

## STRONG AUDITOR GENERAL'S INSTITUTION: A KEY TO GOOD GOVERNANCE IN PAKISTAN

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Public Auditing is a cornerstone of good public sector governance. An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their public sector entities accountable. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight.

Department of the Auditor General of Pakistan (DAGP) is the Supreme Audit Institution (SAI) of the country. The history of this institution can be traced back to as early as mid-19th century when the first Comptroller & Auditor General was appointed in sub-continent in 1860. So far thirty-four (34) Auditors General have served since 1860 and nineteen (19) Auditors General have served since 1947 i.e. after independence of the country.

The duties and mandate of Auditor General of Pakistan is laid down in the Constitution of Islamic Republic Pakistan which prescribes a unique role for the Auditor General in assisting the Parliament to enforce

accountability. As per Article 170 (2) of the Constitution (as amended vide 18th constitutional amendment), the Auditor General of Pakistan has been entrusted the audit of Federal/Provincial Governments and all corporations/ authorities or bodies established there under.

The honorable Supreme Court of Pakistan in its landmark judgment has also held that under Article 170 (2) of the constitution, the AGP enjoy a strong constitutional mandate to audit all public expenditures without exception, moreover, the autonomous public bodies which do not receive any government funding but are established by the government or are under its control are also not beyond the AGP's duty and power to audit.

The Auditor General of Pakistan has the authority to decide the extent and nature of the audit to be carried out, which includes mainly Compliance, Financial and Performance audits as well as Special audits etc. Similarly, all areas of operation of the government like public procurements, contracts, public works, collection of taxes, subsidies etc. are required to be audited by the Auditor General in fulfillment of its constitutional mandate. This is to say that all public financial operations, regardless of whether and how they are reflected in the



national budget, are subject to audit by the Auditor General of Pakistan.

This constitutional mandate of Auditor General of Pakistan is in line with international public sector audit developments/standards. Pakistan has adopted global ISSAI Standards for external/public audit issued by International Organization of Supreme Audit Institutions (INTOSAI), which is a worldwide affiliation of governmental audit entities and has special consultative status with the Economic and Social Council (ECOSOC) of the United Nations. ISSAI 1 (Lima Declaration) constitutes the founding principles for the Supreme Audit Institutions (SAIs) across the globe which stipulates that the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust and Audit is not an end in itself but an indispensable part of a regulatory system. ISSAI standards require of the Auditor General of Pakistan to conduct an extensive and detailed audit including an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Similarly, the federal government has recently enacted the Public Finance Management Act, 2019, wherein, the Principal Accounting Officers i.e. Secretaries of the Ministries/Divisions have been made

responsible for exercising financial propriety in management of public funds and having accountability to Parliament for the economic, efficient and effective use of resources.

Thus, through statutory audit by the Auditor General, not only compliance with law and rules/regulations is observed, but the economy, efficiency and effectiveness of the operations of the government is also examined in line with the constitutional mandate and established international practice across the SAIs. The whole dispensation of Audit is established by Constitution and law on the premise that the Auditor General of Pakistan has been assigned a role to perform as an agency, to function on behalf of the Legislature.

The audit staff of the Auditor General of Pakistan has the requisite qualifications and expertise to assist the Auditor General of Pakistan in performing his auditorial functions. The auditors of DAGP are selected through a rigorous competitive process followed by extensive pre-service and in-service training in Public Sector Financial Management, Public Finance, Cost & Management Accounting, Financial Accounting, Auditing, IT, etc. All audit staff of the DAGP are either Fellow or Associate members of Pakistan Institute of Public Finance Accountants (PIPFA) which is the premier professional body providing professional excellence to public accountants in Pakistan. It is pertinent to mention that PIPFA was jointly established by



Institute of Chartered Accountants of Pakistan (ICAP), Institute of Cost and Management Accountants of Pakistan (ICMAP) and Auditor General of Pakistan (AGP) in 1993. Linkages and strong association with PIPFA, help the auditors of DAGP to constantly update their auditing and accounting knowledge and skills.

It is also worth mentioning that a Policy Board was constituted by the Auditor General of Pakistan in November, 2015 to provide suggestions/recommendations on the strategic issues of government auditing and accounting and public financial management. The Policy Board consists of members including Governor State Bank of Pakistan, Secretary Finance, Chairman Federal Board of Revenue, Chairman Securities and Exchange Commission of Pakistan (SECP), President Federation of Pakistan Chamber of Commerce and Industries (FPCCI), heads of professional accounting bodies and representatives from NGOs. The policy board provides suggestions and recommendations

on a number of issues including the role of DAGP in establishing effective public financial management as well as technical opinion on audit approach, methodology, techniques, etc.

The Auditor General of Pakistan has undertaken a number of wide-ranging initiatives and reforms in recent years to make DAGP a model Supreme Audit Institution of the country. These initiatives include Audit management Information System (AMIS), creation of Specialized Audit Unit (SAU), Objective performance appraisal of the staff and a new draft Auditor General's Act. There is no second opinion that the role of the Auditor General's institution is immensely important for efficient public financial management in the country and a strong institution corresponds to the hopes and aspirations of all the stakeholders more so of the poor segment of the country for whose benefit exists the whole process of transparency and accountability.