federal Government as comprising 71 Principal Accounting Officers (PAOs) for different Ministries, Divisions, Attached Departments, Subordinate Offices and certain Autonomous Bodies. Financial provisions of the Constitution describe the Government as Federal Consolidated Fund and Public Account for which Annual Budget Statement is authorized by the Parliament in the form of budgetary grants. For this DG Federal Audit has a human resource of 223 officers and staff resulting in 3132 man days. The annual budget amounted to Rs.58.55 million. The office is mandated to conduct regularity (financial audit & compliance with authority audit) and performance audit of Ministries and Projects run by those Ministries.

(Please include profile of the Ministry/Department In case of only one Ministry/Department)

a. Scope of Audit

Out of total expenditure of the Federal Government for the financial Year 2008-09, auditable expenditure under the jurisdiction of DGA-FG was Rs. 846.252 billion covering 69 PAOs and 2,862 formations. Of this, DGA-FG audited an expenditure of Rs 689.671 billion which, in terms of percentage, is 81.5% of auditable expenditure. In addition, DGA-FG conducted performance audit of 8 projects and one Ministry. Reports of these audits are being published separately.

b. Recoveries at the instance of audit

Recovery of Rs (confidential) was pointed out, out of which recovery of Rs. (confidential) million was effected during year 2009-10 at the time of compilation of report. Out of the total recoveries Rs (confidential) was not in the notice of the executive before audit.

c. Audit Methodology

The audit year 2009-10 witnessed intensive application of desk audit techniques in the DGA-FG. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Desk review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. This greatly facilitated in the identification of high risk areas for substantive testing in the field.

d. Audit Impact

On the pointation of audit, Cabinet Division agreed to formulate rules for allocation and use of protected vehicles. Further, the National Tariff Commission (NTC) under the Ministry of Commerce agreed to develop and use a mechanism for transfer of unspent balance to Federal Consolidated Fund while also allowing refunds to the concerned private parties. Annexure-2 (Audit Impact Summary) provides additional information on changes in rules, systems and procedures that occurred because of audit.

FAOs should report specific changes in rules, systems and procedures that would, in turn, lead to a reduction in expenditure/increase in revenues for the government. This will capture **financial benefits** to the government generated by audit. Audit may also generate other **direct or indirect tangible benefit** for the citizens. For instance, government may strengthen, at the pointation of audit, monitoring of its water supply and sanitation services, thereby reducing occurrence of water-borne and other diseases in target communities. Such impacts, when material and attributable to audit, can also be reported in the audit report. Government may have formulated and implemented **new rules, systems, and procedures** for service delivery at the pointation of audit. This should also be captured in audit impact. **Implementation of audit recommendations** made in the past is also an indicator of audit's effectiveness. FAOs may also indicate major audit recommendations of previous year that have been implemented.

Previously, FAOs did not include in this subsection the changes made at the pointation of audit that were not discussed in the printed audit report. Instead, FAOs only gave in this subsection the summary of changes derived from the Audit Paras printed in their audit reports. Frequently, Principal Accounting Officers (PAOs) agree with audit findings and implement audit recommendations for changes in system, thus obviating the need for including many findings for printing in audit reports. Thus, the impact mirrored in our audit reports until last year was only partial reflection of our contribution toward systemic improvement. FAOs need to capture total impact of their work irrespective of whether or not it is printed as audit reports. Since the list of such impacts can be lengthy, only significant impacts may be presented in this subsection and a complete list of changes and associated impacts may be presented in Annexure-2 (Audit Impact Summary).

e. Comment on Internal Control and Internal Audit department

f. The key audit findings of the report;

i. Unauthorized payments of Rs 38.09 million were noted in 6 cases.[1]

ii. There were 03 cases pertaining to non framing of policies / rules.[2]

iii. Embezzlement of public money and fictitious / fudged payments amounting to Rs 69.62 million in 05 cases. [3]

iv. There were **30** cases of irregular expenditure / payments and violation of rules amounting to Rs 6,643.84 million.[4]

v. Recovery pointed out in 16 paras amounts to Rs 24,255.21 million. [5]

vi. Reconciliation of expenditure was not carried out in 04 cases [6].

[1] Para 1.1, 1.2, 8.1, 10.8, 11.1, 16.1
[2] Para 1.3, 5.5, 20.1
[3] Para 3.1, 7.1, 7.3, 10.1, 13.6
[4] Para 2.1, 3.6,3.7,5.1, 5.2, 6.1, 7.1, 7.2, 7.3, 7.4, 9.1, 9.4, 10.6, 11.2, 12.1, 13.3, 13.7, 14.1, 15.1, 16.5, 17.1, 17.2, 17.3, 17.5, 18.2, 20.3, 20.4, 21.1, 21.2, 26.1, 26.2
[5] Para 3.3, 3.4, 5.3, 7.5, 10.4, 12.2, 13.2, 13.5, 14.4, 16.2, 16.3, 17.4, 18.1, 20.2, 23.1

vii. Wasteful expenditure was noted in 02 cases amounting to Rs 79.62 million.[7]

viii. Lack of internal controls was noted in one case. [8]

ix. There were 04 cases pertaining to non protection of assets.[9]

x. Loss of Rs 830.82 million pointed out in 11 cases.[10]

Audit paras for the audit year 2009 - 2010 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC were included in Annexure- MFDAC.

g. Recommendations (should be specific and must not be general)

i. Ministries/Divisions need to strictly follow Article 78 of Constitution in handling public money whether they receive or spend it. They should deposit/retain the public money in the Federal Consolidated Fund and Public Accounts as the case may be. Strict action may be taken to stop the practice of Ministries/Divisions or their autonomous bodies/authorities investing public money in commercial banks.

ii. Instances of the Ministries/Departments/ or their autonomous bodies / authorities making payments to employees in contravention of rules and in disregard of the employees' entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the officials involved in granting extra perks and privileges.

iii. Ministries/Divisions need to comply with the Public Procurement Rules 2004 for procurement of goods and services.

iv. Ministries/Divisions need to strengthen internal controls to ensure that lapses of the kind reported in this report are preempted and fair value for money is obtained from public spending.

v. Reconciliation of expenditure needs to be carried out regularly.

vi. Unspent balances need to be deposited into government treasury.

vii. Inquiries need to be held to fix responsibility for losses, fudged payments and wasteful expenditure.

---

[6] Para 3.2, 8.3, 13.1, 25.1
[7] Para 5.4, 10.3
[8] Para 13.4
[9] Para 3.5, 4.1, 8.2, 24.1
[10] Para 9.2, 9.3, 10.2, 10.5, 10.7, 10.9, 14.2, 14.3, 16.4, 19.1, 22.1

Attach Separator Here

SUMMARY TABLES & CHARTS

(Please include following tables as a minimum, you may include any other charts or graphs as appropriate)

Table 1 Audit Work Statistics

Sr.No	Description	No.	Budget
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction		
2	Total formations in audit jurisdiction		
3	Total Entities(Ministries/PAO's) Audited		
4	Total formations Audited		
5	Audit & Inspection Reports		
6	Special Audit Reports		
7	Performance Audit Reports		
8	Other Reports		

(Table 1: The table details the full scope of the FAO in terms of number of entities and the number of audited entities during the current audit year. It also details various types of reports issued by the FAO.) ``

Table 2: Audit observation regarding Financial Management

S.No	Description	Amount Placed under Audit Observation (Rs. In Millions)
1	Unsound asset management	-
2	Weak financial management	-
3	Weak Internal controls relating to financial management	-
4	Others	-
	Total	-

(Table 2: The table details the classification of all audit paras in the report in terms of their overall monetary value)

Table 3 Outcome Statistics

Sr.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1	Outlays Audited					As in sr.4,col 4 in table 1	
2	Amount Placed under Audit Observation /Irregularities of Audit						
3	Recoveries Pointed Out at the instance of Audit						
4	Recoveries Accepted /Established at the instance of Audit						
5	Recoveries Realized at the instance of Audit						

(Table 3: The table gives the details of total amount audited by the FAO, recoveries pointed out and made at the instance of audit and total amount placed under audit observation)

Table 4: Table of Irregularities pointed out

S.NO	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	
3	Accounting Errors (accounting policy departure from IPSAS, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	
4	If possible quantify weaknesses of internal control systems.	
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	This figure should be the same as in column 7 Sr No 4 of table 3
6	Non –production of record.	
7	Others, including cases of accidents, negligence etc.	

*This should be Cross –referenced to item 4 of Table 3

(Table 4: Classified as above the table gives the detailed breakup of the amounts placed under audit observation)

Table 5 Cost-Benifit

Sr.No	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	
2	Expenditure on Audit	
3	Recoveries realized at the instance of Audit	This is the figure of column 7 Sr No 5 of table 3
	Cost-Benefit Ratio	

(Table 5: The table gives the glimpse of cost of the audit carried out and the benefits reaped expressed as recoveries realized/cost.)

Chapter-1
Public Financial Management Reporting Format

Public Financial Management ***Significant paras emerging from Management Letter (as a result of certification audits) issued to AGPR, respective AGs and SAEs.***
Name of the AGPR, respective AGs and Self Accounting Entities (SAEs) to whom the report is issued will be inserted here.

1-Observation:

Description & basis of conclusion

(Reference to copies of supporting documents or written description of evidence supporting the observation)

2-Implication:

Potential impact of the deviation from an existing rule or if, rule does not exist then identified best practices.

***3-Management Reply*:**

Comments of the responsible entity official

4-Audit Comments:

Recommend compliance with the rules (if they exist), if not then prescribe the identified best practice along with its practicality to the situation at hand.

(Illustration)

Unjustified negative balance of debt

***Risk Categorization*: High**

Observation:

Closing balance of debt received from Federal Government was appearing in the Finance Account as Rs.(10,061,368,199) and was presented as a negative balance, which showed an overpayment of debt i.e. principally unjustified.

Details are given below:

Description of loan	Opening balance (July 1, 2009) (Rs.)	Receipt during the year (Rs.)	Payment during the year (Rs.)	Closing balance (June 30, 2010) (Rs.)
Loans received from Federal Government	(587,761,129)	505,368,323	9,978,975,393	(10,061,368,199)

Implications:

- ***Incorrect treatment of interest expense by including it in repayment of principal portion of loan.***
- ***Negative debt balance made the veracity of accounts as doubtful.***

Management response:

AG Office:

Necessary corrections have been made in the revised Finance Account.

Finance Department:

No reply received.

Audit Comments:

The negative closing balance of loan should be sorted out and adjusted thereon to make the Finance Account, a reliable document.

The presentation of accounts needs improvement; therefore, Audit recommendation may be adhered in true spirit. Adjustment has been verified.

Ministry/Department wise Audit report **[insert ministry/department name here]**

(In case of more than one ministry/department please list them in alphabetical order)

1.1Iintroduction of ministry/department
1.2 Comments on budget and accounts(Variance analysis)
1.3 Brief comments on the status of compliance with PAC directives
1.4 Audit paras

Observation regarding incidents of Fraud & Misappropriations

1-Criteria *(with reference to relevant rules)*

2-Observation

Description of the event (Quantify if possible)

(Reference to copies of supporting documents or written description of evidence supporting the observation)

3-Cause/Reasons:

Explain the cause/reasons of the occurrence

4-Management Reply:

Comments of the responsible entity official

5-DAC's Recommendations*:*

Recommendation of DAC to PAC

6-Audit Comments

Include Auditor's recommendation and suggested action

(Illustration-2)

Embezzlement of public money - Rs 24.05 million

As per GFR 10 "Every Officer authorized to incur expenditure from the public fund should observe high standards of financial propriety which include,

i. Every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money;
ii. The expenditure should not be *prima facie* more than the occasion demands;
iii. No authority should pass any orders which will be directly or indirectly to his own benefit.

.

The National Tariff Commission (NTC) under Ministry of Commerce maintained lapsable Personal Ledger Account (PLA) with Federal Treasury Office (FTO) Islamabad upto Dec, 2008 and an assignment account from Jan-2009 to June 2009. Audit observed an embezzlement of public money amounting to Rs 24,053,902/- during the period FY 2000-01 to 2008-09 as detailed below:

i. Fraudulent withdrawals of Rs 11,007,404/- were made in the name of Drawing and Disbursing Officer (DDO) by changing the amounts of the cheques, inserting (0) in figures and "y"/"ty" in the words. Thus, the legitimate amounts of the cheques already signed by the authorized signatories were inflated (detail is given in Annexure I).
ii. Cheques amounting to Rs 7,103,198/- were drawn in the name of DDO and others without any entry in the department's cash book and without having any evidence of payments in support thereof(detail at Annexure-II).
iii. Cheques amounting to Rs 5,428,953/-(detail at Annexure-III) were drawn by making fictitious entries in the cashbooks.
iv. Cheques amounting to Rs 514,347/- were drawn on account of pension contributions but not deposited into Government account (detail at Annexure-IV).

Audit held that the embezzlement occurred because:

i. NTC did not periodically reconcile accounts with treasury;
ii. Cash books were not maintained properly and checked and signed by the head of the office at the end of month;
iii. Schedules of cheques were not kept by FTO; and
iv. The DDO signed the cheques for encashment without the endorsement of FTO.

Management stated that on detection of embezzlement by audit, the matter was immediately reported to the Federal Investigation Agency (FIA). FIR was registered on September 01, 2009. The culprits were arrested by the FIA and the case was pending in the court of law.

DAC on 21-12- 2009 directed that efforts should be made for the recovery of embezzled amount under intimation to audit.

No progress was intimated till the finalization of this report.

Observations regarding Performance

1- **Criteria** *(with reference to relevant rules or provisions of PC-1)*
Description of the standard/target and TORs.

2- ***Observation:***

Evaluation and observation on performance in terms of output/ outcome and impact through SMART indicators.

(Reference to copies of supporting documents or written description of evidence supporting the observation)

3- ***Cause/Reasons:***

Explain the cause/reasons of the occurrence

4- ***Implication:****(Quantify where possible)*
Potential impact

5- ***Management Reply***:

Comments of the responsible entity official

6-DAC's Recommendations:

Recommendation of DAC to PAC

7-Audit Comments:

Include Auditor's recommendation and suggested action

(Illustration-3)

Missing 620,400 germinated oil palm seedlings imported from Malaysia - US$ 322,608

According to approved PC-I of "Oil Palm Development Project", the Pakistan Oilseed Development Board (PODB), Karachi was to procure and plant palm seedlings on 12,000 acres (approx).

Pakistan Oilseed Development Board (PODB), Karachi imported 958,000 germinated oil palm seedlings @ US $ 0.52 per seedling under the development projects "Oil Palm Development Pilot Project" and "Oil Palm Development Project" from Malaysia for plantation at 12,000 acres (approx) during 1998-2007.

Audit observed that of the seedlings imported, 167,439 were sold to various private growers and that total area planted by the PODB was 250 acres (approx.). On average, plantation carried out on one acre was about 55-60 seedlings. At this rate, the PODB would have utilized approximately 15,000 seedlings on 250 acres of land. The remaining 620,400 seedlings (after deducting 20 % mortality rate) valuing US $ 322,608 (Rs 27.09 million) were missing.

Management replied that 300,000 seedling were destroyed due to rain and cyclones in Sindh. 250,000 seedlings were found unfit and could not be utilized. Audit held that the management's response could not justify the loss of 65% imported seedlings.

DAC held on 07-01-2010 agreed to refer the Para to the PAC.

(Illustration-4)

Improper purchase of Oil Palm Extraction Mill - Rs 49.73 million
According to approved PC-I of "Oil Palm Development Project", the Pakistan Oilseed Development Board (PODB), Karachi was to procure and install an oil extraction mill with crushing capacity of 20 tons per day. Estimated budget for this was Rs 25 million
Audit observed that the PODB purchased and installed an oil palm extraction mill for Rs 49.734 million which had the crushing capacity of 10 tons per day only. Thus, the management almost paid double the price for half the capacity. As a result, there was risk of oil palm produced under the project going waste.
It was replied that due to price hike the management was not in a position to install 20 tons capacity mill.
DAC held on 07-01-2010 agreed to refer the Para to the PAC.

Non Production of Record

1- **Criteria** *(with reference to relevant rules)*

2-Observation:

Explain the circumstances as viewed by the Auditors.

3-Management Reply:

Comments of the responsible entity official

4-DAC's Recommendations*:*

Recommendation of DAC

5-Audit Comments:

Include Auditor's recommendation and suggested action

(Illustration-5)

According to section 14 sub section 2 of AGP Ordinance 2001"The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition".

However twice/thrice the requisition was sent to the concerned officials of the department for the following record (insert references of the requisitioned record) but (no appropriate response was received from the department/or 70% of the requisitioned record (mention details) was not made available to us.

According to section 14 sub section 3 of AGP Ordinance 2001 "Any person or authority hindering the auctorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person".

(If the matters concerned are significant enough, then please consider mentioning very prominently that the scope of our work was not sufficient to enable us to express any opinion on the areas concerned)

The management agrees/does not agree to provide auditors with the required record by (insert date).

DAC on (insert date) directed that efforts should be made for the provision of required information by (insert date / or actions to be taken against the individuals responsible).

No progress was intimated till the finalization of this report.

<u>Irregularity & Non Compliance</u>

Segregate this section into significant irregularity & non compliance and recurring irregularity & non compliance for more than 3 years.

1-Criteria (in terms of rule/act/ordinance/laws)

Explain and refer the criteria/law against which irregularity was observed

2-Observation:

Description of Irregularity or Non Compliance

(Reference to copies of supporting documents or written description of evidence supporting the observation)

3-Implication:

Potential impact of the deviation

4- Management Reply:

Comments of the responsible entity official

5-DAC's Recommendations:

Recommendation of DAC to PAC

6-Audit Comments:

Include Auditor's recommendation and suggested action

(Illustration-6)

Loss due to non-transparent procurement- Rs 3.49 million

Rule 38 of Public Procurement Rules 2004 provides that the bidder with the lowest evaluated bid should be awarded the procurement contracts.

Ministry of Health invited open bids for purchase of 50,000 each of Hepatitis B Kits and HVC kits on September 11, 2006. The technical evaluation committee evaluated 05 bids received for Hepatitis B Kits and accepted 02 bids of M/s Sindh Medical Store and M/s ZEDCO which quoted Rs 74 and Rs.18 each kit respectively.

Due to large difference in the quoted rates of these two suppliers, the purchase committee referred 100 tests of each of the supplier for practical evaluation. The results of the kits of both the firms were confirmed technically as equal by National Programme Manager (NPM), Hepatitis and thus recommended to purchase HBsAg kits of M/s Sind Medical Store at Rs 18 each.

Audit observed that instead of awarding supply contract to M/s. Sind Medical Store, the management re-tendered its requirements on 28.03.2007. Again both the above firms quoted their rates but the bid of M/s Sind Medical Store was rejected on technical grounds and the other bid of M/s. ZEDCO @ 86.85 per kit was accepted. Audit was not provided with justification supporting the rejection of the bid of M/s. Sind Medical Store when its kits were found technically equal to that of M/s ZEDCO.

Similarly, M/s. Sind Medical Store quoted their rate of Rs 45 for Anti HCV kits but, after retendering, they quoted the rate of Rs.54 which was accepted and supply order was issued on 04.06.2007, whereas validity of previous rates offered at Rs 45/- was up to 30.06.2007.

The above action of the management caused a loss of Rs.3.892 million under this procurement as indicated below:-

Type of List	Quantity Purchased	Purchase Rate	Lowest Rate	Difference	Loss Amount
HBs Ag	50,000	86.85	18	68.85	3,442,500
HEV	50,000	54	45	9	450,000
Total					3,892,500

Management stated that kits of M/S ZEDCO were recommended for purchase because they have accurate results in tests. The matter was also referred to Secretary Health for advice and tendering for purchase of kits was decided by the competent authority. As per laboratory report, the kits provided by M/S ZEDCO for HBsAg and M/S Sind Medical Store for anti HCV were qualified and accepted by the Federal Purchase Committee.

DAC in its meeting held on 26-01-2010 directed to inquire the matter and take appropriate action against responsible persons within two months.

No progress was intimated till the finalization of this report.

Internal Control Weaknesses *(Include Paras only* in an extremely fragile Internal control scenario)

1-Observation:

Description & basis of conclusion

(Reference to copies of supporting documents or written description of evidence supporting the observation)

2-Implication:

Potential impact of the deviation

3-Management Reply:

Comments of the responsible entity official

4-DAC's Recommendations:

Recommendation of DAC to PAC

5-Audit Comments:

Include Auditor's recommendation and suggested action

(Illustration-8)

Reconciliation with Bank & Departments
***Risk Categorization*: High**

Daily, Monthly & Annual Reconciliations

Reconciliation is the primary requirement of the quality financial statements. It has been provided in the NAM that account office will ensure reconciliation on daily, monthly and annual basis with bank and departments.

According to APPM (Accounting Policies and Procedure Manual) "Every DAO shall prepare a monthly reconciliation statement for expenditures and receipts, as set out in direction 6.3.5.1"

"The respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account, as set out in direction 6.3.5.2."

During the course of the audit we observed that monthly and yearly reconciliation are carried out by the AG and DAOs and the daily procedure for reconciliation of bank accounts is not followed.

Timely reconciliation is an important control over fraud and irregularities. In the absence of reconciliation activities fraud and irregularities would be very difficult to detect, moreover timely closing of accounts would be seriously hampered and delayed if the balances do not reconcile.

No response was received from the Management till the finalization of this report.

We recommend that daily, monthly and annual basis reconciliation with bank and departments should be carried out, which is a requirement of NAM & APPM.

Any paras other than those referred above, if considered worthy of printing based on auditor's professional judgment are to be included in the report with the same format as explained for the referred paras.

<u>ANNEXURES</u>

Annexure-1 Brief description of paras included in MAFDAC

(Please include brief description of MAFDAC paras)

Annexure-2 Audit Impact Summary [FAOs need to present this summary in the form of a table given below. The summary will show specific change in rules, systems, and procedures resulting from audit work and its consequence/impact. An example has been given for guidance]

#	Change in Rules/Systems/Procedure	Audit Impact
1	FBR issued SRO restricting the sale of filtered rods for cigarettes to registered personnel only.	Increase in revenue collection on account of federal excise duty and sales tax on cigarettes.
2		
3		

Annexure -3 Attach as many as appropriate