

DEPARTMENT OF  
THE AUDITOR-GENERAL OF  
PAKISTAN



GUIDELINES FOR THE AUDIT OF DISTRICT GOVERNMENT

TO BE USED BY

THE DIRECTORATE GENERAL OF DISTRICT AUDITS

AND

ALL THE FAOs REQUIRED TO CARRY OUT THE AUDIT OF DISTRICT  
GOVERNMENTS



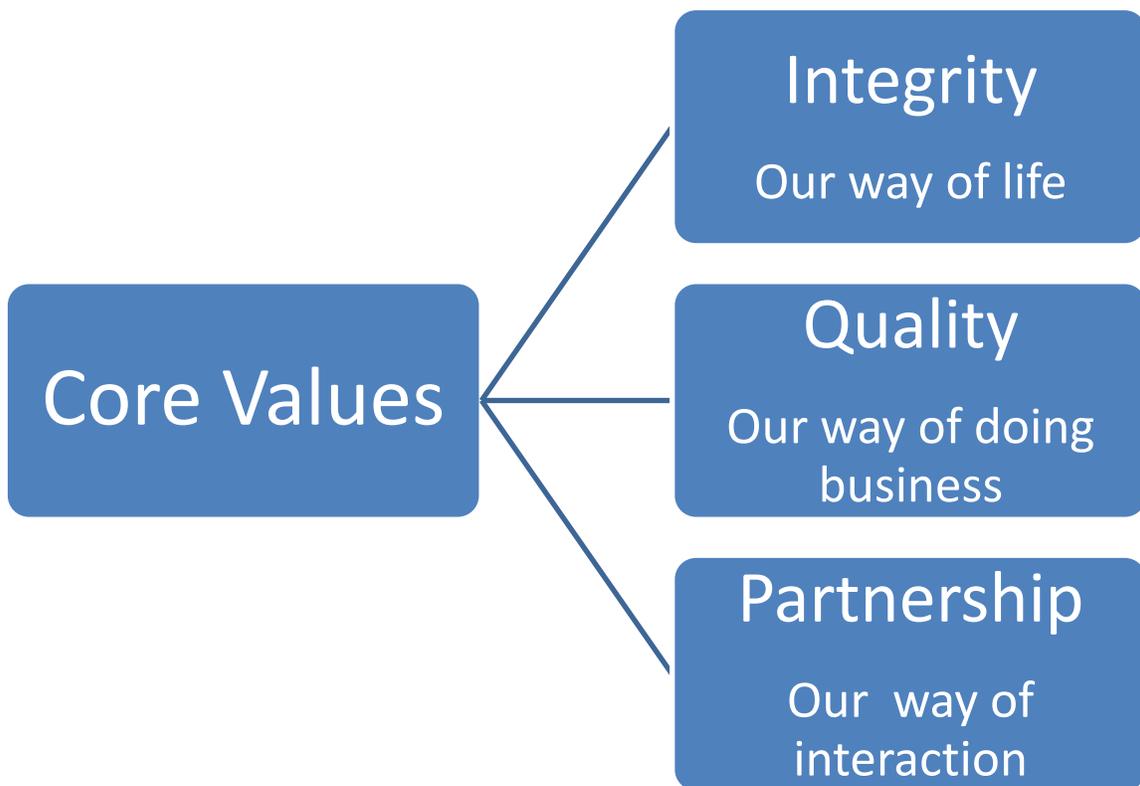
## VISION

A Model Supreme Audit Institution Adding Value to National Resources



## MISSION

Serving the Nation by Promoting Accountability, Transparency and Good Governance in the Management and Use of Public Resources



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## PREFACE

The Financial Audit Manual (FAM) was commissioned in June 2006 by the Auditor-General of Pakistan for use in Field Audit Offices (FAOs) for conducting Certification and Compliance with Authority audits. The Manual is based on the INTOSAI Auditing Standards and the international best practices. It covers the entire Audit Cycle and provides guidance with regard to the methods and approaches to audit that can be applied by auditors for conducting the audit of Government entities in Pakistan.

FAM has been implemented in the Department of the Auditor-General of Pakistan (DAGP). However, during the course of its implementation, it was found that though it is quite comprehensive for developing an understanding of audit concepts, standards and techniques, it does not provide sufficiently detailed and specific guidance to the FAOs for conducting audit. Realising this need, the DAGP prepared guidelines pertaining to different sectors and departments. Some of these guidelines are specific to an office (e.g. DG, Districts), while the others are applicable across the board (Environment).

These Guidelines were circulated among the FAOs for use. However, they were not found helpful, and could not offer the hands-on practical assistance they were meant to provide. The result was that the FAOs continued to rely on their old and outdated codes and manuals for conducting audit.

On the basis of lessons learnt from the field, it was decided to revise and update these Guidelines. This has been done with the help of consultants engaged by PIFRA for different FAOs, and in close coordination with the experienced auditors in the field. The result of those efforts is contained in this totally rehashed Guidelines. Though the document, as a whole, has been revised, I would like to particularly mention the section on the Audit Execution Phase, in which detailed audit steps have been added.

I hope that the Guideline will prove useful to the FAOs and will go a long way in ensuring quality improvement in audit reports.

Dated: March, 2010

(Tanwir Ali Agha)  
Auditor-General of Pakistan

# 1. INTRODUCTION TO AUDIT GUIDELINES

## 1.1 Purpose of the Guidelines

These Guidelines aim to provide specific and detailed guidance to auditors engaged in the audit of Districts Governments. They do not replace the Financial Audit Manual (FAM) that establishes a general framework for conducting audit, but complements it. An auditor is expected to continuously refer to FAM in developing a general understanding of audit concepts, standards and methodology. The Guidelines assist in their practical implementation.

The guidance provided is primarily meant for Regularity Audit that includes Certification Audit and Compliance with Authority Audit. Though these audit types have been discussed in detail in FAM (Chapter 4), they have also been defined in these Guidelines under Scope of Audit (Chapter 3). They provide specific and detailed set of instructions for an auditor for preparing a permanent file, planning and conducting audit, which processes finally culminate in the Evaluation and Reporting Phase of audit results.

## 1.2 Guiding Principles

FAM, which was issued in 2006 by the Department of the Auditor-General of Pakistan (DAGP) under the Project to Improve Financial Reporting and Auditing (PIFRA), contains guiding principles that should be observed at the time of conducting an audit under the authority of the Auditor-General's Ordinance, 2001..

The DAGP has vested the Directorate General with the authority, sanctioned through Auditor Generals Ordinance, 2001, to conduct the Certification audit, Compliance with authority audit and related services in respect of the entities and projects falling under ambit of the District Governments. Moreover, Local Government Ordinance, 2001 also requires that the Accounts of District Governments shall be audited every year by the Auditor-General of Pakistan.

## 1.3 Auditors' Responsibility

Every auditor engaged in Government audit is required to be familiar with audit theory, practice, standards, and techniques described in FAM, which includes the Audit Working Papers Kit. Because of the importance of ensuring a high standard of work by the DAGP, particular attention needs to be paid to the quality assurance programme. DAGP's quality assurance framework ensures that its work is performed as efficiently and effectively as possible and complies with the INTOSAI Auditing Standards. Quality is performing an audit effectively, following up all errors and deviations with a rigorous evaluation, reporting clearly on the results, while at the same time respecting the resource and time constraints established by the budget. Therefore, quality assurance occurs throughout all the phases of audit, not at the end. (Ref: Financial Audit Manual Para 15.1.1)

It needs to be highlighted that the audit strategy and methodology, recommended under FAM, provides for continued quality assurance through all the phases of audit. While reviewing the audit plan, permanent file and other phases of audit, the functionaries, entrusted with the quality assurance of audit, should ensure that various steps

recommended in these Guidelines and respective forms have been followed in all respects.

The Director General must ensure that the audit is carried out efficiently, effectively, and with a high standard of professional competence. This requires auditors to be properly supervised during each audit assignment. (Ref : Financial Audit Manual Para 9.11.4).

## 1.4 Practical Tools

FAM is supported by standard Audit Working Papers Kit that provides the auditor with practical tools for conducting audit. These working papers are a generalized set of forms and schedules designed to help each audit team perform audit in compliance with the principles set out in FAM. These Guidelines have been prepared to assist the audit teams to apply the Audit Working Papers Kit to a specific type of audit. These Guidelines also comply with the INTOSAI Auditing Standards. While developing these Guidelines, the work done by the Professional Standards Committee of the INTOSAI and its Sub-Committees on Financial and Compliance Audit has also been kept in view.

The software tools acquired under PIFRA as a part of the Computer Assisted Audit Techniques (CAATs) and the Audit Management Software will be required to be used by the audit. For more information about these software tools, the auditor should refer to the Manuals of the respective software. In addition, Appendix C of FAM provides a discussion on the use of CAATs.

## 1.5 Continuous Improvement

It is the DAGP's intention to use FAM and the Audit Working Papers Kit for continually improving its methods to ensure that the highest quality audits are achieved with maximum efficiency. While using these Guidelines in performing audit, the auditors are encouraged to identify ways of improving either the Guidelines or the underlying tools, and submit a written suggestion to the Audit Policy and Special Sectors (AP&SS) Wing in the DAGP.

## 1.6 Using the Standard Audit Working Paper

The work of an audit generally follows a standard Audit Cycle comprising the following phases:

- General audit planning
- Detailed activity and resource planning
- Fieldwork
- Evaluation
- Reporting
- Follow-up

These phases are common to all types of audit. An overview of the Audit Cycle as a whole is provided in Chapter 6 of FAM. Additional detail is provided in Chapters 7 through 14.

The Audit Working Papers Kit has been designed to guide audit teams through these phases in a structured manner, and are presented in the four sets of working papers. Once completed and supplemented with additional information gathered during the course of audit, each of these sets of working papers represents a “file” that documents audit activities and supports the conclusions reached.

The files that represent the work done in each of the phases of audit are:

- Permanent file,
- Planning file,
- Working Paper file, documenting the execution phase, and the
- Evaluation and Reporting file

It is recommended that the electronic versions of forms given in the Audit Working Papers Kit are used during the conduct of audit. The auditor is reminded of the importance of keeping back-ups of filled-out forms (electronic and hard copy) to ensure that they are adequately protected.

Kindly note that each form or schedule included in the Audit Working Papers Kit incorporates notes on how to use the form. These notes are printed in italics to differentiate them from other material on the form. In some cases, the note may relate to a specific item on the form, in which case it will follow the item it relates to. Notes that apply to the form as a whole are presented either at the beginning or end of the form.

These Guidelines do not repeat the instructions for each form. Its purpose is to provide some additional guidance specific to the type of audit being planned or conducted. Forms and schedules given in the Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of these forms, marked with an asterisk (\*), can also be used for Compliance with Authority Audit. In both the cases, the notes on the form are sufficient to guide the auditor and no additional information is required in these Guidelines.

Ultimately, it is the audit team leader who will have to use his/her judgment in determining how best to apply the Audit Working Papers Kit in conducting a specific audit.

## 1.7 The Accountability Cycle

The accountability cycle starts with the preparation of annual budget statement which is approved by the Zila council. A detailed elaboration is as follows:

1. Each year, after the presentation of provincial budget but before the commencement of the next financial year, each nazim shall present the budget for approval by the respective council
2. The Budget of local Government shall, on presentation before the council, be referred to the Finance committee of the council for detail scrutiny and recommendation to the council.
3. The Annual budget for each Local Government shall contain estimates of

➤ Grants-in-aid from the Provincial Fund;

- Amounts available in the respective Funds;
  - Receipts for the next year; and
  - Expenditures to be incurred for the next year.
4. Principal Accounting Officers (PAOs) sanction the expenditure.
  5. Controller General of Accounts is responsible for the preparation of Annual Financial Statements. This task is accomplished through the Accountant General Sindh and District Accounts Officers (DAO), who has the primary responsibility for disbursements, keeping a record of transactions and the preparation of Annual Financial Statements of the Provincial and District Governments, for centralized accounting entities. In the case of self-accounting entities, this task is accomplished by the PAOs.
  6. Each year, the Auditor General of Pakistan certifies the financial statements of Federal, Provincial and District Governments.
  7. Audited Financial Statements and audit reports are laid before the National Assembly/Provincial Assembly. These reports are then discussed in the Public Accounts Committee (PAC) who then reports back to the National Assembly/Provincial Assembly.



## 2. OVERVIEW OF THE DIRECTORATE GENERAL OF DISTRICT GOVERNMENT

### 2.1. Overview of the Office

Office of the Director General District Audit Sindh came into existence on July 01, 2003 for conducting the Audit of District Governments under Section 115 of Sindh Local Government Ordinance, 2001.

Section 115 of SLGO, 2001 mandates the AGP to undertake the audit of Town/ Taluka Municipal Administration (TMA) and Union Administration (UA) subject to specific notification to this effect. These local Governments are not being audited by the AGP at this stage due to the non-issuance of notification.

### 2.2 Jurisdiction<sup>1</sup>

Region wise Structure of Districts Audit is as follow:

- Karachi Region
  - 1. City District Government Karachi
- Hyderabad Region
  - 1. Hyderabad
  - 2. Badin
  - 3. Dadu
  - 4. Thatta
  - 5. Jamshoro
  - 6. Matiari
  - 7. Tando Allahyar
  - 8. Tandoo Mohamad Khan
- Mirpurkhas Region
  - 1. Mirpurkhas
  - 2. Sanghar
  - 3. Tharparkar
  - 4. Umerkot
- Sukkur Region
  - 1. Sukkur
  - 2. Ghotki
  - 3. Khairpur
  - 4. Nawabshah
  - 5. Naushero Feroze
- Larkana Region
  - 1. Larkana
  - 2. Jacobabad
  - 3. Shikarpur
  - 4. Kashmore- Kandhkot
  - 5. Kamber-Shahdadkot

Function wise details of each District is given below:

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<sup>1</sup> Other field offices carrying out the audit of District Audit in their jurisdiction are expected to identify and list the District operations in their provinces.

## Entities which fall in the Audit Jurisdiction

### Karachi Region

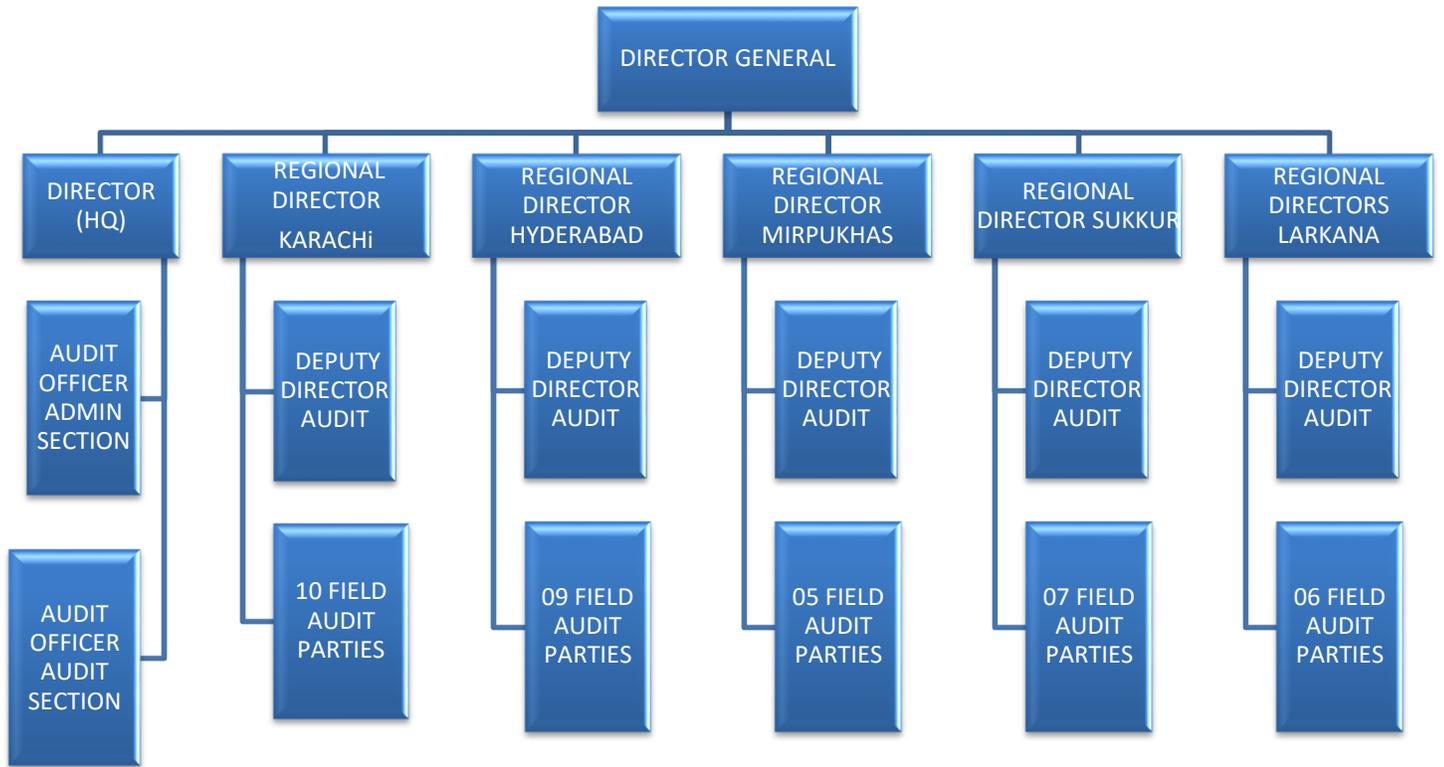
1	City Nazim	11	EDO (Information Technology)
2	Naib City Nazim	12	EDO (Community Development Department)
3	DCO	13	EDO (Literacy)
4	EDO (Health)	14	EDO (Master Planning)
5	EDO (Revenue)	15	EDO (Transport & Communication)
6	EDO (Agriculture)	16	EDO (Enterprises, Investment & Promotion)
7	EDO (Law)	17	Karachi Water & Sewerage Board (KW&SB)
8	EDO (Education)	18	Karachi Building Control Authority (KBCA)
9	EDO (Finance & Planning)	19	Lyari Expressway & Resettlement
10	EDO (Works & Services)		

## Entities which fall in the Audit Jurisdiction

### Hyderabad, Mirpurkhas, Sukkur, & Larkana Region

1	Zila Nazim	7	EDO (Finance & Planning)
2	Naib Zila Nazim	8	EDO (Law)
3	DCO	9	EDO (Works & Services)
4	EDO (Health)	10	EDO (Education)
5	EDO (Revenue)	11	EDO (Information Technology)
6	EDO (Agriculture)	12	EDO (Community Development Department)

## 2.3 Organogram of D.G DISTRICT AUDIT SINDH



## 3. SCOPE OF AUDIT

### 3.1 Types of Audits<sup>2</sup>

Directorate General District Audits conducts the following types of audit:

1. Certification Audit
2. Compliance with Authority Audit
3. Performance Audit

Additionally the Directorate General also carries out special audit, special studies and the audit of foreign aided projects. Separate guidelines have been issued by the DAGP for the audit of foreign aided projects.

**The following section defines Certification audit, Compliance with Authority audit and Performance audit.**

### 3.2 Definition of Government Audit

According to the INTOSAI Auditing Standards, the full scope of Government auditing includes regularity and performance audit. Regularity audit comprises of the attest of financial statements called Certification Audit and Compliance with Authority Audit. Regularity audit embraces:

1. Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statement;
2. Attestation of financial accountability of the Government administration as a whole;
3. Audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations;
4. Audit of internal control and internal audit functions;
5. Audit of the probity and propriety of administrative decisions taken within the audit entity; and
6. Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institutions considers should be disclosed.

Performance audit<sup>3</sup> is concerned with the audit of economy, efficiency and effectiveness and embraces:

1. Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;
2. Audit of the efficiency of utilizing of human, financial and other resources, including the examination of information systems, performance measures and

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<sup>2</sup> These Guidelines provides guidance on both the Certification and Compliance with Authority audit.

<sup>3</sup> Detailed guidelines for Performance Audit have been issued by the DAGP which are being updated under a special program initiated by PIFRA.

- monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
3. Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

**The following sections provide detailed guidance on Regularity Audit which includes Certification Audit and Compliance with Authority Audit.**

### 3.3 Certification Audit

#### Objectives:

To express opinion on the Accounts to the effect that:

1. The financial statements properly present, in all material respects, the Government's financial position, the results of its operations, its cash flows and its expenditures and receipts by appropriation; and
2. Ensure that assessed revenue is promptly collected and deposited in Government treasury and properly classified in the financial statements.
3. The sums expended have been applied in all material respects, for the purposes authorized by Parliament and have, in all material respects, been booked to the relevant grants and appropriations.

Financial statements have a large number of external users and it is necessary that the financial statements properly represent the financial position of the auditee. In order to express the opinion on the financial statements, the auditor has to ensure the following:

- Financial statements are evaluated for adequacy against "Presentation and Disclosure" requirements;
- Significant line items of financial statements are tested for the following audit assertions:
  - a. Existence and Occurrence
  - b. Completeness
  - c. Measurement
  - d. Regularity (compliance with applicable laws and regulations)

#### Methodology:

- Understanding the auditee;
- Conducting risk assessment;
- Defining detailed audit objectives;
- Developing audit programmes;
- Performing analytical procedures;
- Testing the internal controls;
- Determining sample size for substantive testing of details;
- Conducting substantive tests;
- Evaluating results;
- Reporting; and
- Follow up.

## 3.4 Compliance with Authority Audit

### Objective:

1. Audit against the provision of funds to ascertain whether the moneys shown as expenditure in the Accounts were authorized for the purpose for which they were spent.
2. Audit against rules and regulation to see that the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.
3. Audit of sanctions to expenditure to see that every item of expenditure was done with the approval of the competent authority in the Government for expending the public money.
4. Propriety Audit which extends beyond scrutinizing the mere formality of expenditure to its wisdom and economy and to bring to light cases of improper expenditure or waste of public money.
5. While conducting the audit of receipts of the Governments, the Auditor-General satisfies himself that the rules and procedures have been properly adopted and ensures that the assessment, collection and allocation of revenue are done in accordance with the law and there is no leakage of revenue which legally should come to Government.
6. Review, analyze and comment on various Government policies relating to different sectors.

### Methodology:

- Updating the understanding of the business processes with respect to control structure.
- Identification of key controls on the basis of prior years' audit experience /special directions from the head office etc.
- Prioritizing risk areas by determining significance and risks associated with identified key controls.
- Design audit programmes including analytical procedures for testing identified risk conditions.
- Selection of audit formations i.e. DDOs on the basis of:
  - Materiality/significance
  - Risk assessment
- Selecting samples as per sampling criteria.
- Execution of audit programmes.
- Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non compliance of laws, rules, regulations and prescribed procedures.
- Integrating the work with financial attest audit work, where possible.
- Evaluating results;
- Reporting; and
- Follow up.

## 3.5 Important Audit Components of District Government Audit

Some of the specific risks relating to Civil Works done in District Governments include:

- Award of contract to unsuitable supplier/contractor.
- Time overrun leading to exorbitant cost overrun.
- Employment of unwanted work charge establishment.
- Completion and certification of work below specification.
- Repeated revisions of drawings/estimates and administrative approvals.
- Maintenance of stock without its actual requirement.
- Non-auction of unserviceable material/machinery.
- Non-maintenance of record relating to assets.
- Non-maintenance of agreed percentage at the time of the approval of the contract, while making final payment.

These activities are large in aggregate and widely dispersed across the country. A significant challenge for the audit team is to decide where to focus audit effort and resources.

Risky areas in pay and allowances are the deductions and allowances for a specific employee, CAATs and software such as ACL can be used to improve efficiency and effectiveness of audit.

The auditors should decide what aspects of these risks should be taken into account when planning the audit.

The major focus of the Directorate General of District Government Audit is on:

- Revenue received by the auditee departments.
- Expenditure incurred by the auditee departments.
- Assets maintained by the auditee departments.
- Public Accounts and other Trust Accounts of District Government.

### 3.5.1 Audit of Revenue

The main components of revenue are:

- Single line Transfer of share from Provincial Government on the basis of Provincial Finance Commission
- Octrai and zila tax
- Sugar cane cess

The receipts of money should be reviewed to check that they have been properly dealt with from a revenue perspective in accordance with the Auditing Standards of the Department of the Auditor-General of Pakistan. The auditor, therefore, needs to keep him/her knowledge up to date in auditing standards. The auditor should also conduct an examination of the attached terms and conditions to ensure compliance with applicable laws and regulations.

### 3.5.2 Audit of Expenditure

The expenditure incurred on these major types of activities in the auditee departments:

- Pay and allowances

- Operations, maintenance and repair works
- Civil works.
- Physical Assets
- Grants , subsidies & write off loan
- Transfers

In deciding what development projects to audit, the audit team should begin with a list of projects (given in the monthly Accounts maintained by respective divisions) which are either ongoing or have reached completion in the period being audited. The sample of projects to be audited will then be selected from this list. The audit team will include those projects:

- on which substantial expenditure has been incurred,
- which are long-term, extending beyond one year in implementation,
- In which weaknesses or problems were identified in previous audits.

The auditor may also include a random sample of smaller projects, as available audit resource allow.

In the area of operations, maintenance and repairs, the auditor should apply the following analytical techniques, as applicable, to identify anomalies:

- From one year to the next at particular locations; or
- By comparing similar facilities across the country, allowing for such factors as the size of the facility (by calculating the costs/square foot of facility space; or by cost/employee working at the facility).

This will provide a basis for selecting locations which should be subject to scrutiny. The auditor may also perform random sampling of transactions.

A sound knowledge of operations will help the auditor to identify potential problem areas. For example, if money was spent in the previous year on fixing a problem and then in the current year, there is further expenditure on the same work, the auditor may decide to investigate reasons for further expenditure.

### 3.5.3 Audit of Assets

The auditors should check that the auditee departments have maintained proper records of purchase and sale of assets, and that all rules and regulations are being followed in this regards. The auditors should also check that the auditee departments have maintained a Fixed Asset Register which must reflect the current status of assets. Moreover, the auditors should observe that necessary steps have been taken by the departments for the safety of assets.

The New Accounting Model (NAM) provides for the accounting of assets. The auditor needs to understand the level of implementation of NAM and verify the fair and true presentation of those assets in accordance with the policy given in NAM.

## 4. PERMANENT FILE OF AUDITEE DEPARTMENTS

### 4.1 Introduction

Audit objectives and plans are developed based on an understanding of the entity's operations. The auditor needs to have a detailed knowledge of those aspects of the entity that relate to audit; the auditor should have cognizance about the other areas.

As its name implies, the Permanent File (PF) is used to collect information about the entity that will be useful not just for the current audit, but also for future audits of the same type for the same entity. For example: information about the entity's size and business helps in assessing materiality; understanding the entity's operations can help to determine what components to audit; and, knowing the types of transactions entered into by the entity helps to assess inherent risks to the entity. This information will be fairly consistent and relevant for at least a few years' audits.

Even though the information on the Permanent File is expected to be useful across more than one audit periods, the audit team should validate the accuracy of that information at the time of next audit and update the Permanent File where significant changes have occurred.

The Permanent File includes information that will be of continuing importance to the audit activity in the particular area of audit. This may include:

- Copies of relevant Government legislation, regulations, guidelines and other rules affecting the operations of an entity.
- Organization charts, detail of key contacts and locations of operation.
- Role of entity, Vision and Mission Statements and the most recent corporate plan.
- Copies of the Estimates.
- Copies of long-term contracts.
- Loan agreements, schedules of amortization for debts and special assets.
- Extracts of the minutes of meetings.
- Reports to management and management's response thereon.
- Chart of Accounts.
- Summary of accounting policies used by the auditee departments.
- Special remuneration, if any, for senior officers.
- System documentation of entity either through system notes or flow charts
- Previous years' audited financial statements.
- Previous auditors' reports to management and management's responses.

Policies and Procedures Manuals may be in the Permanent File, if they are brief or, alternatively, a copy should be in the auditor's bookcase or filing cabinet.

*NOTE: Where the supporting documentation is voluminous, the auditor may decide to include only a reference to the title of the documentation and its physical location rather than keeping the whole document in the Permanent File.*

## 4.2 The Audit Team's Responsibility

The audit team is responsible for gathering the information required to be put in the set of working papers associated with the Permanent File. These are listed in the next section. The preparation of Permanent File for the first time will be a time-consuming exercise and sufficient audit resources should be allocated to this task in the audit resource plan.

For subsequent audits of the same type for the same entity, the audit team simply needs to confirm that the information is still relevant, and to update the Permanent File at planning stage where necessary. The dates on which updates occurred should be recorded on the Update Control Sheet (Form PF) provided.

Members of the audit team should be familiar with the information in the Permanent File as it is required to have an understanding of the entity's business in order to check that an effective and efficient audit is conducted.

It needs to be highlighted that the audit strategy and methodology recommended under FAM provide for continued quality assurance through all the phases of audit. While reviewing the permanent file, the functionaries entrusted with the quality assurance of audit should ensure that the various steps recommended in these Guidelines and respective forms have been completely followed in all respects.

## 4.3 Documentation in Permanent File

Titles of various forms specified in the Audit Working Papers Kit are listed below:

- Update Control Sheet (PF)
- Status of the Entity (PF-I)
- Background Information (PF-II)
- List of Auditable Locations (PF-III)
- List of Bank Accounts (PF-IV)
- List of Authorized Signatories (PF-V)
- External Factors (PF-VI)
- Accounting Records and Accounting System (PF-VII)
- Key Controls (PF-VIII)
- Significant Audit Areas (PF-IX)
- Significant Accounting Policies (PF-X)

The following paragraphs contain specific guidance for using the above forms.

### 4.4 Update Control Sheet - PF

The Permanent File should be updated each year at the planning stage. This form should document the name of the person responsible for updating it.

### 4.5 Status of Entity – Form PF-I.

The auditor should document on this form the principal address, status (whether it is a Federal or a Provincial Government, semi-Government, self accounting, centralized or

exempt accounting entity, etc.) and its relationship with other Government departments/ministries (attached department, branch office, etc).

#### 4.6 Background Information – Form PF-II.

The auditor should gather financial and other background information about the operations whose results are included in the financial statements of the entity. This includes information about total assets, total liabilities, total revenue and total expenditure, corporate plans, and organization structure, main functions, etc.

The list below subject to variation due to departments/ entities being taken out or added under control of District Government.

The main organizational entities within the District are:

- District Co-ordination Office
- Works and Services
- Agriculture
- Community Development
- Finance and Planning
- Health
- Revenue & Estate
- Education
- Excise & Taxation
- Sports

The main functions carried out by the organization are concerned with:

- Health and hospitals
- Education, colleges and schools
- Works and services relating to building and roads, water supply and sanitation
- Agriculture services and activities related to live stock management, soil conservation, forestry, wild life
- Community development
- Civil defense
- Revenue collection

*NOTE: Accounting/Financial information pertaining to the last three years should be documented along with the details of fund releases.*

#### 4.7 List of Auditable Locations – Form PF-III.

The auditor should document the addresses of all locations including:

- Headquarter;
- Field Offices (e.g. works division);
- Project sites or other operational locations that collect, record, process and report the financial information of auditee activities; and,

- Locations where assets are located and their existence can be checked by the auditor.

#### 4.8 List of Bank Accounts – Form PF-IV.

The auditor should list names, addresses and account numbers of all bank Accounts maintained in the name of the entity.

District Governments are operated through Account IV of State bank of Pakistan, SBP had allocated further folio code to the District Governments from 1101 to 1123. Wherever SBP do not have their branches in districts they are operated through NBP, Specific DDO have their own Bank Accounts with the scheduled banks

#### 4.9 List of Authorized Signatories – Form PF-V.

The auditor should list the names of personnel with authority to certify, approve and authorise the collection, recording, processing and reporting of financial information of the entity in accordance with the delegation of powers of the relevant department.

#### 4.10 External Factors – Form PF-VI.

The auditor should list external factors that may have an impact on the performance of the operational activities of an auditee. The auditor should use professional judgment to decide what these factors are. They may include:

- Economic trends and conditions affecting input costs.
- Variation in budgets.
- Timing of project completion and carry over into subsequent financial years.
- Local interventions or events that might have an impact on project progress.
- General financial indicators and trends.

#### 4.11 Accounting Records and Accounting System - Form PF-VII.

This form has two requirements:

- a. List the accounting records maintained by the auditee departments for the collection, recording, processing and reporting of financial information of all the formations at the Federal, Provincial and District accounting levels.
- b. Document a brief description of the accounting system (the means, including staff and equipment, by which an organisation produces its accounting information) used by the auditee department.

The major accounting records maintained by the auditee departments include:

- Cash Book
- Cheque Book
- Vouchers/Bills
- Contractor's Ledger

- Expenditure Statement
- Monthly Return
- Funds Releases
- Budget Releases
- Transfer Register
- Advance Register
- Expenditure Register
- Stock Register
- Measurement Book
- Detailed Estimates
- Classified Abstract
- Contingent register
- Register of advances
- Services book along with register
- Scale audit register for Gazetted employees

NOTE: The above list is not comprehensive; it may include other additional records to support the nature of activities an auditee is involved in.

Accounting Manuals and Codes:

- Departmental Financial Rules (DFR)
- Sindh Financial Rules (SFR)
- Provincial Treasury Rules (PTR)
- Provincial Public Works Account Code (PPWA Code)
- Delegation of Financial Powers
- Land Acquisition Act
- Provincial Civil Service Regulations
- Provincial Esta Code
- Allotment Policy Provincial
- Market Rate System – MRS
- Accounting Policies and Procedures Manual – APPM
- Sindh Government Rule of Business
- Financial reporting Manual

In addition to the above mentioned list, the following is the list of manuals and codes which are entity specific for the provincial departments of Government of Sindh.

- Irrigation Manual of Orders – IMO (I & P)
- Building and Roads Code -B&R Code (C & W)
- Book of Specifications (C & W)

In case of other provinces, auditor should follow the specific rules prevailing in the Province.

Where there are new administrative policies or procedures with which the auditee departments should comply, the auditors must become familiar with them and check that the audit is conducted against these benchmarks. In addition, the auditor should consider whether the policies and procedures in force are effective at reinforcing good

management practices. Where a rule or procedure does not contribute to good management practices, it is the job of the auditor to recommend changes to such rules and procedures.

The audit team should also document a process mapping for each process maintained for collecting and recording transactions. This will help the auditor in understanding the complexity of control structure and documentation. The process mapping will depend on the nature, flow of transaction and significance of operations. For process mapping, the audit team may analyse an entity's manuals, applicable rules and regulation. There are two approaches to process mapping namely Financial Statements approach (a top down approach) and transactions based approach (a bottom up approach).

*NOTE: It is most important that the auditor, in carrying out the audit work, does not reinforce outdated or inappropriate procedures and practices. In particular, the auditor should determine whether any changes have been introduced in Government practices that will apply to the auditee department(s).*

#### 4.12 Key Contacts – Form PF-VIII.

The auditor should list the names and contact information of key personnel at the principal accounting office, and all subsidiary accounting locations.

#### 4.13 Significant Audit Areas – Form PF IX.

The auditor should obtain a current and up to date chart of Accounts. He/She should ensure that it follows the current Accounts classifications and the regulations imposed by the CGA (Controller General of Accounts).

The auditor should list critical audit areas/significant financial statement components (including individually significant transactions and events), and their impact on the Financial Statements of the Federal, Provincial and District Governments (in liaison with those auditors having responsibility for these audits). This will help the auditor to plan his/her audit for specific Financial Audit and related Compliance with Authority Audit objectives.

In order to determine the significant components of the Financial Statements, the whole activity of the auditee department should be divided into manageable parts, for example:

- by district; or
- by capital projects, operations, ongoing maintenance of the facilities, major repairs, etc.; or
- by major activities (building, roads, water courses, etc.); or
- Object element [civil works (A012), repair & maintenance (A013) etc].

Where the selected components have separate locations with decentralized management, each location should be considered separately. On the other hand, if the activity operates under a centrally controlled accounting system, the auditor should consider all locations together.

For certification audit, the most logical way of dividing up the financial statement is to consider each line item in the Financial Statements to be a separate component. The line

item would be each amount reported in the financial statement, including the amount disclosed in the notes thereto.

Sometimes the financial statement includes several different groupings of the same total amount. For example, in the Financial Statements of auditee department(s), financial data/expenditure may be grouped by:

- Separate districts;
- Economic, or business, functional classification (buildings, roads, water courses, etc.);
- Object element [civil works (A012), repair & maintenance (A013) etc].

The financial items to be audited may include the following, as applicable:

1. Income
  - Appropriations (grants)
  - Rentals (self-generating income)
  - Intergovernmental or interdepartmental transfers
2. Expenditures/Costs
  - Payroll
  - Major capital projects
  - Physical assets
  - Goods and services
  - Utilization of inventory
  - Personnel benefits such as Pensions and Provident Funds
3. Assets
  - Fixed assets (land / buildings / infrastructure – roads, bridges)
  - Capital work in progress (civil works, etc.)
  - Major equipment
  - Current assets (stores)
  - Cash
4. Liabilities
  - Provision for retirement benefits
  - Security deposits

The following table highlights the significant financial statement components along with their main account heads and areas critical for auditing.

Significant Financial Statement Components	Main Heads	Critical Area
Expenditure	Civil Works (Development Expenditure)	<ol style="list-style-type: none"> <li>1. Planning &amp; Estimation of works.</li> <li>2. Tendering of works and engagement of consultancy services</li> <li>3. Post-bid contract amendments</li> <li>4. Variation /change orders in original contract/work orders</li> <li>5. Measurement of works</li> <li>6. Payment to the contractors beyond the terms of contract</li> <li>7. Escalation claim of the contractors</li> <li>8. Contract Payments</li> <li>9. Violation of contract specification/design</li> <li>10. Non-imposition of liquidated damages due to delay in completion of works</li> <li>11. Failure and termination of contracts</li> <li>12. Non-schedule items</li> </ol>
	Repair and Maintenance	<ol style="list-style-type: none"> <li>1. Planning &amp; Estimation of works.</li> <li>2. Tendering of works</li> <li>3. Variation /change orders in original contract/work orders</li> <li>4. Measurement of works</li> <li>5. work Payments</li> </ol>
	Pay and allowances	<ol style="list-style-type: none"> <li>1. Deduction and allowances paid to employees</li> </ol>
	Physical assets	<ol style="list-style-type: none"> <li>1. Classification of assets and maintenance of appropriate assets registers.</li> </ol>
	Other Operating expenditure	<ol style="list-style-type: none"> <li>1. Limit of fuel and other charges e.g telephone according to the limits.</li> </ol>
Assets	Fixed Assets	<ol style="list-style-type: none"> <li>1. Fixed Asset Register</li> <li>2. Addition</li> <li>3. Disposal</li> </ol>

	Cash and Bank balances	1. Reconciliation of balances as per Financial statements and as per bank account
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#### 4.14 Significant Accounting Policies – Form PF-X.

The auditor should list significant accounting policies that are consistently applied in the auditee department and should verify that these are consistent with the current policies implemented by the CGA. The auditor should specifically check on the extent of the application of NAM in the auditee entity.

Significant policies may include:

- Revenue Recognition
- Accounting for Contracts
- Treatment of inventory of raw materials and other inputs to projects and operations
- Fixed assets valuation and depreciation
- Accounting for foreign currency transactions and interest payments
- Accounting for staff retirement benefits
- Valuing work in progress
- Accounting for liabilities and commitments
- Accruing for expenses incurred but not recorded
- Accounting for Cash and cash equivalents.

*Sample of the permanent file prepared for the EDO Health has been annexed as Appendix – A.*

## 5. AUDIT PLANNING PHASE

### 5.1 Introduction

Under the existing guidance available to the Field Audit Offices (FAOs), all the FAOs are required to prepare an Annual Corporate Audit Plan covering audit operations pertaining to Certification Audit, Compliance with Authority Audit and other audits like Performance Audit, Special Audit, Special Studies and Audit of Foreign Aided Projects. This chapter contains guidance that the auditor can use to plan their Regularity Audit which includes Certification Audit and Compliance with Authority Audit. These guidelines do not replace the use of professional judgment.

Individual audits must be planned to ensure:

- appropriate and sufficient evidence is obtained to support the auditor's opinion;
- the INTOSAI Auditing Standards are complied with;
- only necessary work is performed.

The planning phase involves the following:

- Determining the overall objectives and scope of audit; \*
- Understand the entity's business; \*
- Assessing materiality, planned precision and audit risk.
- Assessing the entity's system of internal controls.
- Determining the components by which the audit will be conducted.\*
- Determining Financial Audit and Compliance with Authority Audit Objectives, and error/irregularity conditions \*
- Assessing Inherent Risks and Control Risks.
- Determining the appropriate mix of tests of internal control, analytical procedures and substantive tests of details.

*\* These steps of Planning Phase are common for both the Certification and Compliance with Authority Audits, whereas the unmarked steps relate to Certification Audit only.*

### 5.2 The Audit Team's Responsibility in Planning Phase

The activities performed during the preparation of the Planning File are complex and varied. Each member of the audit team should check that they have a good understanding of the activities that have been assigned to them. For details, please refer to Chapter 7 of the FAM.

Based on the information noted above, head office is responsible for planning the activities and associated resource requirements in conducting audit. The Audit Management Software is a valuable tool to apply to this task. See Chapter 8 of the FAM and the Audit Management Software Manual for additional information.

It should also be noted that the INTOSAI Auditing Standards require that "Auditors should adequately document the audit evidence in working papers, including the basis

and extent of planning, work performed and the findings of the audit” Therefore the audit team leader is responsible to check that the Planning File is complete and provides evidence of the basis and extent of planning work performed by the audit team.

It needs to be highlighted that the audit strategy and methodology recommended under FAM provide for continued quality assurance through all the phases of audit. While reviewing the planning phase, the functionaries entrusted with the quality assurance of audit should ensure that the various steps recommended in these Guidelines and respective forms have been completely followed in all respects.

The key to maintaining the quality of the planning process itself is a review of the plan, which the concerned Deputy Auditor General (DAG) should supervise and approve (Ref: FAM-Para 15.3).

## 5.3 Documentation in Planning Phase

Titles of various forms specified in the Audit Working Papers Kit are listed below:

- Audit objectives and scope \*
- Points for attention at next audit (from last year) \*
- Entity communication letter \*
- Audit planning memorandum \*
- Memorandum on post-planning changes \*
- Important dates \*
- Tour Programme \*
- Information requested from entity officials \*
- Materiality assessment form
- Expected aggregate error and planned precision form
- Audit risk assessment form
- Inherent risk assessment form
- Internal control questionnaire – control for overall environment
- Internal control questionnaire – general computer controls
- Internal control questionnaire – application controls
- Control risk assessment form
- Analytical procedures assurance form
- Source of audit assurance form
- List of applicable laws and regulations \*
- Sample selection checklist
- High value item selection form \*
- Key item selection form
- Sample sizing for tests of internal control
- Sample sizing for substantive tests of details
- Checklist of accounting estimates to be reviewed
- Points for attention at next audit \*
- Audit planning checklist \*

*Note: These forms recommended under FAM and Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of these forms, marked with asterisks (\*), can also be used for Compliance with Authority Audit.*

The following paragraphs contain specific guidance for using the forms given for the planning phase in the “Audit Working Papers Kit”.

## 5.4 Audit objectives and scope

The audit is conducted to address a particular objective. Each audit will be designed to address one or more of the following objectives:

- Expressing an opinion on Financial Statements;
- Expressing an opinion regarding compliance with current rules and regulations;
- Testing compliance with authority or controls on selected transactions with no opinion being expressed; and
- Evaluating operational performance.

*Note: for a comprehensive discussion of audit objectives, please see Section 7.1 of FAM.*

The nature and size of audit entity determines the scope of the audit, and is generally defined by the audit mandate. For the audit of Financial Statement, that are required under Section 7 of the Auditor-General Ordinance, 2001, the entity to be audited will be defined by the applicable accounting policies of the Government.

## 5.5 Points for attention at next audit (from last year)

The purpose of this form is to highlight matters that should be taken into account when Planning the following year’s audit. The auditor should record expected developments in the entity’s activities that may require changes in the audit planning. This form can also be used to document practical suggestions for changes to the next year’s audit. All audit staff are encouraged to suggest improvements in the audit plan and procedures.

## 5.6 Entity communication letter

The Audit Working Papers Kit includes the template of a letter which needs to be issued to the management of the auditee. It sets out the terms of the audit and will include the issues that the auditor wants to bring to the attention of entity’s management. This letter will clarify what is expected from auditors during the course of audit and leads to cooperation between both the parties.

## 5.7 Audit planning memorandum

The audit planning memorandum should comprise a concise and easy to understand summary of important factors and decisions made during the planning phase. Emphasis should be placed on changes that have been made to the previous year’s plan. The audit planning memorandum should not duplicate all of the details set out elsewhere in the planning file, the permanent file, or in the audit programmes.

The actual contents of the audit planning memorandum will depend on specific circumstances of audit. It should include any changes in the nature of entity’s business, structure of business, accounting policies or systems, internal controls or operational environment that will affect the planned audit. It should also explain and establish an

audit strategy, time tables and overall budget together with any significant changes made from the previous year.

## 5.8 Memorandum on post-planning changes

As the execution, evaluation and reporting phases of the audit proceed, it may be necessary to amend

the planned scope of the audit work. This may result from gaining a better understanding of The entity's activities, from unexpected external developments, or from determining a better means of achieving the audit objectives as the audit progresses.

If the changes are significant, such as the one that calls for the development of new audit programmes or a re-consideration of the sources of audit assurance, the auditor should discuss the situation with his/her supervisor. The auditor should then prepare an addendum to the audit planning memorandum. This addendum should follow the same review and approval process as is used for the audit planning memorandum itself.

## 5.9 Important dates

Each audit is scheduled around a number of important dates. This form lists dates that are likely to be significant and provides the audit team leader with a tool to track when the work was planned and when it was actually performed.

## 5.10 Tour Programme

Tour programmes needs to be prepared and approved keeping in view the timelines, resource constraints and audit strategy. The head of office should ensure that tour programmes are prepared and approved well in the time: and appropriate record is being kept in this regard.

## 5.11 Information requested from entity officials

The audit team leader should keep track of information requested from the entity management, including what information was requested, when it was required to be delivered and when it was actually received. This form provides a suggested format, but the audit team leader may choose to use his or her own format.

## 5.12 Materiality assessment form

Materiality can be defined as follows: "An error (or the sum of the errors) is material if the error (or the sum of the errors) is big enough to influence the users of the Financial Statements" .

Assessing materiality is an important aspect of modern systems-based audits. This form provides guidelines and suggestions for assessing an appropriate materiality amount for the audit at hand.

*Note: for a comprehensive discussion on Materiality, see section 7.3.1 and Appendix D of FAM.*

## 5.13 Expected aggregate error and planned precision form

Other values which are important in determining appropriate sample size and in evaluating the results of the audit are expected aggregate error and planned precision. This form provides detailed instructions for arriving at these values for the audit at hand.

## 5.14 Audit risk assessment form

It is important that the audit team establish an appropriate level of risk for the audit. The concept of risk is very important in planning system-based audits and is discussed in detail in sections 7.7 and 7.8 of FAM. This form is used to identify whether there are any particular factors that would cause the auditor to reduce the level of risk he or she is willing to accept, therefore requiring additional audit work to be planned so as to raise audit assurance.

## 5.15 Inherent risk assessment form

Inherent risk is the chance of material error occurring in the first place assuming that there are no internal controls in place. "Material error" may be a single error or the sum of multiple smaller errors.

This form indicates some factors which may influence the auditor's assessment of inherent risk. Inherent risk should be assessed for each Financial Audit and compliance with authority objective. However, because the auditor's assessment of inherent risk may be the same for multiple objectives or components, form can be used to capture risk for each group of objectives or components that the auditor wishes to treat in the same manner.

## 5.16 Internal control questionnaire - controls for overall environment

This form is used to guide the auditor in considering the overall internal control environment in the entity. The better the apparent system of internal control, the less detailed checking of individual transactions will be necessary. Internal controls are discussed at length in section 7.4 of FAM.

The internal control questionnaire provides many questions for the auditor's review. The auditor should decide what questions are relevant to the present audit and is free to add further questions wherever required.

Also, the auditor should be aware of the work carried out by the Internal and external auditors where applicable. Reliance on their work can only be placed when the auditor assures him/herself that their work has been carried out according to the relevant auditing standards. The auditor should make effort to obtain the copies of the audit reports, management letters and other relevant observations made by the internal and external auditors. Wherever the auditor uses the work of the internal and external auditors, it should be duly acknowledged in his record.

The auditor must be honest in the assessment of internal controls operating in overall environment, general computer environment and specific computer based financial applications. If the controls are weak or non-existent, the auditor should inform the entity management of the need to make improvements and should also offer suggestions. In the first few years of transition to the new auditing paradigm it is to be expected that the control environment will be weak in most entities. Identifying the weaknesses will be the starting point to developing stronger controls for the future.

## 5.17 Internal control questionnaire – general computer controls

This form is used to guide the auditor in considering the internal controls operating in the entity's computerised environment. Internal controls are discussed at length in section 7.4 of FAM.

The internal control questionnaire provides many questions for the auditor's review. The auditor should decide what questions are relevant to the present audit and is free to add further questions wherever required.

## 5.18 Internal control questionnaire – application controls

This form is used to guide the auditor in considering the internal controls operating in specific computer-based financial applications. Internal controls are discussed at length in section 7.4 of FAM.

The internal control questionnaire provides many questions for the auditor's review. The auditor should decide what questions are relevant to the present audit and is free to add further questions wherever required.

## 5.19 Control risk assessment forms

This form is used by the auditor to summarise the assessment of risk in the general control environment, the overall computer environment and in specific computer applications (from the previous three forms).

The risks identified through the assessment of controls may impact different components differently, so the auditor should consider control risk separately for each component (or group of similar components). The assessment of risk is very much a matter of professional judgment. In general, during the first few years following the introduction of new auditing paradigm, it is suggested that all control risks are assumed to be high unless there is sufficient evidence to support lowering that assessment.

## 5.20 Analytical procedures assurance form

The audit team leader uses this form to document the analytical procedure(s) that are planned for each component. The type of procedure selected is important as different procedures (i.e. comparative, predictive, statistical or overall verification procedures) provide a different level of assurance when it comes to planning substantive tests of details.

Detailed instructions are provided with the form.

*Note: A detailed discussion on analytical procedures is provided in the Financial Audit Manual, section 7.8 and Appendix E.*

## 5.21 Source of audit assurance form

In conducting audit, the audit team is looking for sources of assurance that the Financial Statements provide a true and fair view. One source of assurance is a detailed review of individual transactions (substantive tests of details). However, this is very time consuming, so the audit team looks for other sources of assurance that might enable them to reduce the amount of substantive tests of details. The audit risk model provides an arithmetic method of using the assessments of inherent risk, control risk, analytical procedures and overall audit risk to arrive at the level of assurance that is required from substantive tests of detail.

This form leads the auditor through this arithmetic model. A detailed discussion of the risk calculation is presented on the reverse of this form.

## 5.22 List of applicable laws and regulations

A major component of a Regularity Audit is the verification that the entity has complied with applicable laws and regulations. The audit team should enlist all applicable laws and regulations on this form for checking entity's compliance with laws and regulations.

## 5.23 Sample selection checklist

In preparation for performing the substantive tests of details, the audit team must select samples of items to be tested. This form is used to record the identity of each sample and the date on which it was collected. CAATs should be used (where applicable) to select and record samples taken during audit.

The following section lists some of the sampling techniques which can be used both for the Certification Audit and for the Compliance with Authority Audit. Use of Monetary Unit Sampling is recommended for Certification Audit and when the auditors use alternative sampling technique during Certification Audit, they will be required to exercise professional judgement.

### Sampling:

It is the selection of a sub-set of a population. The auditor takes a sample to reach a conclusion about the population as a whole. As such, it is important that the sample be representative of the population from which it was selected.

### Sampling risk

Sampling risk is the chance that a sample is not representative of the population from which it was selected.

### Statistical sampling

Statistical sampling is the selection of a sub-set from a population in such a way that each sampling unit has an equal and known chance of selection.

### Non-statistical sampling

Non-statistical samples are samples selected by other means which are intended to approximate the representative character of a statistical sample. However, they lack the objectivity of a statistically selected sample.

*Note that the only difference between statistical sampling and non-statistical sampling is the method of selecting sample items. Planning requirements and the evaluation process remain the same.*

### Monetary Unit Sampling (MUS) for substantive tests of details

The key feature of MUS is that the population is considered to be composed of individual monetary units, as opposed to physical transaction vouchers like individual supplier voices, cash disbursements, etc. The auditor selects an individual Rupee from the population and uses it as a hook to catch the voucher in which it occurs, so it can be audited.

Under MUS, all sampling units (individual Rupees) will have the same chance of being selected. This means that, the larger the supplier invoice, the greater the chance of it being selected.

### Methods of sample selection

There are several sample selection methods that are very good at ensuring that the sample is representative of the population from which it is selected, as follows:

1. Random;
2. Fixed interval (systematic);
3. Cell (random selection); and
4. Stratified random.

#### 1. Random selection

Random selection involves numbering all of the items in the population and then using a random number table or software programme to select 200 random numbers. The auditor, then, identifies the sampling unit that corresponds to each number. This method is difficult to use unless the sampling units are already pre-numbered (pre-numbered sales invoices, for example) or can easily be numbered

#### 2. Fixed interval (systematic) selection

This method involves selecting a random start and then every nth item.

#### 3. Cell (random interval) selection

This method essentially combines the previous two methods. The auditor divides the population into cells and then picks a random item from within each cell.

#### 4. Stratified random selection

CAATS may offer a fourth method – stratified random sampling. Using this approach, the population is first stratified based on monetary ranges, type of expenditure, etc., and then a random sample is drawn from each range. This could be used, for example, to weight an attribute sample to the larger dollar items or specific expenditure types, or to ensure that at least one sample item is drawn from each expenditure type.

#### Selecting the sample – statistical sampling

The “standard” sample selection technique with MUS is fixed interval (systematic) selection. Cell (random interval) selection can also be used if the population has been downloaded into a computer and a CAATs is being used to do the selection. Random selection is also possible, but contains all of the difficulties of cell selection. In addition, it has a further disadvantage – should fixed interval or cell selection be used, the sample size will automatically be adjusted for any over or under-estimations of the population value. With random selection, this will not occur. Hence random selection is rarely used with MUS. For both fixed interval selection and cell selection, the auditor needs to know the sampling interval.

#### Selecting the sample – non-statistical sampling

To select a non-statistical sample that approximates a monetary unit sample, the auditor needs to find a way to bias the sample towards the larger monetary items. Some form of value-oriented selection is therefore required.

For detailed guidance please refer to Appendix B of FAM.

### 5.24 High value item selection form

In addition to selecting a random sample for testing, the auditor should also make sure that the items of particular high value are tested, as any errors in these items could have a material impact on the accuracy of the Financial Statements as a whole. Therefore, the auditor will identify the high value items which will receive individual attention (and will remove them from the population of items from which the samples are selected).

The auditor will identify the high value items on this form and will cross-refer each item to the working papers that records the audit tests performed on that item.

### 5.25 Key item selection form

As with high value items, the auditor may also want to individually review items which are unusual and which warrant special attention. Generally, these items will include transactions that cause an account to show a negative balance (e.g. an asset account with

a credit balance) or unusual non-recurring items. The auditor will use judgment and experience to help identify these key items.

Therefore, the auditor will identify the key items which need individual attention and will remove them from the population of items from which the samples are selected.

The auditor will identify the key items on this form and will cross-refer each item to the working papers that records the audit tests performed on that item.

## 5.26 Sample sizing for tests of internal control

This form presents a manual arithmetic process for determining the appropriate size of a sample of transactions which will be selected to test the controls in a specific audit component. The process is the same for all audit entities, and is fully explained on the form.

The use of CAATs (see Financial Audit Manual, Appendix C) will avoid having to follow this manual process.

## 5.27 Sample sizing for substantive tests of details

This form presents a manual arithmetic process for determining the appropriate size of a sample of transactions which will be selected for a substantive test of details in a specific audit component. The process is the same for all audit entities, and is fully explained on the form.

The use of CAATs (see Financial Audit Manual Appendix C) will avoid having to follow this manual process.

## 5.28 Checklist of accounting estimates to be reviewed

Financial statements, especially those produced on accrual basis, will often contain accounting estimates, such as allowances for bad and doubtful debts and contingent liabilities. The auditor should discuss with entity's management to identify these estimated amounts and record them on this form for subsequent validation when the audit is performed.

## 5.29 Points for attention at next audit

During the course of preparation of Planning and subsequent Working Paper files, the auditor may come across items in the current year that should be followed up in the next year's audit. These may be accounting estimates that were contingent upon events that have not yet happened or items that are expected to show up in the following year's Accounts or other matters specific to the audit at hand.

Use this form to record these items so that they can be reviewed in next year's audit planning phase.

## 5.30 Audit planning checklist

This form presents a checklist of the major activities that should have been completed by the audit team leader to meet his responsibility for adequately planning audit and for documenting the basis of the plans. Chapter 8 of FAM provides detail regarding the auditor's planning responsibility.

This form is also a key component of the DAGP's quality assurance process, since it provides a vehicle for communicating the planning process to the DAGP management so they can review and approve that adequate planning was completed in respect of the audit.

## 5.31 Centrally Led Audit

These are audits where a central team is responsible for the overall planning, performance, evaluation, reporting and follow up. An example of such an audit is the annual audit of the Financial Statements of the District Government Karachi. Directorate General District Audit has the primary responsibility to form an opinion on the Financial Statements of the District Government Karachi. The Directorate General Sindh (Provincial) Audit conducts the Audit of post employment benefits and loan and advances, results are incorporated in the Financial Statements of the District Government Karachi, which are certified by D.G. District Audit Sindh (Central Team).

Para 6.4.5 to 6.4.10 of FAM gives guidance about a centrally led audit. With a centrally led audit, there will be a division of responsibilities between the central team and other Directorates contributing to the centrally led audit. The central team is responsible for:

- Setting the basic planning parameters (materiality, planned precision, audit risk, etc.);
- Setting inherent risk, control risk, other substantive procedures risk and substantive test of details risk for each component and each specific Financial Audit objective and compliance with authority objective and error condition;
- Determining the optimum mix of tests of internal controls, analytical procedures and substantive tests of details for each component and for each specific Financial Audit objective related Compliance with Authority Audit objective and error condition;
- Performing the overall error evaluation; and
- Reporting the results of the audit.

The auditors from each of the Directorates are, in turn, responsible for:

- Providing advice to assist the central team to plan the audit;
- Reviewing the material received from the central team to ensure audit programmes, forms and checklists reflect the optimum mix of tests for that particular Directorate, and contain all the work required to obtain the required amount of overall assurance;
- Performing the audit work; and
- Reporting the results of the work, including individual errors and other matters of note, to the central team.

## 6. AUDIT EXECUTION PHASE

### 6.1 Introduction

This chapter provides guidance for the auditors work at the execution stage. This stage includes compliance testing (test of controls), substantive testing, collecting and reviewing evidence and maintaining working papers files. It needs to be noted that the audit programmes given at the end of this chapter provide guidance to the field auditors for Certification and and Compliance with Authority Audit. However, there are very few audit programmes as ‘compilation of Accounts’ which relate specifically to certification audit.

Overall audit execution guidance is available in Chapter 9 of the FAM.

The Audit Working Papers Kit provides:

- Evidence that the auditor has complied with the DAGP auditing standards;
- A basis to determine that the work delegated has been performed properly;
- A source of information for preparing reports and answering enquiries; and,
- Assistance in planning and executing future audits.

### 6.2 The Audit Team’s Responsibility in Execution Phase

The audit team has a major responsibility for documenting audit evidence in the working papers including work performed and findings (the DAGP’s Auditing Standards, Para 3.5.5).

As noted in FAM, the content and arrangement of the working papers is a reflection of an auditor’s proficiency, experience and knowledge.

Sections 9.9 to 9.11 of FAM provide details of the auditors’ responsibility for documenting the work performed and standards for maintaining and keeping custody of the Working Papers file. Each auditor should be familiar with these responsibilities.

The Audit Working Papers file should contain various financial documents provided by the auditee entity management, including:

- a. Financial statements
- b. Trial balance
- c. Civil Account
- d. Appropriation Account
- e. Expenditure Statement
- f. Details of Monthly receipts transferred to District
- g. Any inter-governmental Accounts for elimination.
- h. Supporting documents (important agreements, bills, vouchers other documents that are important for the audit record)

- i. In addition, the audit team should maintain detailed minutes of all the meetings with entity representatives, which should be placed in the Audit Working Paper file.

It needs to be highlighted that the audit strategy and methodology recommended under FAM provide for continued quality assurance through all the phases of audit. While reviewing the execution phase, the functionaries entrusted with the quality assurance of audit should ensure that the various steps recommended in these Guidelines and respective forms have been completely followed in all respects.

## 6.3 Forms and Schedules for Audit Execution Phase

Titles of various forms specified in the Audit Working Papers Kit are listed below:

- Summary of Analytical Review Procedures Performed \*
- Details of Analytical Review Procedures Performed \*
- Completed Internal Control Questionnaires \*
- Internal Control Deviations Form \*
- Internal Control Deviations Summary \*
- Compliance Summary
- Substantive Tests of Accounting Estimates
- Errors in Accounting Estimates
- Substantive Test Sample Summary for each Audit Programme
- Substantive Test of High Value/Key Items – Summary
- Details of Errors in Samples, High Value Items and Key Items
- Exit Interviews

Note: These forms recommended under FAM and Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of these forms, marked with asterisks (\*), can also be used for Compliance with Authority Audit.

The following paragraphs provide general guidance for using the above mentioned forms. Instructions for filling in these forms are contained in the Audit Working Papers Kit which the auditors are required to follow.

## 6.4 Summary of Analytical Review Procedures Performed

This form is used to summarize the analytical procedures that were performed. The auditor should note the procedures that were performed and cross-refer each procedure to the working paper that provides the details of the test (i.e. Details of Analytical Review Procedures Performed form).

## 6.5 Details of Analytical Review Procedures Performed

Details of each analytical review procedure conducted by the audit team, including type of test, data used, calculations performed, results and auditor's conclusion, are documented on this form.

## 6.6 Completed Internal Control Questionnaires

The auditor must test the control environment to determine whether the system of internal controls on which the audit team intends to rely is actually working effectively. This is done by following the detailed guidance provided in the Internal Control Questionnaires for different aspects of the audit. The auditor will select the ICQs that are to be used in this audit and tick them off on the Checklist provided. The auditor does not have to apply all the possible ICQs in every audit.

The key ICQs to consider for District Audit are as follows:

- Employee related expenditure
- Goods and Services
- Contracting
- Receipts
- Assets Management
- Stores and Inventory
- Land and Buildings Management
- Budgeting and Expenditure Controls
- Grant in Aid

Note: Detailed guidance for filling in the ICQ's is provided in the Audit Working Papers Kit under the section Execution file.

## 6.7 Internal Control Deviations Form

While working through the ICQs, the auditor should identify deviations from the prescribed internal controls in the operations of the audited entity. The auditor will document each individual deviation and its potential impact on the entity's Financial Statements on this form. There should be one form for each deviation encountered.

Where the operations of auditee organisation are decentralized, it is important to assess which weaknesses are due to scattered nature of department/policy weaknesses and which are due to the inadequate application of these internal control systems and policies within the decentralized sites being audited.

## 6.8 Internal Control Deviations Summary

For each significant type of deviation detected, the auditor should report it to the entity's management and make a recommendation for rectifying the control weakness. The purpose of this form is to help the auditor track each weakness identified by applying the ICQ, the problem and their recommendation which were reported to the entity. The year in which the entity took corrective action should also be considered.

## 6.9 Compliance Summary

The auditor will use this form to identify the legal or regulatory provisions that the entity should comply with, to document the control that is in place to check compliance, to document whether the auditor considers the control to be satisfactory, and whether compliance was evident.

## 6.10 Substantive Tests of Accounting Estimates

This form summarizes the errors identified during the performance of substantive tests on accounting estimates. The auditor will use it to summarise errors that were identified in the Errors in Accounting Estimates Form (see next form) for later use in aggregating the errors in the Evaluation and Reporting phase.

## 6.11 Errors in Accounting Estimates

For the accounting estimates that were identified in the Planning file form called “Checklist of accounting estimates to be reviewed”, the auditor will document his or her review of the estimate and the nature and value of any errors that were identified. These errors will be summarized in the Substantive Tests of Accounting Estimates form as described above.

## 6.12 Substantive Test Sample Summary for each Audit Programme

The auditor must test the sampled transactions to identify the incidence of errors in the sample. This is done by following the detailed guidance provided in the Audit Programmes for different aspects of works audit given at Section 6.16 onward of this chapter under the heading Audit Programmes. The auditors are expected to select the relevant audit programmes for each audit as they do not have to apply all the possible Audit Programmes in every audit.

Substantive testing examines a sample of individual transactions to determine whether the transactions selected comply with all applicable laws, regulations, and rules and to find any errors or anomalies that may exist. Each Audit Programme provides a basic set of steps for the auditor to follow to perform substantive tests.

The substantive testing section of the Audit Programmes includes a basic set of audit objectives, which are described below:

### Audit Objectives:

To determine whether, on the basis of the transactions examined (selecting a representative sample of transactions or other form of sample); the entity’s Financial Statements complies with the following assertions<sup>4</sup>:

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<sup>4</sup>Another set of assertions commonly used are: Existence / Completeness / Valuation / Rights and Obligations (or Ownership) / Presentation and Disclosure. The set used in these Guidelines is more appropriate for the audit of transactions in the public sector.

- Presentation and Disclosure: the transactions have been appropriately recorded, classified and presented.
- Existence and Occurrence: all transactions relevant to the year of account have been recorded and all recorded transactions have occurred.
- Completeness: all transactions relevant to the year of account have been recorded and included – the test has also been extended to include the completeness of what should have been included not just the recorded transactions: i.e. all taxes due, not just those collected.
- Measurement: the recorded transactions have been correctly valued, accurately calculated and appropriately measured.
- Regularity: all activities and financial transactions examined comply with relevant laws and regulations (based on the selection of all significant activities/transactions and a sample of the remainder); and on the basis of this audit work conclude whether the relevant laws and regulations are being properly applied.

The key Audit Programmes for this purpose are given in section 6.16

### 6.13 Substantive Test of High Value/Key Items – Summary

This form is used to summarise errors found by the Substantive Tests of High Value/Key Items that were performed. The auditor should note what procedures were performed and the nature and value of the errors, and cross-reference the procedure to the working paper that provides the details of each test (Details of Errors in Samples, High Value Items and Key Items).

### 6.14 Details of Errors in Samples, High Value Items and Key Items

The auditor will complete one copy of this form for every single error discovered in any of the substantive tests of details (from sampled transactions and High Value Items and Key Items). Details of the voucher on which the error occurred, the nature and cause of the error and its value should be documented on this form.

### 6.15 Exit Interviews

Section 9.8 of FAM stresses the importance of keeping entity officials informed during the course of audit. In addition to open communications during audit, it is a good practice to arrange a meeting with senior entity management at the end of the fieldwork at each location.

The audit of decentralized sites, remote from the Audit Office (out of which the audit team operates), is complicated by the fact that briefing of the management at the site cannot be done after the senior audit management has reviewed the audit findings. This means that the team should provide feedback to management at the decentralized site prior to conducting a full review of findings. It is a good practice for the audit team leader to determine whether there are any sensitive issues that need to be brought to the attention of senior audit management prior to discussing with entity management at the site. Where potentially sensitive matters are involved, the audit team leader should get instructions from senior audit management before the exit briefing.

## 6.16 Audit Programmes

The remaining part of this section contains the detailed audit programmes for the following audit areas.

- Employee Related Expenses
- Procurement
- Operating expenses
- Remuneration to consultants
- Civil works
- Accounts Compilation
- Assets Management

The Audit Programmes given in this section cannot provide an exhaustive set of checks. Although in certain cases specific references to the current rules and regulations have been given in the audit programmes, it needs to be noted that the auditor should be familiar with the operations of the audit entity and should have a sound knowledge of the relevant laws, regulations and rules with which the transactions must comply. This will allow him/her to make appropriate adjustments to the audit programme guides. Furthermore, if the audit programmes do not cover the auditor's requirements, he can add an audit work sheet on which he notes the details of transaction(s) (revenue/expense /investment etc), his audit procedure(s) and findings. The audit programmes have been developed by keeping in view the risks mentioned in 3.5 & 4.13.

## 6.17 Audit Programme: Employee Related Expenses

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done By	WP Ref
<ul style="list-style-type: none"> <li>• Check that proper particulars are entered in Audit Register for Gazetted Officer and in Scale Audit Register for Non Gazetted Officer.</li> <li>• Check that Office order or Establishment order for new appointment is issued by concerned head of department and amount is paid according to said order and entitlement in Audit Register (AR).</li> <li>• Check that acknowledgement of payment to employees is received from employees / Drawing and disbursement officer (DDO).</li> <li>• Check that DDO certified the payment to Non Gazetted Officer</li> <li>• Check that Payroll Officer prepares Monthly Schedule of Employees latest by 26 of each month and Approved by Supervising Payroll Officer.</li> <li>• Check that Delegated Officer (other than Payroll/ Supervising Payroll Officer) prepares Payroll Credit Invoice or Cheque and sign by at least 2 officers.</li> <li>• Check that relevant officer enters all the cheques payments in to Register and prepares Payroll Advice Note (PAN) for bank in case of Cheque payment and Payroll Credit Advice (PCA) for direct bank transfer.</li> <li>• Check that payment to employees is reconciled with concerned department.</li> <li>• Check that copy of PCA &amp; PAN are sent to Account Section</li> <li>• From the sample of transactions check that: employee is identified in Audit/Scale Audit Register; and that payment was made to correct payee</li> <li>• Check that proper personal files of all the officers with all necessary particulars are maintained</li> <li>• Check Service Book maintained for Non Gazetted Officer and certified by DDO.</li> <li>• Conduct a reconciliation (and/or check a batch of transactions) between {Direct Credit Advice / Payroll Advice /DDO monthly statement} and Monthly Schedule of Employees' Salaries and Compilation Sheet</li> <li>• Check that the deductions are correct (according to the GP</li> </ul>		

<p>Fund / the income Tax Ordinance, 2001 and as modified from time to time / other deductions in accordance with rules and regulations governing deductions such as rent deductions, loans and advances / etc.)</p> <ul style="list-style-type: none"> <li>• For employees recently joining the office, the amount of the first payment was correct according to the start date and according to their Payroll Register</li> <li>• For employees who recently left the office, the amount of the last payment was correct according to the date of last day of employment in section and according to their Payroll Register and compare pay slips with Last Pay slip Certificate issued</li> <li>• Check that payroll payments are correctly identified in the Compilation Sheet under Payroll Object and correctly coded according to the Chart of Accounts by checking for the sample of transactions that the net pay and deductions have been correctly coded according to the Chart of Accounts codes.</li> <li>• For a sample of months, check that the total pay (gross, net and deductions) are correctly presented in the Compilation Sheet by making the necessary calculations.</li> </ul> <p><b>Adhoc Relief (Wage Type: 1831)</b></p> <ol style="list-style-type: none"> <li>1. Employees whose date of joining was on or before 30-6-2005 should be paid adhoc relief allowance as per revised pay scale 2005. <b>(Para-6 of Finance Division Letter No. FD.PC.2-1/2005)</b></li> <li>2. Adhoc relief allowance shall continue to be admissible at frozen level on existing conditions. <b>(Finance Division O.M No. FD.PC-2-1/2007, dated July 23, 2007)</b></li> </ol> <p>Check that this allowance is also admissible to the appointment of Govt. servants from one post to another taking effect after 01-07-2005 provided they were previously in receipt of such benefits immediately before their appointment and such an allowance would also be made admissible to Govt. servants on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL. <b>(Finance Division O.M. No.FD.PC-2-2/99, dated July, 21, 2007)</b></p> <p><b>Special Additional Allowance (Wage type : 1870)</b></p> <ol style="list-style-type: none"> <li>1. Special additional allowance after its discontinuation w.e.f 01-12-2001 was made admissible at frozen level in case of appointments by promotion/transfer / absorption taking place after its discontinuation. It was not allowed on or after 01-12-2001. This category of government employees included those who were appointed from one post to another during the said period despite</li> </ol>		
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the fact that they were in the receipt of benefit in their previous appointments.

Check that this allowance is also admissible to those Govt. servants who were entitled to and were in receipt of the benefits immediately before their appointment on or after 01-12-2001. However it is inadmissible to those fresh appointees who have not been entitled recipients immediately before such appointments. **(Finance Division O.M. No. FD.PC-2-2/99, dated July, 21, 2007)**

**Special Allowance (Wage Type: 1550)**

1. Check that this allowance has been discontinued by finance division with effect from December 04, 2001.  
An increase @ 15 % on initial of the pay shall be allowed to the contractual appointees as special allowance who are in receipt of pay package slightly higher than the standard pay package prescribed under the contract appointment policy dated: 29-12-2004. **(Finance Division O.M No.FD.PC-2-1/2007, dated 23rd July, 2007)**

**Special Relief Allowance (Wage Type: 1830)**

1. Employees whose date of joining was on or before 30-6-2005 should be paid special relief allowance (@ 15 % of basic pay per month to a civil servant in BPS-1 to 22 vide letter # No. FD.PC-2-1/2003) as per revised pay scale 2005. **(Para-6 of Finance Division O.M # FD.PC.2-1/2005)**
2. Special relief allowance shall continue to be admissible at frozen level on existing conditions. **(Finance Division O.M No. FD.PC-2-1/2007, dated July 23, 2007)**
3. Check that this allowance is also admissible to the appointment of Govt. servants from one post to another taking effect after 01-07-2005 provided they were previously in receipt of such benefits immediately before their appointment and such an allowance would also be made admissible to Govt. servants on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL. **(Finance Division O.M. No. FD.PC-2-2/99, dated July, 21, 2007)**

**Superannuation age**

Superannuation pension is granted to a Government servant on completion of age. Check those Government officials who have attained the age of superannuation but are still in government job.

**Annual Increments**

Check that annual increments accrue on 1<sup>st</sup> of December.  
Check that the employee has completed minimum 06 months service in the same post in the year for which he/she is claiming increment.

As per letter# FD.PC-2-1/2007 Dated: 23<sup>rd</sup> July, 2007 check that the first annual increment of existing employees in basic pay scales, in which their pay is fixed on 01-07-2007 shall accrue on 1<sup>st</sup> December, 2007.

**Dearness Allowance (Wage type: 1864)**

Check that the dearness allowance @ 15 % sanctioned w.e.f. 1.07.2006 shall stand frozen at the level of its admissibility as on 30.06.2007 and the amount shall continue to be admissible to the entitled recipients until further orders but it will not be admissible to new entrants joining Govt. service on or after 01.07.2007. **(Finance Division O.M. No. FD.PC-2-1/2007, dated 23rd July, 2007).**

**Entertainment Allowance, Orderly and Senior Post Allowances (Wage type 1518)**

Check that these allowance have been paid to entitled officers only.

**Science Teaching Allowance (Wage type 1560)**

According to the notification issued by Finance Department Karachi vide FD(SR-IV)I-116/91 dated July 10<sup>th</sup>, 1991 Science Teaching Allowance is admissible to those Teachers who teach Science Subjects in High & Middle Schools

**Uniform allowance (Wage type 1565)**

According to the notification issued by Finance Department Karachi vide FD(SR-IV)I-116/91 dated July 10<sup>th</sup>, 1991 Uniform Allowance is admissible only to Nurse Cadre who is below BPS-16

**Rural compensation allowance (Wage type 1528)**

According to the notification issued by Finance Department Karachi vide FD(SR-IV)I-116/91 dated July 10<sup>th</sup>, 1991, Rural Compensatory Allowance is admissible only to Doctors who are working under EDO Health and the organization unit started in Rural Area.

**Ration and Mess (Wage type 1547)**

According to the notification issued by Finance Department Karachi

vide FD(SR-IV)I-116/91 dated July 10 <sup>th</sup> ,1991 Ration and Mess Allowance are admissible to Nurse Cadre who is below Grade 16 and shown as Non-Gazetted		
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## 6.18 Audit Programme: Procurement

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done By	WP Ref
Check that Open competitive bidding was used as the principal method of procurement. [Section 20 of Public Procurement Rules 2004]		
Check that procurements over one hundred thousand rupees and up to the limit of two million rupees was advertised on the Authority's website [Section 12 (1) of Public Procurement Rules 2004]		
Check that all procurement opportunities over two million rupees were advertised on the Authority's website as well as in other print media or newspapers having wide circulation [Section 12 (2) of Public Procurement Rules 2004]		
Check that the advertisement in the newspapers principally appeared in at least two national dailies, one in English and the other in Urdu [Section 12 (2) of Public Procurement Rules 2004]		
Check that where needed and clearly expressed in the bidding documents, the procuring agency required the successful bidder to furnish a performance guarantee up to ten per cent of the contract amount [Section 39 of Public Procurement Rules 2004]		
Check that as soon as a contract was awarded the procuring agency made all documents related to the evaluation of the bid and award of contract public. [Section 47 of Public Procurement Rules 2004]		
Check that procurement was made from person registered with Industries Department of Provincial Government. Check that procurement of taxable goods was made from a person duly registered under the Sales Tax Act, 1990. [Section 2(3) of Sales Tax Special Procedure (Withholding) Rules, 2007 as amended by SRO.77(I)/2008, Dated:23 <sup>rd</sup> January, 2008]		
Check that sales tax was withheld at 3% or 16% as amended from time to time. [Section 2(2) and (3) of Sales Tax Special Procedure (Withholding)]		

<p><b>Rules, 2007 as amended by SRO.77(I)/2008, Dated:23<sup>rd</sup> January, 2008]</b></p>		
<p>Check that Income Tax was deducted at 3.5% on supplies and 6.0% on services or as mentioned in Income Tax Ordinance.</p> <p><b>[Section 153 of Income Tax Ordinance]</b></p>		
<p>Check that all materials were received, examined, counted, measured or weighed as the case may be, when delivery was taken and Check that they were kept in Custody of a responsible Government servant who was required to give a certificate that he actually received the materials and recorded them in his appropriate Stock Register.</p> <p><b>[Rule 113 of Sindh Financial Rules Volume-I]</b></p> <p><b>[Para-148 of General Financial Rules Volume-I]</b></p>		
<p>Check that DDO carried out the annual physical verification of all stock and stores at the close of each financial year and result of such verification was recorded in the relevant register.</p> <p><b>[Rule 116 of Sindh Financial Rules Volume-I]</b></p>		
<p>Check that a certificate to the effect that annual physical verification of all stock and stores carried out has been sent to the controlling authority.</p> <p><b>[Rule 80 of the Manual of Contingent Expenditure]</b></p>		
<p>Check that there is existing control mechanism by virtue of which each head takes stock of moveable property under his charge during the month of July each year with necessary verification.</p> <p><b>[Section 6 (5) of The Sindh Local Government Property Rules 2001.]</b></p>		
<p>Check that procurement was made at the close of the financial year to prevent lapse of budget grant for the purpose of showing full amount of grant as utilized without actually obtaining delivery of goods and services.</p> <p><b>[Rule-388 (i) of CTR]</b></p> <p><b>[Rule 290 of TR Vol-I]</b></p>		
<p><b>Procurement of Vehicles by District Government</b></p> <p>Check that vehicles were purchased after obtaining relaxation of ban on purchase of vehicles from Provincial Government on case to case basis on fulfillment of following conditions that:-</p> <ul style="list-style-type: none"> <li>• Such resolution has been passed by the council.</li> <li>• The council is financially viable to afford purchase of these vehicles.</li> <li>• Necessary provision in the budget has been made and</li> <li>• Vehicles are purchased as per entitlements of officers.</li> </ul> <p><b>[Local Government Department Government of Sindh Notification No.RO(R&amp;C)/VEH/6-3/2003, Dated:16-01-2003]</b></p>		

<p><b>Procurement in case of outsourced to private sector</b></p> <p>Check that out sourced private sector provided the District Government and the Provincial Government, quarterly reports related to activities undertaken in fulfillment of MOU covering following sections / information:-</p> <ul style="list-style-type: none"> <li>• Progress made against achieving the objectives of the MOU;</li> <li>• Problems encountered and solutions undertaken;</li> <li>• Relations with stakeholders such as local Governments, the community, and other Non-governmental organizations Health(NGOsH) operating in the district;</li> <li>• A financial statement limited to simple line item expenditures (salaries, capital costs, non-salary recurrent costs);and</li> <li>• A summary of HMIS forms with analysis, such reports will be furnished within one month of the end of the calendar quarter (i.e. within one month of march 31, June 30, September 30, and December31);</li> </ul> <p><b>[Para 15 and 16 of the Memorandum of Understanding (MOU) signed between Government of Sindh and The Sindh Rural Support organization (SRSO) on 2<sup>nd</sup> day of February, 2007.]</b></p>		
<p>Check that the out sourced private sector organization maintained a separate set of Accounts for the funds received under MOU and maintained the funds in a separate bank account. Check that annual, independently audited financial report was provided to both the Governments.</p> <p><b>[Para 15 and 16 of the Memorandum of Understanding (MOU) signed between Government of Sindh and The Sindh Rural Support organization (SRSO) on 2<sup>nd</sup> day of February, 2007]</b></p>		

## 6.19 Audit Programme: Operating Expenditure

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done By	WP Ref										
<p><b>Fuel charges:-</b></p> <p>Check that Log Book was maintained in Form-A and Petrol account in Form-C.</p> <p><b>[Staff Vehicle Use and Maintenance Rules 1980]</b></p>												
<p>Check that log book, POL Consumption Account and Vehicle Transit Register as well as History Sheet of Vehicle was maintained</p> <p><b>[Rule 20 of Sindh Financial Rules, Volume-I (Use and Maintenance of Govt. Vehicles)].</b></p>												
<p>Check that POL was consumed as per monthly ceiling prescribed for various officers of the District Government as under:</p> <table border="1" data-bbox="269 926 1037 1136"> <thead> <tr> <th>DETAILS OF OFFICERS</th> <th>MAXIMUM LIMIT</th> </tr> </thead> <tbody> <tr> <td>DCO's</td> <td>300 liters + official tour</td> </tr> <tr> <td>EDOs (In Karachi)</td> <td>180 liters</td> </tr> <tr> <td>EDOs (In interior)</td> <td>180 liters + official tour</td> </tr> <tr> <td>DOs (in case official vehicles are provided)</td> <td>150 liters</td> </tr> </tbody> </table> <p><b>[Government of Sindh Notification# FD(B&amp;E-IV)2(55)/2002, Dated:18<sup>th</sup> March 2002,]</b></p>	DETAILS OF OFFICERS	MAXIMUM LIMIT	DCO's	300 liters + official tour	EDOs (In Karachi)	180 liters	EDOs (In interior)	180 liters + official tour	DOs (in case official vehicles are provided)	150 liters		
DETAILS OF OFFICERS	MAXIMUM LIMIT											
DCO's	300 liters + official tour											
EDOs (In Karachi)	180 liters											
EDOs (In interior)	180 liters + official tour											
DOs (in case official vehicles are provided)	150 liters											
<p>Check that tour was reimbursed only if it was official.</p> <p><b>[Government of Sindh Notification # FD (B&amp;E-IV) 2(55)/2002, Dated: 18th March 2002.]</b></p>												
<p>Check that more than allowed limit of 10% of the POL budget was expended on lubricants and services of vehicles.</p> <p><b>[Government of Sindh Notification # FD(B&amp;E-IV)2(55)/2002,Dated:18<sup>th</sup> March 2002]</b></p>												
<p>Check that additional budget grant was sanctioned outside budget or through list of excess and surrenders in addition to budgetary allocations.</p> <p><b>[Government of Sindh Notification # FD (B&amp;E-IV) 2(55)/2002, Dated: 18th March 2002.]</b></p>												

<p>Check that past liabilities were allowed to be cleared from current financial year budget.</p> <p><b>[Government of Sindh Notification # FD (B&amp;E-IV) 2(55)/2002, Dated: 18th March 2002.]</b></p>		
<p>Check that effective check was exercised on speed meter / odometer reading, quality of fuel and consumption per gallon liter.</p> <p><b>[Government of Sindh Notification # FD (B&amp;E-IV) 2(55)/2002, Dated: 18th March 2002.]</b></p>		
<p><b>Repair of Transport</b></p> <p>Check that repairs were carried out to the maximum of prescribed limit and prescribed % of Book Value of vehicles whichever is less mentioned in Delegation of Powers Rules 1962 subject to following restrictions:-</p> <ul style="list-style-type: none"> <li>• That the repairs were carried out at Govt. Workshop or NOC obtained for getting the repairs done from local market.</li> <li>• That, in the absence of Government Workshop, open tender/ quotations were required to be obtained.</li> <li>• That the expenditure proved to be economical with reference to the service period of vehicles.</li> <li>• That old replaced spare parts were not got sold out and sale proceeds got credited in Government Treasury.</li> </ul> <p><b>[Rule 7(b) of Delegation of Powers Rules 1962]</b></p>		
<p><b>Repair of Furniture</b></p> <p>Check that expenditure on repair of Furniture was made according to prescribed maximum limit categorized in each case.</p> <p><b>[Part-I of Delegation of Powers Rules 1962,]</b></p>		
<p><b>Purchase of Uniform / Liveries</b></p> <p>Check that purchase and stitching of liveries was made from Jail Department or NOC was obtained from the Jail Department if they were not able to provide the same.</p> <p><b>[Order No. SO-III(22-1)/70, Dt: 03-01-1992, Industries Department, Govt. of Sindh]</b></p>		
<p><b>Purchase of Stationery</b></p> <p>Check that expenditure on purchase of local office stationery was made according to prescribed limit at a time, provided that the controller of printing and stationery or the Manager Regional Press certified that the</p>		

stationery in question cannot be supplied from the Government stores  <b>[Rule 3of second schedule of Delegation of Powers Rules 1962]</b>		
<b>Travelling Allowance</b>  Check that TA/DA claim was entertained without prior approval of tour program against the public interest.  <b>[Government of Sindh Notification No.SO(A)RD 17-69/86/1120 dated: 28.9.1998]</b>		
Check that Register of TA/DA bills was maintained by the Drawing and Disbursing Officer.  <b>[Rule 298 of Central Treasury Rules]</b>		
Check that acknowledgement of payment signed by person himself or on his behalf duly authorized by him was attached on every voucher.  <b>[Rule 25 of SFR Volume-]</b>		
<b>Other</b> Check that DDO was empowered to sanction and incur expenditure on recurring and Non-recurring items according to prescribed limit in each case.  <b>[Rule (3) of Second Schedule of Delegation of Powers Rules 1962]</b>		
<b>General Financial Propriety</b>  Check that there is chance of financial loss or fraud due to laxity / mismanagement and the concerned officer or DDO failed to realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government Officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.  <b>[Para No.88 of Sindh Financial Rules Volume-I]</b>		
<b>Rush of expenditure in end of Financial Year</b>  Check that expenditure in the month of June exceeded the double of average expenditure of previous 11 months.  Check that District Accounts Officer allowed drawl of allocated amount proportionately in four quarters of the financial year for all development schemes as, 1st QTR 20%, 2nd QTR 25%, 3rd QTR 25% and 4th QTR 30%.” <b>[Para 648 of Public Works Department (PWD) Manual Volume-I]</b>		

<p><b>[Notification No. FD/RO/FS/23/2006, Finance Department Government of Sindh, Karachi Dated 16th August 2006.]</b></p> <p><b>[Decision of the Executive Committee of National Economic Council (ECNEC) dated 22-04-2006]</b></p>		
<p><b>Financial Propriety</b></p> <p>Check that concerned public officer has exercised the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would have exercised in respect of expenditure of his own money.</p> <p><b>[Para-10 (1) of the General Financial Rule, Vol-I,]</b></p>		
<p><b>Reconciliation of Expenditure with District Accounts Officer</b></p> <p>Check that</p> <p>During the first week of each month, the respective Accounts Officer has provided for the previous month, a schedule showing the numbers, dates and amounts of vouchers paid during that month, and supplied copy of each such schedule to the concerned Drawing and Disbursing Officer (DDO).</p> <p>Upon receipt of the schedule from the Accounts Officer, the Drawing and Disbursing Officer (DDO) have-</p> <ul style="list-style-type: none"> <li>▪ compared such schedule with the statement prepared by him; and</li> <li>▪ Reconciled expenditure with Accounts Officer by 10<sup>th</sup> of the month for the previous month.</li> </ul> <p><b>[Rule 72 Of Part-XIII of the Sindh District Govt. &amp; Taluka Town Municipal Administration (Budget ) Rules 2002]</b></p>		

## 6.20 Audit Programme: Remuneration to Consultant

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done By	WP Ref
<ul style="list-style-type: none"> <li>• Check that Consultancy services was widely advertised indicating the requirements.</li> <li>• Check that Advertisement of the consultancy indicated the range of compensation package, including various facilities, depending on the nature of work involved.</li> <li>• Check that for General/Non-Development Budget funded consultancies, a Selection Board, headed by the Secretary of the Ministry/Division concerned and including a representative each of Establishment division and Finance Division recommended a panel of at least three candidates in order of merit for consideration of the appointing authority.</li> <li>• Check that for development budget/project related consultancies a Competent Selection Board of the client organization, including a representative of the Planning &amp; Development Division recommended a panel of at least three names to the appropriate approval forum.</li> <li>• Check that financial sanction for the appointment of a consultant on the terms and conditions recommended by the Selection Board was obtained from the competent authority.</li> <li>• Check that Development/project related consultancies were approved by the competent approval forum and additional conditional ties of donors were observed in grant funded consultancies.</li> <li>• Check that General/non-development budget funded consultancies were approved by the Chief Executive, on proposals routed through the Establishment Division.</li> <li>• Check that offer of appointment included Statement of objectives of the assignment.</li> <li>• Check that offer of appointment included responsibilities of the consultant stating particulars of the outputs required of him.</li> <li>• Check that offer of appointment included responsibilities of the client indicating types of inputs to be provided to the consultant.</li> <li>• Check that offer of appointment included duration of the contract indicating completion dates/termination of contract.</li> </ul>		

<ul style="list-style-type: none"> <li>• Check that offer of appointment included financial provisions reflecting manner of payment of remuneration etc.</li> <li>• Check that offer of appointment included General provisions regarding matters like earlier termination of contract.</li> <li>• Check that offer of appointment included mode of periodic performance appraisal of the consultant.</li> <li>• Check that person retired from a Government organization was hired as a consultant only to re-employ him/her.</li> <li>• Check that consultants were appointed to perform routine functions of an organization.</li> <li>• Check that Special attention has been given by the Divisions/Organizations to train and develop their own personnel to take up higher responsibilities.</li> <li>• Check that an objective evaluation and assessment of a consultant’s performance was invariably undertaken on a periodic basis in a manner especially designed for the job.</li> <li>• Check that retired officers as Consultants/Advisers etc. were appointed with prior permission of the Government, invariably i.e.</li> </ul> <p>Establishment Division in case of retired civilian officers;  Defence Division in case of retired defence officers; and  Law, justice and Human Rights Division/Supreme Court/High Courts in case of retired judiciary officers.</p> <p><b>[Establishment Division, MS Wing’s U.O.No.11-3/2001-MSW-III, dated 25.01.2002*amended vide u.o.No.11-3/2001-MSW-III, dated 27.7.2002]</b></p>		
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## 6.21 Audit Programme: Civil works

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done By	WP Ref
<p><b>Civil Works Measurement Books</b></p> <p>Check that payments for all work done otherwise than by daily labor and for all supplies were made on the basis of measurement recorded in Measurement Books, Form 23. [Para 208 of CPWD code]</p>		
<p><b>Call Deposits</b></p> <p>Check that same Call Deposits were used repeatedly in different works on same date of opening of tender only to fill the gap without actually observing competition as per rules. [Financial propriety Para No.88 of Sindh Financial Rules Volume-I and Para-10 (1) of the General Financial Rule, Vol-I,]</p>		
<p><b>Tender Register</b></p> <p>Check that Tender Register was properly maintained. Financial propriety [Para No.88 of Sindh Financial Rules Volume-I and Para-10 (1) of the General Financial Rule, Vol-I,]</p>		
<p><b>Works Register</b></p> <p>Check that Works Register which provides details of every expenditure debited to a particular scheme was properly maintained. [Notification No. PS/Secy/WSD-1/A.G.Sindh-2006 (2), Works &amp; Services Department, Government of Sindh, Karachi, dated 10<sup>th</sup> October 2006]</p>		
<p><b>Contractors Ledger</b></p> <p>Check that Contractors Ledger was properly maintained.</p>		
<p>Check that all contracts were awarded to contractors registered with Pakistan engineering Council.</p>		
<p><b>Non scheduled items</b></p> <p>Check that rate analysis for non-schedule items up to Rs.1,000 per standard unit and the rates exceeding this amount were sanctioned by the Chief Engineer/officers exercising the powers of Chief Engineer” [Schedule of rates Serial No.8(3)]</p>		

<p><b>Competitive bidding</b></p> <p>Check that contracts were awarded to all interested persons, firms, companies or organizations or only to approved contractors of work and services department.</p> <p><b>[Section 1(c ) of Public Procurement Rules 2004]</b></p>		
<p><b>Corrupt and fraudulent practices</b></p> <p>Check that contractors used influence to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, or used collusive practices prior to or after bid submission designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition.</p> <p><b>[Section 1(f ) of Public Procurement Rules 2004]</b></p>		
<p><b>Check Measurement by District Officer</b></p> <p>Check that District Officer checked 10% measurements before making payment of the bills for the works done by the contractors.</p> <p><b>[Government of Sindh, Communication &amp; Works Department notification No. C/9-60/77 dated 26<sup>th</sup> May 1977,]</b></p>		
<p><b>Response Time</b></p> <p>Check that response time of less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice was given for receipt of bids.</p> <p><b>[Section 13 of Public Procurement Rules 2004]</b></p>		
<p><b>Tender Advertisement</b></p> <p>Check that advertisement for Tender was advertised in local dailies other than national dailies.</p> <p><b>[Section 12 (2) of Public Procurement Rules 2004]</b></p>		
<p><b>Penalty for delay</b></p> <p>Check that penalty at the rate of 10% was imposed on the total cost of the work in case contractor failed to complete the work in scheduled time frame given for completion of the work.</p> <p><b>[As per clause II of the agreement ]</b></p>		
<p><b>Contract agreement</b></p>		

<p>Check that work was permitted to be started without contract agreement sanctioned by the competent authority  <b>[Rule 514-A of P.W.D. Manual Volume I,]</b></p>		
<p><b>Suspected Advance Payment</b></p> <p>Check dates of awarding of contract, expected date of start of work, actual date of start of work, date of recording measurement in Measurement Book and date of first payment to contractor and determine Check that advance payment was made on the basis of hurriedly recorded measurement books without making actual progress in given short time.  <b>[Financial propriety  Para No.88 of Sindh Financial Rules Volume-I  and  Para-10 (1) of the General Financial Rule, Vol-I,]</b></p>		
<p>Check that difference of cost of materials of Steel, Cement, and Bricks was allowed without referring the matter to Standing Rates Committee Sindh for its consideration / approval."  <b>[Para V of Introduction of Government of Sindh Schedule of Rates Volume-III Part-IV, “]</b></p>		
<p>Check that any amounts due to Government were left outstanding without sufficient reason and Check that orders of competent authority were obtained for adjustment of irrecoverable dues.  <b>[Para 28 of GFR Volume-I]</b></p>		
<p>Check that revised estimate was submitted when a sanctioned estimate exceeded by more than 5% either from the rate being found insufficient or from any cause whatever.  <b>[Para 532 of Public Works Department Manual Volume-I]</b></p>		
<p>Check that each payment was verified by Divisional Accounts Officer in Government interest.  <b>[Para-20 of Central Public Works Code]</b></p>		
<p>Check that any work was carried out in portions or with alterations or any purchase was made at the exceeded cost in aggregate of what the officer was empowered to sanction under rules  <b>[Delegation of Powers under the Financial Rules, &amp; the Power of Re-appropriation Rule-1962, duly amended.]</b>  <b>[Para-126 of PWD Manual Volume-I]</b></p>		
<p>Check that consolidated Accounts of the controlling officer as pointed out in the paragraph 98 were reconciled monthly with the Accounts of comptroller in order to make departmental control really effective and to prevent classification or other errors in Accounts.</p> <p>Check that audit observed general trend to avoid the reconciliation which was required to be sent with the monthly Accounts as per Form 26/51 which is one of the important internal control mechanisms to detect fraud or invalid</p>		

<p>transactions  <b>[As per section 100 of the Sindh Budget Manual]</b>   <b>[Accountant General Sindh, Karachi through his letter # DAG/Works/2006 dated 29-04-2006]</b></p>		
<p><b>General Issues in Works Audit</b></p> <p>Check that :</p> <ol style="list-style-type: none"> <li>1) Scrutiny of major transactions reveal that a fair and appropriate, competitive process was not followed in awarding contracts to suitable contractors;</li> <li>2) Gap of at least seven days was not allowed between issuance of contract documents and receipt of completed bids.</li> <li>3) Analysis of the bids was not made according to the selection criteria;</li> <li>4) PC-I / simple cost estimates were not properly prepared. The calculations and comparisons were not properly carried out as may be evident from lateral time to time revision of estimates;</li> <li>5) Contracts were not awarded in a timely manner; and awarding process was not properly disclosed;</li> <li>6) Amendments to contracts were not justified;</li> <li>7) Performance under the contracts was not satisfactory and service rendered by the contractors on ground was less than the cost claimed and allowed by the Department;</li> <li>8) Physical existence of projects could not be ensured as audit was not able to obtain reasonable assurance by physical verification of projects on ground.</li> <li>9) Check that any negotiations prior to signing of the contract were made or not?</li> <li>10) There was any information regarding number of contract documents issued, number of bids received (on time), number of bidders who missed the deadline (if any), number of bids that qualified under the criteria, the scores and the bid prices of each bid received, the summary of the evaluation and selection process.</li> <li>11) Information about the NIT was published in non leading news papers.</li> </ol>		

<p>12) Contract agreements were not signed by the District Officer in number of cases.</p> <p>13) Cost was inflated in estimates if compared with existing standards of civil work / construction rates prescribed by the Government.</p> <p>14) The evaluation and selection process was not properly documented; and the decision / inference drawn from faulty internal control system was not properly justified;</p> <p>15) Penalty was not imposed in number of cases for substandard work. Instead of completing work in given time work was delayed in number of contracts;</p> <p>16) The bidders came with low rates to beat out the competition and then obtained revised estimates in the value of the contract to complete the job profitably;</p> <p>17) There were instances of delays, over-runs, failure to meet quality, timeliness and quantity of the good or service provided;</p> <p>18) There was lack of adequate quality control checks, lack of supervision and inadequately trained staff in office;</p> <p>19) Almost every tender was followed by a corrigendum.</p> <p><b>[Financial propriety Para No.88 of Sindh Financial Rules Volume-I] and [Para-10 (1) of the General Financial Rule, Vol-I]</b></p>		
<p>Check that security deposit including earnest money was deducted at 10% from bills of contractors.</p> <p><b>[Para 182 (c) of the Sindh Financial Rules Volume-I]</b></p> <p><b>[Para 2.66 (b) of B &amp; R Code]</b></p>		
<p>Check that the time frame given for completion of the work was observed and the terms and conditions were followed as,</p> <p>1/4<sup>th</sup> of work in 1/4<sup>th</sup> of time.</p> <p>½ of work in ½ of time.</p> <p><b>[According to Form B-1 conditions of contract Clause II “]</b></p>		

<p>Check that procedure was followed in the case of repairs as under:</p> <p>I. The requisition was made by the civil officer concerned in public works department form No 32.</p> <p>II. On receiving requisition the executive engineer first satisfied himself as to the propriety of the work and that there was sufficient provision in the budget grant under the proper sub head of repairs and that the funds were duly allotted to him.</p> <p>III. When the approximate estimate exceeded powers, a detailed estimate was framed and sanctioned by the authority competent to accord technical sanction.</p> <p><b>[Para 125 of PWD Manual Volume 1]</b></p>		
<p>Check that claim was entertained for quantities of work executed being 30% more or less than those entered in the tender or estimate.</p> <p><b>[Clause 38 of Contract Agreement]</b></p>		
<p>Check that contractors executing work exceeding cost of Rs.2.5 million were registered / renewed from Pakistan Engineering Council.</p> <p><b>[Notification No. SRO/5681/1/87 dated 8-7-1987, issued by Government of Pakistan]</b></p>		
<p>Check that administrative approval for work was submitted to the authority competent to accord it accompanied by a preliminary report, by an approximate estimate and by such preliminary plans information as to the site and other details as may be necessary fully to elucidate the proposal and reasons therefore.</p> <p>Check that detailed plans were prepared without actual allocation of funds.</p> <p><b>[Para 507 of PWD Manual Volume-I]</b></p>		
<p>Check that deduction at the rate of 5% was made for settlement / shrinkage from the bank measurements when the earthwork was done by machines, tractors, scrapers.</p> <p><b>[Section 5 (II) (b) of Schedule of Rates Volume-III, Part-VI (1996)]</b></p>		
<p>Check that cartage was paid separately and Check that schedule B of the tender incorporated cartage items and premium quoted by the bidder was on the basis of rates shown therein including cartage. Check that it was specified in schedule B that cartage will not be payable separately and that the bid offered is including cost of cartage.</p> <p><b>[As per notification No. Schedule rates-T (ii) D.S/226, dated 04-05-2006, office of the Chief Engineer Buildings department Government of Sindh, Hyderabad]</b></p>		

## 6.22 Audit Programme: Accounts Compilation

**Audit Entity:**  
**Date(s) Conducted:**

**Audit Period:**

Audit procedure	Done by	WP Ref.
<p><b>Preparation of Budget and its approval</b></p> <ul style="list-style-type: none"> <li>• Check the budget preparation is in accordance with codal provision and approved by the competent authority.</li> <li>• Check the actual budget allocation towards the expenditures / revenues.</li> <li>• Check the budget appropriations and re-appropriations towards the actual expenditures.</li> </ul>		
<p><b>Preparation of Financial statements</b></p> <ul style="list-style-type: none"> <li>• Check that the components of financial statements were prepared in accordance with the applicable laws and accounting standards.</li> <li>• Check the existence of assets/liabilities in the Accounts.</li> <li>• Check the aging of Accounts receivable and identify any major outstanding balances</li> <li>• Check appropriate action has been taken to recover long outstanding balances</li> <li>• Check that bad debts have been recorded for long outstanding balances.</li> <li>• Check the financial statements were audited by the commercial auditors</li> </ul> <p><b>Operation of bank Accounts</b></p> <ul style="list-style-type: none"> <li>• Check the Govt. policies towards operation of bank Accounts.</li> <li>• Check the agreement with banks and Check that the authority has selected banks offering highest interest rates for making deposits. <ul style="list-style-type: none"> <li>▪ Calculate the financial impact of non-compliance with the Govt. polices and Check that appropriate action has been taken against the responsible persons.</li> <li>▪ Check that, monthly bank reconciliation statement was prepared and differences were identified.</li> </ul> </li> </ul>		
<p><b>Accounting for foreign currency transactions and interest payments</b></p> <ul style="list-style-type: none"> <li>• Check that the payments of foreign currency are in</li> </ul>		

<p>accordance with the provisions of loan agreement.</p> <ul style="list-style-type: none"> <li>• Check that the foreign currency transactions are recorded in accordance with the applicable accounting policies.</li> <li>• Check that the interest calculation and payment are according to the terms and conditions of loan agreement.</li> </ul>		
<p><b>Accounts prepared on prescribed Proforma</b></p> <ul style="list-style-type: none"> <li>• Check that the monthly Accounts were prepared on the prescribed format and Performa's.</li> <li>• Check that all the Public Works Accounts Forms were attached with the monthly account even with –NIL- entry.</li> <li>• Check the Accounts of all sub-divisions incorporated in monthly Accounts.</li> <li>• Cheque issued by XEN / SDO against passed vouchers by XEN / PD should be checked</li> <li>• Check that register of works, budget, P.W. Deposit, Misc P.W. Advances, stock returns, contractor ledger, Register of Monthly settlement with treasury etc. properly maintained.</li> <li>• Check that manufacture account prepared on no profit no loss basis and properly closed. Recoverable amount of hire charges / outturn of machinery and cost incurred on job recovered up to 30<sup>th</sup> June.</li> <li>• Check that expenditure was properly classified and booked to its relevant head of account.</li> <li>• Check that all Transfer Entries were incorporated in the account. In case transfer entry was for adjustment towards suspense head Misc: P.W. Advances as recoverable from departmental officials, same was as per rules and amount recovered within financial year as per budget manual</li> <li>• Check cost of store issued to work as per stock account of SDO (Form 4, 5, 6) incorporated in monthly account properly.</li> </ul> <p><b>(Article 282-288 of Account Code Volume-III)</b></p>		
<p><b>Cash Book</b></p> <ul style="list-style-type: none"> <li>• Check that no page was missing.</li> <li>• Check that page count certificate properly recorded by the sub-divisional officer / XEN</li> <li>• Check that all cheques were entered in the cash book.</li> <li>• Check that all receipts entered in the cash book.</li> <li>• No fluid / eraser were used.</li> <li>• Check that all cutting were attested by the sub-divisional officer / XEN</li> <li>• Check that no page of cash book was left blank.</li> <li>• Check that cash book was closed at the end of month.</li> <li>• Check that calculations/totals were correct</li> <li>• Check that closing balance was correctly brought forward.</li> </ul>		

<b>(Article 80-85 of Account Code Volume-III)</b>		
<p><b>Cheque Books</b></p> <ul style="list-style-type: none"> <li>• Check that no cheque was missing.</li> <li>• Check that all cheques were serial numbered.</li> <li>• Check that counterfoils were intact.</li> <li>• Check that amount of counterfoils tallies with the amount entered in the cash book.</li> <li>• Check that all cancelled cheques were available.</li> <li>• Check that entries for cancelled/lost/expired cheque made on counterfoil.</li> </ul>		
<p><b>Sub Cash Book</b></p> <ul style="list-style-type: none"> <li>• Check all bills drawn on DAO / A.G. Punjab like pay and allowances, TA/DA, contingencies, GPF Advances / Final payment, Motor Car/Cycle Advance, Cycle Advance etc. entered on receipt side of cash book</li> <li>• Against the bills drawn payment to official concerned properly entered on payment side.</li> <li>• Unpaid amount deposited into treasury / short drawn</li> <li>• Entries in cash book was correct according to monthly payment schedule issued by DAO / AG Punjab</li> <li>• Cash Book closed monthly and signed by DDO</li> </ul> <p><b>(Article 80-85 of Account Code Volume-III)</b></p>		

## 6.23 Audit Programme - Assets Management

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit Procedure	Done By:	WP Ref.
<p><b>Fixed Asset Register</b></p> <ul style="list-style-type: none"> <li>• Check that the department has maintained fixed asset register in accordance with the <b>provision of APPM (Form 13A)</b>.</li> <li>• For a sample selected out of the Fixed Assets Register that the assets physically exist and that they comply with the information in the Register regarding location, asset identification number, description, classification, and other relevant information.</li> <li>• For the sample of assets, check that they are correctly identified in the Fixed Assets Register under the correct Object and correctly coded according to the Chart of Accounts by checking for the sample of transactions that the payments have been correctly coded according to the Chart of Accounts codes.</li> <li>• Check that the all the additions (purchase / transfer in) and deletions (sale/of fixed assets have been properly incorporated in Fixed Asset Register.</li> <li>• Check whether the manager(s) responsible for asset management receive(s) regular reports from the Fixed Assets Register under the relevant Object Codes and that the information is presented in a way that it can be used by the responsible managers section. <b>{DFR Chapter-6, Rule 6.46}</b></li> </ul>		
<p><b>Physical Verification</b></p> <ul style="list-style-type: none"> <li>• Check for a sample selected out of the Fixed Assets Register that the assets physically exist and that they comply with the information in the Register regarding location, asset identification number, description, classification, and other relevant information.</li> <li>• Check from physical inspection of a sample of assets on site that they are entered into the Register and that the information about them is accurate.</li> <li>• Check for a sample of expenditures (identified in General Ledger) that they have been recorded correctly in the Fixed Assets Ledger and that they are on site, according</li> </ul>		

<p>to location information in Ledger, and that they are operational and being used.</p> <ul style="list-style-type: none"> <li>• For any items still in storage, or non-commissioned, determine reasons for non-functional state.</li> <li>• For any assets not delivered, determine why payment was made before delivery. (May need to follow-up on contract arrangements.)</li> </ul> <p><b>{DFR Chapter-6, Rule 6.17, 6.28 &amp; 6.30}</b></p>		
<p><b>Fixed Assets Addition (Purchases)</b></p> <p>Check for a sample of additions that:</p> <ul style="list-style-type: none"> <li>• Budget was approved for the particular purchase.</li> <li>• Purchase Indent is approved by the competent authority.</li> <li>• Tendering process was done in accordance with Sindh Procurement Rules 2009 (PPR-2009).</li> <li>• Purchase Order generated in favour of selected/approved supplier.</li> <li>• For the sample of purchased items during period audited, check that the cost listed in the Fixed Assets Register is the same as the purchase price (including cost of installation &amp; commissioning) and check against supporting documentation.</li> </ul> <p><b>{Chapter-V, VI &amp; VII of PPR 2009}</b></p> <p>Transfer in</p> <ul style="list-style-type: none"> <li>• For items transferred in, check whether any transfer payments were made and if so whether for an appropriate amount.</li> <li>• Check that any donation/gift of fixed asset received, met the requirements of the Accounting Policies and Procedures Manual- APPM</li> </ul> <p><b>{Para-13.4.3- Donations/gifts of fixed assets}.</b></p> <p>Subsequent Capitalization</p> <ul style="list-style-type: none"> <li>• Review any expenditure on improvements to assets and check that these have been identified as capital expenditures.</li> </ul>		
<p><b>Fixed Assets Deletion (Disposal)</b></p> <p>Check for a sample of fixed assets disposal that:</p> <ul style="list-style-type: none"> <li>• Check that proper authority was obtained to dispose of the asset</li> <li>• That an appropriate price was obtained (either by a competitive bid process or by benchmarking the value of</li> </ul>		

<p>the asset before determining the price)</p> <ul style="list-style-type: none"> <li>• Where possible, compare prices obtained for similar assets and investigate any assets apparently sold below value</li> <li>• For any revenue, check that this was properly recorded in the General Ledger, or other account</li> </ul> <p>Transfer out</p> <ul style="list-style-type: none"> <li>• For items transferred in, check whether any transfer receipts were obtained and if so whether for an appropriate amount.</li> <li>• Check that any income earned on the transfer out of fixed assets was correctly recorded.</li> <li>• Confirm that assets were received by the organizations to which they were transferred.</li> </ul>		
<p><b>Ownership of Fixed Assets</b></p> <ul style="list-style-type: none"> <li>• For assets examined, check, where appropriate, that the Government has clear ownership and title to the asset. {This check is more likely to be important for any used items acquired (equipment, buildings, etc.) or for any construction on lands where the Government may not have clear ownership of the land – particularly in the case of new road construction. }</li> </ul>		
<p><b>Land Acquisition.</b></p> <ul style="list-style-type: none"> <li>• Check that acquisition of land was made after proper evaluation and award under the rules.</li> <li>• Land acquired was in public interest within the ROW of road / building</li> <li>• Land award announced within one year in ordinary case and within six month in emergency case (U/S 17.4(6) and responsibility fixed for extra cost caused due to delay regarding revised land rate or interest beyond six month as per clause 7 of Land Acquisition Rules 1982.</li> <li>• Check that name of land owner, actual acquired area, rates applied for land or other item in land award.</li> <li>• Check that recovery of cost of old structure made from the effectives payment or material properly accounted for and auctioned.</li> <li>• Check that mutation of land acquired in the name of Govt.</li> <li>• Check that proper account of PLA is available for advance obtained in each case for land acquisition. Reconciliation made. Vouched account issue to concern besides refund of unspent balance.</li> </ul>		

<ul style="list-style-type: none"> <li>• Check that PLA pass book and voucher slips for each account was available.</li> <li>• <b>{Land Acquisition Act 1894 Chapter-Section-4, 5, 6, 10, 11, 16, 17 &amp; 23}</b></li> </ul>		
<p><b>Reporting</b></p> <ul style="list-style-type: none"> <li>• Check that the quarterly report on Fixed Assets Register as required by <b>2.2.7 of the FRM</b> is produced in a timely manner.</li> </ul>		

## 7. AUDIT EVALUATION AND REPORTING PHASE

### 7.1 Introduction

There are two audit phases covered in this section namely, Evaluation of Audit Findings/Results and Reporting of audit conclusions.

#### Evaluation of Audit Findings/Results

By the end of the fieldwork stage, the auditors will have completed their audit Programmes and documented the results of their work. Part of this work would have involved the identification of monetary errors, compliance with authority violations, internal control deviations, etc. These errors and deviations need to be dealt with during the evaluation phase.

Error evaluation is done in stages. First, the auditor reaches a conclusion on the results of each test. Next, the auditor reaches a conclusion on each component. Finally, the auditor reaches a conclusion on the Financial Statements as a whole.

The optimum mix of tests of internal controls, analytical procedures and substantive tests of details for one specific Financial Audit or Compliance with Authority objective for one component may be totally different from another objective or component. Appendix D of FAM provides a non-technical discussion on the theory behind the overall error evaluation process – how the auditor can combine different sources of assurance to reach an overall conclusion on the Financial Statements.

#### Reporting of Audit Conclusion

The Auditor normally issues :

- A formal opinion or a disclaimer on Financial Statements and
- Long form report containing auditors' observations resulting from Compliance with Authority audit and performance audit.

The audit report is issued by the external auditor as a result of an external audit or evaluation performed on a legal entity or subdivision thereof (called an “auditee”). The report is subsequently provided to the auditee organisation in order to enable the user to make decisions based on the results of the audit.

Whatever the audit type, the same considerations apply:

- Audit reports should be easy for entity management to read (brief and clear);
- The Audit reports will be read by Parliamentarians, the media and the public and should be written with a minimal technical terminology and not assuming a prior understanding of the detailed business of the entity;
- The contents of the audit report should focus only on material and significant matters;

- Any conclusions and recommendations should be useful; and
- All audit observations should be fully supported by reliable and sufficient evidence.

## 7.2 The Audit Team's Responsibility

It is the duty of the auditor to complete audit in the light of audit objectives and arrive at reliable conclusions for the purpose of audit. In addition, the auditor needs to identify any weaknesses in internal controls, any errors and/or irregularities, and potential risks or exposures of the organisation and issue recommendations accordingly.

It is critical that the audit team works diligently through forms and schedules in the Evaluation and Reporting section of the Audit Working Papers Kit since it provides the documentation that supports the Auditor-General's opinion on the entity's Financial Statements and compliance with Government rules and regulations.

The audit team leader will ensure that each form is signed off, reviewed and approved by an appropriate official before it is considered complete.

It needs to be highlighted that the audit strategy and methodology recommended under FAM provide for continued quality assurance through all the phases of audit. While reviewing the reporting phase, the functionaries entrusted with the quality assurance of audit should ensure that the various steps recommended in these Guidelines and respective forms given in the Audit Working Papers Kit have been completely followed in all respects.

The following tools are provided to ensure the quality of the auditors' opinion on the financial statements and their audit reports:

- a. Management representation letters;
- b. Audit completion checklist;
- c. Memoranda recommending signature; and
- d. Quality Assurance checklist.

These documents and the diligent performance of quality assurance procedures given in section 15 of FAM help ensure that the DAGP has the audit evidence that it requires, and that the Auditor-General is signing the most appropriate opinion and approving the Compliance with Authority report based on valid audit findings.

A formal process, governing how audit observations are developed, cleared and reported in the most appropriate reporting style ensures quality. This process helps ensure that the contents of the report are correct, and that the findings, conclusions and recommendations contained in the report are easily understood and appreciated by the readers of the reports.

Detailed guidance is provided in the following sections of the Financial Audit Manual:

- Chapter 10    Evaluating Audit Results
- Chapter 11    the Reporting process

## Chapter 12 the Audit Report

To facilitate the auditor's understanding of the reporting process, the Reporting Cycle is given below.

### Reporting Cycle of Compliance with Authority Audit

1. Development of Advance Paras
2. Departmental Accounts Committee (DAC) meeting
3. Development of Draft Audit Report (DAR)
4. Quality assurance review at DAGP
5. Approval by Auditor-General of Pakistan
6. Audit Report issued to respective Governor
7. Zila Accounts Committee (ZAC) Meeting

The following paragraph explains the various steps of the Reporting Cycle.

#### *Development of Advance Paras(AP)*

- i) The reporting cycle begins by issuing Observations Statements (OS) during field work.
- ii) Audit and Inspection Report (AIR) is issued to auditee based on initial management response on the OS.
- iii) Management response is obtained on the AIR.
- iv) APs issued to auditee and head of department i.e. respective EDO

#### *Departmental Accounts Committee (DAC) meeting*

- i) Para's and their replies are discussed with the respective PAO and head of department.
- ii) Minutes are prepared and signed.
- iii) DAR is updated based on the DAC minutes.
- iv) Further Audit comments are incorporated in the end as a final recommendation of the Audit Para.
- v) The Para's finalized for Audit Report are retained in the AR section, while those which cannot find a place in the Audit Report are sent back to the concerned IR sections. These Para's are compiled and issued as MFDAC by the IR sections for further pursuance. The MFDAC is compiled and issued on a yearly basis to respective PAOs.

#### *Development of Draft Audit Report (DAR)*

- i) Draft Audit Report (DAR) is prepared by incorporating management response on the AIRs.
- ii) Internal Quality Control Checks are performed by supervisors to ensure that the information given in the DAR is complete, relevant and supported with audit evidence.

- iii) Final Audit Report is prepared PAO wise and is sent to the AGP office for Quality Assurance Review.

#### *Quality assurance review at DAGP*

- i) Quality assurance is carried out using DAGP's quality assurance framework.
- ii) The framework ensures that the work is performed efficiently and effectively as possible and complies with INTOSAI Auditing Standards.

#### *Approval of Auditor General of Pakistan*

After quality assurance review at DAGP, the Auditor General of Pakistan approved the Audit Reports

#### *Audit report issued to the Governor*

The Audit Report is submitted to the Governor in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of Local Government Ordinance 2001, for transmission to the Nazim who shall cause it to be laid before the Zila Council.

#### *Public Accounts Committee (PAC) Meeting*

- i) Director General District Audit, on behalf of the AGP, supports the ZAC for appropriate action against the paras included in the Audit Report.
- ii) ZAC accordingly disposes of the audit paras by giving necessary directives to the executives/PAOs.

## 7.3 Documentation in Evaluation and Reporting Phase

Titles of various forms specified in the Audit Working Papers Kit are listed below:

- Internal Control Weaknesses – Impact Analysis \*
- Analytical Procedure Thresholds
- Evaluation of Analytical Procedures \*
- Evaluation of Internal Control Deviations \*
- Substantive Tests Evaluation – Projectable Errors from Sample
- Substantive Tests Evaluation – Non-Projectable Errors
- Substantive Tests Evaluation – Summary
- Achieved Level of Assurance Form
- Error in Each Component
- Overall Error in Financial Statements
- Compliance-With-Authority Violations \*
- Checklist of Management Representation Letter
- Sample Management Representation Letter

- Audit Completion Checklist \*
- Memorandum Supporting Signature
- Auditor's Opinion
- Follow-up Continuity Schedule \*
- Quality Assurance Checklist \*

Note: These forms recommended under FAM and Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of these forms, marked with asterisks (\*), can also be used for Compliance with Authority Audit.

The following paragraphs contain specific guidance for using the forms given for the Evaluation Phase in the Audit Working Papers Kit.

## 7.4 Internal Control Weaknesses – Impact Analysis

This form tracks the disposal of internal control weaknesses identified at the time of applying ICQs during the performance of audit (when applying the ICQs). Each control weakness should be noted. Each weakness indicates whether the entity management agrees with the auditor's assessment of the weakness, and whether the weakness is so significant that it affects the audit plan and will require additional unplanned audit work to be performed.

## 7.5 Analytical Procedure Thresholds

Analytical procedures work by comparing an actual value from the Financial Statements with a baseline value (normally the comparative figures of previous audit year is used as baseline value). If the difference between the actual value and the baseline value exceeds a certain threshold, then the analytical procedure has not provided the required assurance, and additional audit work may be required.

This form is used to calculate the thresholds that the auditor should apply to each analytical review procedure used in audit. Complete instructions are provided on the form.

## 7.6 Evaluation of Analytical Procedures

The auditor will complete this form to determine whether each analytical procedure has provided the required assurance. The auditor will describe the data used, its observed value and the baseline value, and a comparison of the difference with the threshold calculated on the Analytical Procedure Thresholds form.

If the difference exceeds the threshold value, the auditor will obtain an explanation from entity management which will be recorded on the form together with the auditor's comments. The auditor will decide whether the explanation of the difference is acceptable. If the difference warrants a re-assessment of audit risk, reduced reliance on analytical procedures or an increase in substantive tests of details, the auditor's decision is recorded on this form.

NOTE: See Appendix E of FAM for a full discussion of Analytical Procedures.

## 7.7 Evaluation of Internal Control Deviations

Using the data of the number of control deviations found from the Internal Control Deviations forms, the auditor follows the steps in this form to determine whether the control deviations lead to a conclusion that these may be relied upon or whether the deviations warrant a re-assessment of control risk, reduced reliance on controls or an increase in substantive tests of details. The auditor's decision is recorded on this form.

## 7.8 Substantive Tests Evaluation – Projectable Errors from Sample

The auditor enters each projectable error from the Substantive Test Sample Summary form, separating overstatements and understatements, following the step-by-step instructions provided on the reverse of the form.

## 7.9 Substantive Tests Evaluation – Non-Projectable Errors

The auditor enters each non-projectable error from the Substantive Test Sample Summary form, plus errors from the Substantive Tests of High Value and Key Items and Errors in Accounting Estimates separating overstatements and understatements. These are summed at the bottom of the form.

## 7.10 Substantive Tests Evaluation – Summary

The auditor uses this form to calculate the figures of most likely error (MLE) and upper error limits (UEL) for over- and under-statements based on the evaluations of sample results for Projectable and Non-projectable errors from the preceding two forms. This is done by carefully following the step-by-step procedures included in the form.

The MLE and UEL are then compared with the previously calculated materiality amount to determine whether the results of the audit are satisfactory or not, to provide the auditor with the basis for his/her conclusion.

## 7.11 Achieved Level of Assurance Form

The Audit Plan was based on the audit team's estimation of the audit assurance that could be achieved with respect to Inherent Risk, Control Risk, Analytical Review and Substantive Test of Detail (see Source of Assurance Form) in arriving at the desired level of acceptable risk for this audit.

While the assessments should be made for each Financial Audit objective and Compliance with Authority Audit objective for each component, the form permits the auditor to list more than one such specific objectives and/or component on each form. This is because the auditor will likely have planned to use the same sources of assurance assessments for several different objectives and components, and will, therefore, have listed more than one component, specific Financial

Audit objective and related Compliance with Authority Audit objective on his/her Source of Assurance form.

This form is designed to assist the auditor to determine whether he/she has achieved the desired level of overall audit assurance (i.e. reduced audit risk to the desired level). Detailed instructions are provided on the reverse of the form.

## 7.12 Error in Each Component

Before evaluating error in the Financial Statements as a whole, the auditor uses this form to evaluate the error in each component. The auditor, following the directions on the form, completes one form for each component being audited,.

The information on this form is consolidated in the Overall Error in Financial Statements form.

## 7.13 Overall Error in Financial Statements

This form is designed to summarise errors in the Financial Statements – first the errors in receipts/revenues, expenditures and net income, and then the errors in assets, liabilities, equity and opening residual equity. The last table of this form then shows the overall most likely errors in assets, liabilities, receipts/revenues, expenditures, equity and opening residual equity, culminating with a Summary of Most Likely Errors.

## 7.14 Compliance-With-Authority Violations

This form is used to capture information on each violation of a compliance requirement. For example, an entity may have reported under-spending a particular grant, whereas the auditor has concluded that expenditures have not all been properly charged to that grant. This type of error, and other compliance violations, would be evaluated using this form.

## 7.15 Checklist of Management Representation Letter

During the course of the audit, entity management will have provided the auditors with financial and many other pieces of information, both verbally and in writing, which the auditors will have relied on during the audit. The audit team should draft a Management Representation Letter that the entity management will sign to acknowledge in writing their responsibility for the completeness and accuracy of the Financial Statements and for all other representations made to the auditors.

This checklist will help the audit team Check all necessary matters are properly referred to in the Management Representation Letter.

## 7.16 Sample Management Representation Letter

This form provides the audit team with a sample letter to use as a starting point in obtaining a Management Representation Letter for their particular audit. This letter is a is a very important

component of the audit as it clearly establishes that management is responsible for the Financial Statements presented to the auditors and for all additional information provided by them. It will help focus management's attention on the importance of the audit, and their participation in it.

## 7.17 Audit Completion Checklist

Before the Auditor-General or other delegated DAGP official signs the final audit report for presentation to Parliament, they must be satisfied that the audit team has diligently carried out a proper audit. This checklist will be completed and signed by the Director of the particular audit to confirm that the audit has been conducted in accordance with the DAGP audit standards.

## 7.18 Memorandum Supporting Signature

The Audit Completion Checklist provides the official signing the audit with assurance about the audit procedure but not about the Financial Statements or audit findings. This Memorandum provides the signing official with this additional information and will provide the basis for a briefing on the conduct and conclusions of the audit.

## 7.19 Auditor's Opinion

Based on the work of the audit team, the Auditor-General prepares audit reports, which also contain the Auditor's Opinion. The audit team will recommend the opinion which it believes is appropriate in the circumstances.

Chapter 12 of FAM provides extensive discussion on the Audit Report. All auditors should be familiar with the concepts presented in this chapter since all the audit work they perform culminates in the Audit Report.

The Audit Working Papers provide examples of the different standard audit reports: Unqualified Audit Opinion; Qualified Audit Opinion – Scope Limitation; Qualified Audit Opinion – Departure from Government's Accounting Policies; Qualified Audit Opinion – Uncertainty; Qualified Audit Opinion – Inappropriate Accounting Policies; Adverse Audit Opinion; Disclaimer of an Opinion.

Audit teams should be prepared to recommend Qualified, Adverse or Disclaimed opinions where circumstances warrant. The purpose of these opinions is to highlight situations where Government policies are not being followed so that corrective action can be taken and improvements can be made. It is likely that many audits will result in Qualified, Adverse or Disclaimed opinions during the first years of applying the new audit paradigm, as it will take the audit entities some time to bring their accounting practices fully up to the new standards.

## 7.20 Follow up Continuity Schedule

Follow up is an integral part of the audit function. The auditor's objective is not fulfilled unless any errors or deficiencies identified during the audit have been correctly addressed. Both the DAGP and the Public Accounts Committee (PAC) should check that the entity officials take action to correct all errors found, and deal with all the recommendations made.

The entity officials themselves are responsible for ensuring that their Financial Statements and that their internal control structures are operating as efficiently and effectively as possible. They should be encouraged to view the auditor as an ally in this endeavour and should actively work with the auditor to address any concerns.

To achieve these objectives, there should be a formal follow up of every Regularity Audit. All observations, conclusions and recommendations should be pursued and reported until they are satisfactorily dealt with, or until circumstances have rendered them no longer relevant.

The follow-up phase involves checking the relevant record pertaining to observations raised at a later date to determine if entity officials have:

- Corrected errors identified during the audit; and
- Implemented recommendations made by the auditors.

The errors identified during the financial audit could include:

- Monetary errors or related compliance with authority violations that led to a reservation in the auditor's opinion (a qualified, adverse or disclaimer of opinion); and
- Other monetary errors and compliance with authority violations.

Recommendations made by the auditor can relate to:

- Reservations being expressed in the audit report;
- Comments on the form and content of the Financial Statements;
- Comments on the accounting policies used to prepare the Financial Statements;
- Compliance with authority violations;
- Internal control weaknesses; and
- Performance (value-for-money) matters.

Audits frequently identify situations that require follow-up in the following years. For example, control failures in one year should result in recommendations for future improvements, so future audits should see if the recommendations have been followed.

This form summarises issues that previous audits have identified and tracks how they were handled in the current year's audit and whether any additional follow up in future years is required.

NOTE: Please refer to Chapter 14 "Audit Follow up" of FAM for details on the subject.

## 7.21 Quality Assurance Checklist

Just as the auditors are concerned with the quality of the audit entities' Financial Statements, they must check the highest quality of their own work, if they are to earn and keep their professional credibility. Consequently, quality assurance procedures are implemented through comprehensive working papers and sign-offs throughout the audit. At the conclusion of audit, an

appropriate official should review the audit files to check whether the audit team has fulfilled all the requirements of a quality audit.

It is emphasised that the primary purpose of this post-audit review is to encourage continuous improvement in the quality of the DAGP's work. The reviews are not intended to praise or criticize the work of the audit team or individual auditors. In this spirit, those being reviewed should be comfortable in offering their own suggestions as to how the audit could have been performed more effectively or efficiently.

## 7.22 Centrally Led Audit

As discussed in the Planning Chapter at 5.31, in case of centrally led audit, there will be a division of responsibilities between the central team and each directorates.

In centrally led certification audit of the District Government Financial Statements, the following (Evaluation & Reporting Phase) forms of the Audit Working Papers Kit shall not apply during the certification audit work of the Directorate General Sindh Audit (Provincial):

- Overall Error in Financial Statements
- Memorandum Supporting Signature
- Auditor's Opinion

## 8. KEY TASKS AND RESPONSIBILTIES

### 8.1 INTRODUCTION

With the up gradation of the sectoral Guidelines it was felt that key tasks, revised roles and responsibilities need to be assigned for effective and structured implementation of these

Guidelines. This section of the Guidelines specifies key Tasks and Responsibilities of various functionaries in a Field Audit Office (FAO) involved in performing audit related tasks during the course of the audit cycle. Main areas for which Key Tasks and Responsibilities have been defined are given below;

- Permanent File
- Audit Planning Phase
- Audit Execution Phase
- Audit Evaluation and Reporting Phase
- Quality Assurance

The purpose of the key Responsibility Matrices given at the end of this section is to provide the functionaries with an overview of their roles and responsibilities in the Audit Cycle. Moreover this will also serve as a monitoring tool and will facilitate in measuring the performance of the personnel involved in various phases of audit.

## 8.2 Assigning Roles and Responsibilities

These Key Tasks and Responsibilities have been developed for the four standard tiers of functionaries in an FAO. They are Audit Officer/Assistant Director, Deputy Director, Director and Director General. It is recommended that functionaries below this level may not be involved in the auditing processes. However, in cases where the DG of an FAO considers appropriate, he may assign the responsibilities of an Audit Officer to an Assistant Audit Officer.

In all cases where key tasks have been assigned to a functionary and that functionary is temporarily or structurally not available in the office the head of the office will be required to sign the key tasks and responsibilities appropriately.

The Director General will be required to assign specific responsibilities to all the officers in the FAOs for each audit and the performance of officers can then be monitored accordingly.

For High Profile Audits and studies of public significance, the DG may like to raise the level of the audit team by substituting Audit Officers/Assistant Director with Deputy Directors and Directors. The roles and responsibilities which are specified in this section pertain only to the Audit Cycle. For other functions like clerical record keeping, administration, budgeting etc, the existing job descriptions available in the FAO should be used for defining the key tasks in each area.

### 8.3 Key Tasks and Responsibilities:

### Permanent File

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
4.4	Developing and Updating the control sheet-PF	P	S	R	
4.5	Updating Status of Entity Form/information.	P	R		
4.6	Gathering and updating financial & Operational background Information.	P	S	R	
	Documenting the Background Information.	P	S-R		
4.7	Listing all the possible Auditable Locations.	P	R		
4.8	Listings of names address and account no of all Bank Accounts in the name of Entity.	P	R		
4.9	Documentation and Listing Authorized Signatories.	P	R		
4.10	Listing External Factors related to performance of the operational activities of an auditee.			P	R
4.11	Listing the accounting records maintained by the auditee.	P	R		
	Development of a brief description of the accounting system used by the auditee.		P	R	
4.12	Listing Key Contacts.	P	S-R		
4.13	Listing Significant Audit Areas.		P	S-R	A
	Updating determination of components.		P	R	
4.14	Listing Significant Accounting Policies.		P	R	
	Update and review of Significant Accounting policies.		P	R	
	Review and Sign Off of all the forms within the Permanent File.			R	A

A= Approve,

R= Review,

S=Supervise,

P=Perform

## 8.4 Key Tasks and Responsibilities:

## Audit Planning Phase

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
5.4	Determining Audit objectives and scope.				P
5.5	Listing/ Updating Points for attention at next audit.	P	S	R	
5.6	Preparing/Issuing Entity communication letter.		P	R	A
5.7	Preparing Audit planning memorandum.		P	R	
5.8	Revising Memorandum on post-planning changes.		P	R	
5.9	Scheduling Important dates.	P	R		
5.10	Preparing Tour Program..	P	S	R	A
5.11	Pursuing Information requested from entity officials.	P	S		
5.12	Preparing Materiality assessment form		P	R	A
5.13	Computing Expected aggregate error and planned precision form.		P	R	
5.14	Preparing Audit risk assessment form.		P	R	
5.15	Preparing Inherent risk assessment form.		P	R	
5.16	Developing Internal control questionnaire - controls for overall environment.		P	R	
5.17	Documentation of the internal control questionnaire – general computer controls.		P	R	
5.18	Documenting Internal control questionnaire – application controls.		P	R	
5.19	Developing Control risk assessment form.		P	R	
5.20	Documenting Analytical procedures assurance form.		P	R	
	Updating optimum combination of procedures.			P	R

A= Approve,

R= Review,

S=Supervise,

P=Perform

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
5.21	Documenting Source of audit assurance form.		P	R	
5.22	Listing all applicable laws and regulations.	P	S	R	
5.23	Documenting and Updating Sample selection checklist.	P	S	R	
5.24	Preparing High value item selection form.		P	R	
5.25	Preparing Key item selection form.		P	R	
5.26	Computing Sample sizing for tests of internal control.		P	R	
5.27	Calculating Sample size for substantive tests of details.		P	R	
5.28	Documenting Checklist of accounting estimates to be reviewed.		P	R	
5.29	Recording Points for attention at next audit.	P	S	R	
5.30	Documenting Audit planning checklist.		P	R	A

A= Approve,

R= Review,

S=Supervise,

P=Perform

## 8.5 Key Tasks and Responsibilities: Audit Execution Phase

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
6.4	Documenting Summary of Analytical Review Procedures Performed.		P	R	
6.5	Documenting Details of Analytical Review Procedures Performed.	P	S	R	
6.6	Documenting Internal Control Questionnaires.		P	R	
6.7	Documenting Internal Control Deviations Form.		P	R	
6.8	Preparing Internal Control Deviations Summary.		P	R	
6.9	Preparing Compliance Summary.		P	R	
6.10	Documenting Substantive Tests of Accounting Estimates.		P	R	
6.11	Identifying and listing Errors in Accounting Estimates.		P	R	
6.12	Documenting Substantive Test Sample Summary for each Audit Program.	P	S	R	
6.13	Preparing Substantive Test of High Value/Key Items – Summary.		P	R	
6.14	Documenting Details of Errors in Samples, High Value Items and Key Items.		P	R	
6.15	Conducting Exit Interviews.		P	S	
6.16	Updation of Audit Steps given in the Audit Programmes, if needed.		P	R	S
6.16	Execution of Audit Steps as per the Audit Program	P	P-S	S-R	
	Ascertaining Execution of relevant Audit Programs		P	P-S	S

A= Approve,

R= Review,

S=Supervise,

P=Perform

## 8.6 Key Tasks and Responsibilities: Audit Evaluation & Reporting Phase

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
7.4	Documenting Internal Control Weaknesses – Impact Analysis.			P	R
7.5	Calculating Analytical Procedure Thresholds.		P	R	S
7.6	Documenting Evaluation of Analytical Procedures.			P	R
7.7	Evaluating Internal Control Deviations.			P	R
7.8	Conducting Substantive Tests Evaluation – Projectable Errors from Sample.		P	S	R
7.9	Documenting Substantive Tests Evaluation – Non-Projectable Errors.		P	S-R	
7.10	Calculating Substantive Tests Evaluation – Summary.		P	S-R	
7.11	Documenting Achieved Level of Assurance Form.			P	R
7.12	Evaluating Error in Each Component.		P	R	S
7.13	Summarizing and preparing Overall Error in Financial Statements.		P	R	S
7.14	Documenting Compliance-With-Authority Violations.	P	P-S	R	
7.15	Drafting Checklist of Management Representation Letter.		P	S	R
7.16	Obtaining Management Representation Letter.		P	R	6.
7.17	Documenting Audit Completion Checklist.		P	R-S	A
7.18	Memorandum Supporting Signature.		P	R	A
7.19	Recommending Auditor’s Opinion			P	R-A
7.20	Following up the Continuity Schedule		P	R-S	

A= Approve,

R= Review,

S=Supervise,

P=Perform

		<b>RESPONSIBILITIES</b>			
<b>Guideline reference</b>	<b>TASKS</b>	<b>AO/Assistant Director</b>	<b>Deputy Director</b>	<b>Director</b>	<b>Director General</b>
<b>7.21</b>	Reviewing the Quality Assurance Checklist			<b>P</b>	<b>R</b>

**A= Approve,**

**R= Review,**

**S=Supervise,**

**P=Perform**

## 8.7 Key Tasks and Responsibilities: Audit Quality Assurance

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
<b>Planning</b>					
5.3	Review that Planning has been carried out as per the recommended planning process.			R	S
FAM 15.3.6	Assigning Appropriate staff, required strength and skill set of the audit team.			P	R
FAM 15.3.7	Preparation, revision and approval of the Audit Budget.		P	R	A
5.30	Ensuring that audit programs are in place as required in Audit Policy Checklist.		P	R	
<b>Execution</b>					
5.8	Ensuring revision of the planning decisions, if required.		P	R	A
	Supervision of all phases of execution as per the tasks assigned in “key tasks related to execution phase” list.		P	R-S	
	To ensure review of audit working paper files.		P	R	S
6.16	To ensure executing audit steps as per the Audit Programs.		P	R	S
	Ensuring reporting and monitoring of audit activities with reference to “execution task list.”		P	R-S	
<b>Evaluation &amp; Reporting</b>					
7.3	To ensure detailed review and approval of monetary errors, compliance with authority Violations and internal control deviations found.		P	R-S	A
7.15,7.16,7.18	Ensuring tools for the auditor’s opinions and statements are used.		P	S	R
7.17	Ensuring Documentation of Audit Completion Checklist.		P	R-S	A
7.21	Reviewing the Quality Assurance Checklist. *		P	R	A

\* The Comprehensive Quality Assurance Checklist present in the Audit Working Papers Kit covers all the phases of audit. This checklist is the master guide for assuring the quality of audit processes throughout the audit cycle.

A= Approve,

R= Review,

S=Supervise,

P=Perform

## Appendix- A

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE  
Permanent File Index/Checklist**

<b>Main Reference</b>	<b>Supporting schedules</b>		<b>Done by:</b>	<b>Date:</b>
		Update Control Sheet		
<b>PF-I</b>		Status of the Entity		
<b>PF-II</b>		Background Information		
<b>PF-III</b>		List of Auditable Locations		
<b>PF-IV</b>		List of Bank Accounts		
<b>PF-V</b>		List of Authorised Signatories		
<b>PF-VI</b>		External Factors		
<b>PF-VII</b>		Accounting Records and Accounting System		
<b>PF-VIII</b>		Key Contacts		
<b>PF-IX</b>		Significant Audit Areas		
<b>PF-X</b>		Significant Accounting Policies		

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Update Control Sheet**

Name of Entity/Organisation:        EDO Health Sukkur

Original file prepared by:    Audit Officer

Date: 23-04-2009

File updated by: \_\_\_\_\_ Date: \_\_\_\_\_

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- I**

**Understanding of Entity's Business – Status of Entity**

Name of Entity/Organization: EDO Health Sukkur.

Principal Address:

- Executive District Officer Health, Parsi Colony Road, behind District Accounts Office, Sukkur.

Status of the Entity:

(Government/autonomous/centralised/self-accounting/exempt/other)

Government entity. This office is a part of District Government Sukkur. It receives budgetary grants from the Provincial Government and District Government and its Accounts form a part of the financial statements of the District Government.

Inter-Governmental Relationship:

(Attached department, branch office, etc.)

Attached office of Health Department, Government of Sindh. It has four hospitals, three Rural Health Centres (RHCs), twenty three Basic Health Units (BHUs), seven Government Dispensaries and one Unani Shifakhana.

**AUDITOR-GENERAL OF PAKISTAN**  
**AUDIT PLANNING-PERMANENT FILE**

**Form PF- II**

**Understanding of Entity's Business – Background Information**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should gather financial and other background information about the entity.

Size of Entity:

- Total assets: Not available
- Total liabilities : Not available
- Total revenue : Not available
- Total expenditure : 176.684 millions (2008-09)

Core Operational Activity/Corporate Plan:

(e.g. revenue collection/grants & contributions/construction, etc.)

Core Operational Activity:

- Public Health (Basic and Rural Health), Child and Women Health, District and Taluka (HQs) Hospitals.
- Population Welfare

Under the Sindh District Governments (Conduct of Business) Rules, 2001 as amended from time to time EDO Health is responsible for the functions and duties listed in the following:-

Execution of Functions relating to following areas

- a) Prevention and control of infectious and contagious diseases such as Malaria, Tuberculosis, Lepers, etc;
- b) Treatment of patients bitten by rabid animals,
- c) Nutrition Surveys
- d) Nutrition and publicity in regard to food,
- e) Vaccination and inoculation,
- f) Maternity and child welfare,
- g) Port quarantine

- Management of health care facilities and provision of health care services in the District Head Quarter Hospitals (DHQs), Taluka Head Quarter Hospitals (THQs), Rural Health Centres (RHCs) and Basic Health units but excluding any hospital/health facility affiliated with the medical college.
- Monitoring and compilation of vital health statistics
- Planning and development of Health care services delivery for improving health standard of population in accordance with the perceived and locally ascertained health care needs in order to pursue the health for all goals through Primary Health Care (PHC) approach of providing equitable health services.
- Preparation of Development schemes, budget schedule of new expenditure and ADP proposals
- Service matters except those entrusted to Health Department/ Services General Administration and Cooperation Department in case of regular employees of the provincial Government.
- Health Equipment Maintenance (HEM) for ensuring availability of state-of the art and functional bio-medical technology.
- Transport maintenance as an essential component of speedy provision of outreach healthcare Services.
- District Quality Control Board for ensuring supply and availability of quality medicines in line with the National Health Policy.
- Technical scrutiny, standardization and purchase of stores and capital goods and bio-medical equipment for each health care facility in the district.
- Government Medical Stores Depot. (MSD) at district for ensuring availability of appropriate quantity of reserves and timely distribution of routine and incidental drugs to all health care facilities.
- Surgeon Medico-legal office and its functions relating to the constitution of Medico-legal examination.
- All Administrative and related matter of Nursing Cadres upto BPS-17.
- Formulation and implementation of policies pertaining to institution of user charges and levy of related and subsequent fees by Medical Officers in district.

### Population Welfare

- To plan, organize and implement programme activities.
- To organize the assigned communication activities including exhibition of documentaries, workshops, seminars etc.
- To coordinate with Population Welfare Department and the District Government.
- Supervise and monitor the activities of Taluka Offices and service outlets in the District.
- To identify training needs and impart training as per training schedule in coordination with Population Welfare Department.
- To provide logistic support to the Programmer service outlets and equip them with stock of contraceptives, medicines and necessary equipment.

### Major Services

(Zakat, income tax, public works, etc.)

- Public Health (Basic and Rural Health), Child and Women Health, District and Taluka (HQs) Hospitals.
- Population Welfare

### Major Beneficiaries

(Federal/Provincial/District level)

- General public
- International Organizations and donor agencies such as UNESCO etc.
- Various departments of Government of Pakistan, Govt. of Sindh and District Government.

### Major Cost Centres

(Employee related costs/Zakat distributions/other types, etc.)

If these major cost centres are the same as the auditable locations listed on form PF III, they need not be repeated here.

- Employee related expenses
- Operating expenses
- Hire charges of transport, machinery and equipment
- Miscellaneous receipts
- Purchase of drugs & medicines (out of revenue budget),
- Procurement of Machinery & equipment /spare parts, etc

### Reporting Authority

(Principal accounting officer/Ministry/CGA/others)

- This office report to the Secretary, Health department Govt of Sindh in administrative matters and District Coordination officer for financial and devolved administrative matters accordingly.
- District Coordination Officer (DCO) is Principal Accounting Officer (PAO) and all sub-ordinate offices report to EDO and he is responsible for maintaining complete record of transactions and reconciling department's record with District Account Office.

The system note on EDO health is given below as Annexure B.

## **Annexure B**

### **SYSTEM NOTE ON EDO(HEALTH)**

EDO ( Health) is the head of Health Group of offices in District set up. He works under District Coordination Officer who is also the Principal Accounting Officer. Following business has been assigned to the EDO (Health):

As per Para 6 of Schedule-II of Rule 3(2) of the Sindh District Governments (Conduct of Business ) Rules, 2001, following business has been allocated to the EDO (Health) as Head of Group of offices:

(i) Public Health, Basic and Rural health, child and Women Health. District and Taluka (HQ) Hospitals.

a. Execution of the functions relating to following areas on the guidelines given by the Provincial Government:

1. Prevention and control of infectious and contagious diseases;
2. Tuberculosis;
3. Eradication / control of Malaria;
4. Lepers Act;
5. Treatment of patients bitten by rabid animals;
6. Adulteration of Foodstuff; Government Public Analyst;
7. Nutrition surveys;
8. Nutrition and publicity in regards to food;
9. Vaccination and inoculation;
10. Maternity and child welfare; and
11. Port Quarantine.

b. Management of health care facilities and provision of healthcare services in the districts including District Headquarter Hospitals (DHQs), Taluka Head Quarter Hospitals (THQs), Rural Health Centres(RHCs) and Basic Health Units (BHUs) but excluding any hospital / health facility affiliated with the Medical College.

c. Audit Cell to undertake financial, managerial and clinical audit of health facilities in districts.

d. Monitoring and inspection of all health care facilities in respective districts.

e. Data collection and compilation of Vital Health Statistics.

- f. Planning and development of healthcare services delivery for improving health status of population in accordance with the community perceived and locally ascertained health care needs in order to pursue the Health for all goal through Primary Health Care (PHC) approach of providing equitable health services.
- g. Preparation of Development Schemes, budget schedule of new expenditure and ADP proposals up to Rs. 5 million.
- h. Service matters except those entrusted to Health Department / Services General Administration & Coordination Department in case of regular employees of the provincial Government up to posts and including BS-17, Recruitment of officers and officials in the district on contract basis from time to time under the District Government Rules of Business.
- i. Health Equipment Maintenance (HEM) for ensuring availability of state-of the art & functional bio-medical technology.
- j. Transport maintenance as an essential component of speedy provision of outreach healthcare services.
- k. District Quality Control Board for ensuring supply & availability of quality medicines in line with the National Health Policy.
- l. Technical scrutiny, standardization and purchase of stores and capital goods and bio medical equipment for each health care facility in respective districts.
- m. Government Medical Stores Depot. (MSD) at each district for ensuring availability of appropriate quantity of reserves and timely distribution of routine and incidental drugs to all health care facilities.
- n. Surgeon Medico-legal office and its functions relating to the constitution of Medico-legal examination.
- o. All administrative and related matters of Nursing Cadres up to BS-17.
- p. Formulation and implementation of policies pertaining to institution of user charges and levy of related and subsequent fees by Medical Officers in district.

- q. In a time span ranging over 5 years the office of the Chief Chemical Examiner will be transferred and its responsibilities thereof will be entrusted to the district.

ENFORCEMENT JURISDICTION OF EDO(HEALTH) REQUIRING COURT TRIALS ACCORDING TO FOURTH SCHEDULE ANNEXED TO SINDH LOCAL GOVT. ORDIN. 2001

PART-I

PARA#	OFFENCE
17	Adulteration of any eatable or drinkable or consumable item sold or supplied to the public.
18	Manufacturing, trading, storing or supplying any eatable or drinkable item and other items unsafe for human consumption or public health.

PART-II

PARA#	OFFENCE
35	Preparation and sale of article or articles of food or drink by a person apparently suffering from any infectious or contagious disease that may endanger the health of people.

ENFORCEMENT RESPONSIBILITY OF EDO(HEALTH) AGAINST OFFENCES MENTIONED IN EIGHTH SCHEDULE ANNEXED TO SINDH LOCAL GOVERNMENT ORDINANCE, 2001

S#	OFFENCE	AMOUNT OF FINE / TICKET
1	Neglect in safe storage of eatable, drinkable and other consumable items sold or supplied to the public	Rs.500 Rs.3,000 in case of large restaurants, hotels and shops.

## DUTIES AND FUNCTIONS COMMON TO ALL EDO's

According to Rule-7 of the Sindh District Governments (Conduct of Business) Rules, 2001

- (1) an Executive District Officer (EDO) shall:
  - a) Submit all cases requiring approval of the Nazim through the D.C.O.;
  - b) Assist the D.C.O. in formation, and the execution of the policy;
  - c) Be the official head of the group of district offices and be responsible for its efficient administration and discipline, and for the proper conduct of business assigned to the Group of offices;
  - d) Submit all proposals for taxation and bye-laws to the Zila Council through D.C.O.;
  - e) Be responsible to the D.C.O. for the proper conduct of the business of the group of district offices, and keep him informed about the working of the District offices;
  - f) Where the Zila Nazim's orders appear to involve a departure from rules, regulations or Government policy, resubmit the case to the Zila Nazim inviting his attention to the relevant rules, regulations or Government policy and if the Zila Nazim still disagrees with the EDO, the EDO, through D.C.O. shall refer the case to the Provincial Local Government Commission for decision;
  - g) Subject to any general or special orders of the Government in this behalf, issue standing orders specifying the cases or other classes of cases which may be disposed of by an officer subordinate to the EDO; and
  - h) Be responsible for the careful observance of these rules in his Group of District Offices.
- (2) while submitting a case for the orders of the Zila Nazim or D.C.O., it shall be duty of the EDO to suggest a definite line of action.

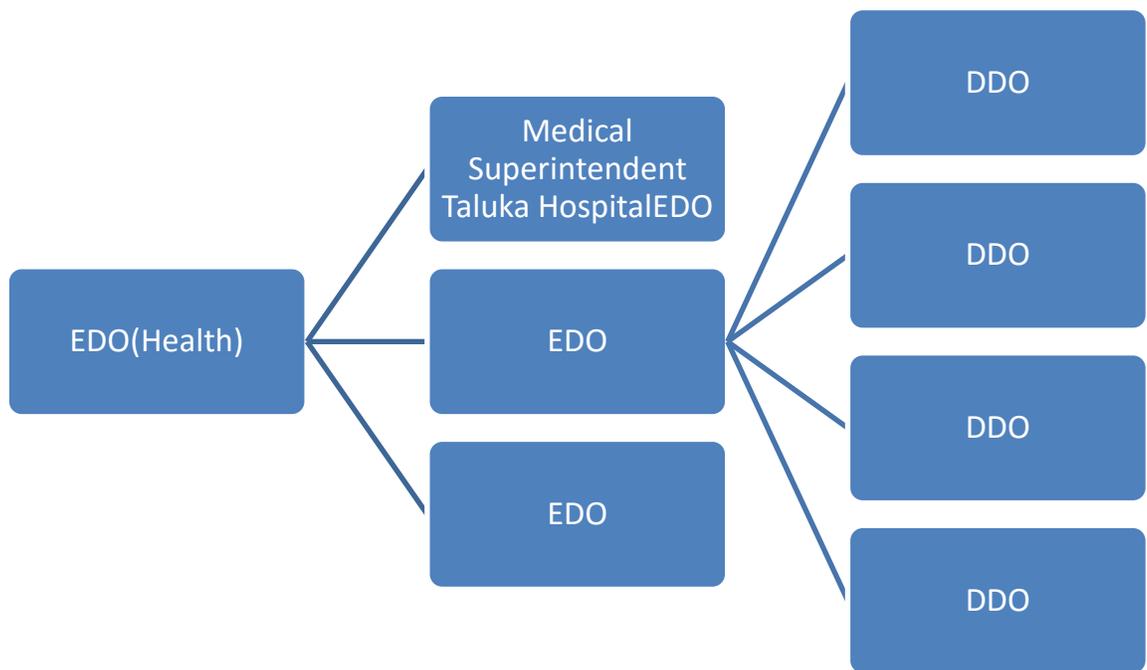
## BUDGET FUNCTIONS COMMON TO ALL EDO's

In relation to the District Government the EDO is Head of offices in his group of offices in terms of Rule 4 of Part-II of the Sindh District Government and Taluka / Town Municipal Administration (Budget) Rules 2002. Being Head of Offices, under sub rule (3) of Rule 4, the EDO is responsible for:-

- i. All matters relating to the budget for the offices under his administrative control;
- ii. Ensuring strict financial control;
- iii. Ensuring observance of all relevant financial rules and regulations both by his own office and by sub-ordinate disbursing offices;
- iv. Ensuring that the total expenditure is kept within the limits of authorized appropriation;
- v. Ensuring that the funds allotted are spent on the activities for which the money was provided;
- vi. Explaining any instance of excess or financial irregularity that may be brought to notice as a result of audit or otherwise;
- vii. Ensuring that adequate provisions exist for systematic internal checks to prevent and detect errors and irregularities in the financial proceedings of his sub-ordinate offices;
- viii. Ensuring that the internal controls are effectively applied; guarding against waste and loss of public money;
- ix. Ensuring that satisfactory arrangement exist for systematic and proper maintenance of office Accounts and other ancillary record;
- x. Ensuring that the auditors are afforded all reasonable facilities in the discharge of their functions and furnished with the fullest possible information for which they may ask;
- xi. Ensuring that no such information or any books or other documents to which the Auditor-General of Pakistan has a statutory right of access may be withheld; and
- xii. Coordination with the Finance and Budget Officer.

## ORGANIZATION STRUCTURE

- 1) All Rural Health Centers, Basic Health Units, maternal & child health care centers Experimental dispensaries within the district are under direct subordination of EDO.
- 2) All Taluka Hospitals headed by Medical superintendents are indirectly headed by EDO.
- 3) 100% machinery and 75% medicine budget of Taluka Hospitals is procured by EDO.



## ACCOUNTING SYSTEM

Accounts are maintained on single entry. Salary is computerized. Contingency budget allocation is also computerized.

### Following record is common to all EDO's / DDO's

- Cash Book
- Contingency Register
- Budget Release letters
- Reconciled Expenditure statement
- Bank statement
- Dead Stock register
- Consumable items / Stock Register
- Quotation File
- Tender File
- Voucher File
- Log Book / POL consumption Account
- Replacement Register

### Following record is additionally maintained in hospitals

- OPD Register
- Medicine Consumption Register
- Laboratory Test Register
- X-Ray / Free X-Ray Register
- Ultra sound Register
- General Operation Theatre Register / Orthopedic operation Register
- Gynecology operation Register
- Dental scaling and filling Register
- Eye Register
- Diet Register
- Medical Gas Register
- Non Government Funds collection / expenditure Register + vouchers

### Following record is additionally maintained in works Department

- Cash Book
- Cheque Book
- Vouchers/Bills
- Contractor's Ledger
- Expenditure Statement
- Monthly Return
- Funds Releases

- Budget Releases
- Transfer Register
- Advance Register
- Expenditure Register
- Stock Register

### Applicable Rules

- SLGO 2001
- GFR Vol-I&II
- SFR Vol-I&II
- Delegation of Powers
- SCSR Vol-I&II
- Sindh Treasury Rules
- Sindh Budget Manual
- DDO Hand Book
- PWD Manual
- B&R Code
- Public Procurement Rules 2004
- Sales Tax Act as amended upto date
- Income Tax Ordinance as amended upto date
- New Accounting Model comprising of seven volumes
- Manual of Accounting Principles
- Accounting Policies and Procedures Manual
- New Chart of Accounts
- Financial Reporting Manual

And the other applicable laws and regulations.

- Establishment codes
- System of Financial Control and Budgeting
- Account code
- Audit codes
- PC-1
- Treasury Rules etc

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- III**

**Understanding of Entity's Business – List of Auditable Locations**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list all locations that collect, record, process and report financial information of the entity.

Main Accounting Office:

- Executive District Officer Health Parsi Colony Road Sukkur and simultaneously District Account Office Sukkur are also maintaining the Accounts of the same office.

District Accounting Offices:

It carries out its activities through its subordinate offices and by making transactions by itself. Simultaneously District Account Office is also responsible for accounting of each DDO. Each DDO is an auditable location; all of them are being audited by Directorate General Audit (District Government).

Other Accounting Locations:

NAME OF ACCOUNTING UNIT / HOSPITAL	NAME OF AUTHORIZED SIGNATORY / DDO	BANK ACCOUNT NO.	TELEPHONE NO.
Government Anwar Paracha Hospital Sukkur	Dr. Khalid Ahmed Mahar (M.S)	122-9 NBP Main Branch Sukkur	071-9310130
Medical Superintendent Taluka Hospital Rohri	Dr. Javed Ali Shaikh (M.S)	166-9 NBP Rohri	071-5651599
Medical Superintendent Taluka Hospital Pano Akil	Dr. Mushtaque Ahmed Bachkani (M.S)	496-2 NBP Pano Akil	071-5690500
Government Hospital Bagrji	Dr. Abdul Sattar Mahar (M.S)	1081-6 NBP Main Branch Sukkur	

Location(s) of computer-based accounting systems database(s):

- Computerized accounting record is being maintained by DAO in SAP R/3. Transactions are entered in to the system at district level; however data is stored simultaneously at central location at AG Sindh, Karachi.

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF - IV**

**Understanding of Entity's Business – List of Bank Accounts**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list the names, addresses and account numbers of all bank Accounts maintained and operated by the entity.

Federal Accounting Level

Not Applicable

Provincial Accounting Level

Not Applicable

District Accounting level

Bank account is maintained in the name of EDO (Health) Sukkur bearing No. 0495-9 at National Bank of Pakistan Main Branch Sukkur.

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- V**

**Understanding of Entity's Business – List of Authorised Signatories**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list the names of personnel who are authorised to approve, certify and authorise collection, recording, processing and reporting of financial information of the entity.

Financial power / Sanction Limit

Principal Accounting Office:

- District Coordination Officer Sukkur being its Principal Accounting Officer has the administrative and financial powers, appointments to authorization of payments, relating to the operation of the Office. However, the powers have been delegated to other officers for better Management and Administration. Complete schedule of powers delegated is available in Delegation of Financial Powers Rules 1962 as amended from time to time.

Entity/Department/Unit

Dr. Agha Muhammad Ishaque EDO Health is authorized to approve, certify and authorise collection, recording, processing and reporting of financial information of the entity.

District/Local Office/Formation

Following personnel of other accounting units at district level are authorized to approve certify and authorise collection, recording, processing and reporting of financial information of the entity.

NAME OF ACCOUNTING UNIT / HOSPITAL	NAME OF AUTHORIZED SIGNATORY / DDO	BANK ACCOUNT NO.	TELEPHONE NO.
Government Anwar Paracha Hospital Sukkur	Dr. Khalid Ahmed Mahar (M.S)	122-9 NBP Main Branch Sukkur	071-9310130
Medical Superintendent Taluka Hospital Rohri	Dr. Javed Ali Shaikh (M.S)	166-9 NBP Rohri	071-5651599
Medical Superintendent	Dr. Mushtaque	496-2 NBP	071-

Taluka Hospital Pano Akil	Ahmed Bachkani (M.S)	Pano Akil	5690500
Government Hospital Bagrji	Dr. Abdul Sattar Mahar (M.S)	1081-6 NBP Main Branch Sukkur	

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- VI**

**Understanding of Entity's Business – External Factors**

Name of Entity/Organisation: EDO Health Sukkur

The auditor's objective is to obtain sufficient appropriate audit evidence to provide reasonable assurance that financial statement items affected by external matters outside control of management such as the economy that can affect the business are fairly presented within the context of the financial statement taken as a whole. To do so, the auditor will need to understand the external factors that could affect the audited entity's financial position.

The auditor should list below entity's assets and liabilities that are affected by the external factors to ensure that costs, contingent liabilities, commitments and assets have been properly recognised, valued and reported in accordance with the Government's accounting principles.

Mainly the physical assets are affected by external factors such as theft, natural calamity, misappropriation, embezzlement etc. Some external factors which have direct impact on various heads of financial statements are as below:

- Political factors
- Economical factors
- Social / cultural limitation
- Technological factor

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- VII**

**Understanding of Entity's Business – Accounting Records and Accounting System**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list the accounting records maintained by the entity for the collection, recording, processing and reporting of accounting information. Append a description of the system and related Accounts and Financial Authorities and their functions and responsibilities.

Federal Accounting Level:

Not Applicable

Provincial Accounting Level:

Not applicable.

District Accounting Level:

District Account Office has the primary responsibility for centralized accounting and reporting of the transactions of the Department. The discretionary power to incur expenditure, within allocated budget, rests with the Office of EDO Health whereas DAO is responsible for the pre-audit and making payments. Drawing and Disbursing Officers forward all vouchers to DAO for payment where these are pre-audited before making any payment. DAO is also responsible for the preparation of monthly payroll of employees and other employee related payments. Personnel files of Gazetted employees are also maintained by the DAO.

Drawing & Disbursing Officers (DDOs)

Each subordinate office or more particularly each drawing and disbursing officer (DDO) received annual budgetary grant against which the expenditure was incurred. Each DDO is initiator of the expenditure and there should be strong internal controls to avoid chances of any mis-appropriation and to ensure that best value for money is obtained. DDO is the basic audit unit and although DAO is responsible for accounting. Following record is maintained by each DDO:-

- Budget releases file for the year under audit.
- Reconciled expenditure statement by DAO.
- Cash book along with bank balance certificate on 30 June

- List of payments verified from District Account Office.
- Sanctioned strength file
- Contingent register
- Pay bills and TA/DA bills
- Contingent paid up vouchers
- Stationery register
- Dead stock register
- Stock issue register
- Log books of all vehicles and list of vehicles with allotment
- List of official residences along with allotment of each residence.
- Service books along with register
- Uniform and liveries register
- Telephone trunk call register
- Service postage stamp register
- Security bond of cashier / store keeper
- All advances register along with sanction order
- Any pension payment case
- List of cheques issued and register.
- Counter file of cheques of Government Accounts
- Quotation / tender files
- List of disbursers/ temporary advance and adjustment account
- Last audit report
- Internal audit report file
- P.C.I if any

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- VIII**

**Understanding of Entity's Business – Key Contacts**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list the names and contact information of key personnel at all management levels of the entity.

Key Management Personnel	Name	Title	Tel.	Fax	Email
Principal Accounting Office <ul style="list-style-type: none"> <li>• Management</li> <li>• Finance</li> <li>• Accounts</li> </ul>					
Entity/ Department/ Unit <ul style="list-style-type: none"> <li>• Management</li> <li>• Finance</li> <li>• Accounts</li> </ul>					
District/ Local Office/ Formation <ul style="list-style-type: none"> <li>• Management</li> <li>• Finance</li> <li>• Accounts</li> </ul>	Dr.Agha Muhammad Ishaque	Executive District Officer (EDO)	071-9310121	071-9310122	

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- IX**

**Understanding of Entity's Business – Significant Audit Areas**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list critical audit areas/significant financial statement components (including individually significant transactions and events) and their impact on the financial statements of the entity. For each identified significant component, the auditor can then plan the audit for specific financial audit objectives and related compliance with authority objectives.

The list of significant components provided below is for illustrative purposes only. The list should be updated to reflect the actual components to be used on any given audit.

Significant Financial Statement Components	Critical Audit Area Y/N
• Cash & Bank	Y
• Revenues/Receipts	Y
• Purchase Costs/Payments	Y
• Employee Related Expenses/Payments	Y
• Operating Expenses/Payments	Y
• GP/Pension fund account	Y
• Development Expenditure/civil work	Y
• Stores	Y

**AUDITOR-GENERAL OF PAKISTAN**  
**PERMANENT FILE**

**Form PF- X**

**Understanding of Entity's Business – Significant Accounting Policies**

Name of Entity/Organisation: EDO Health Sukkur

The auditor should list significant accounting policies and changes thereto, applied by the entity. Significant policies may include:

- Staff retirement benefits – pension & provident fund
  - Pension rules,
  - G.P. Fund Rules,
  - Benevolent Fund Rules
  - Civil Servants Assistance package etc.

- Revenue recognition

When received i.e. on cash basis against following heads:

- Machinery and equipment hire charges
- Other miscellaneous income

- Accounting System applicable

- Single entry system is applied in this office.

- Basis of Accounting applicable

- Modified cash basis of accounting is applied in this office.

- Accounting for liabilities and commitments

- Commitments for assets and liabilities will be noted down in the last as note of the appropriation account.

- Fixed assets – valuation and depreciation

Valuation

Historical cost

Depreciation Nil

- There is no practice to depreciate the fixed assets or maintaining the replacement account. The cost of fixed asset is booked at the time of purchase and treated as revenue expense.
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- Interest payment and foreign currency transactions
    - As per fiscal policies framed by the State Bank of Pakistan.