

Audit Guidelines Zakat Audit



Auditor-General of Pakistan

**DEPARTMENT OF
THE AUDITOR - GENERAL OF PAKISTAN**



GUIDELINES FOR THE AUDIT OF ZAKAT

TO BE USED BY

THE DIRECTORATE OF ZAKAT AUDIT



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

Core Values

Integrity

Our way of life

Quality

Our way of doing business

Partnership

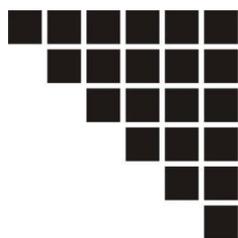
Our way of interaction

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PREFACE TO REVISED EDITION

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.

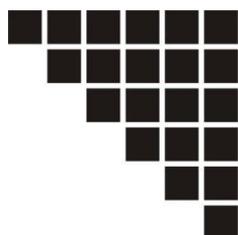
FAM has been implemented in the Department of the Auditor-General of Pakistan (DAG). However, during the course of its implementation, it was found that the Sectoral Guidelines developed by the consultants under the FAM project did not provide sufficiently detailed and specific guidance to the FAOs for conducting audit. As a result, the FAOs continued to rely on their old and outdated codes and manuals for conducting audit.

On the basis of lessons learnt from the implementation of FAM and its Sectoral Guidelines, 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 results of these efforts are contained in these Guidelines. Though the document, as a whole has been revised, the section on the Audit Execution phase, in which detailed audit steps have been added is a significant addition.

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



PREFACE TO FIRST EDITION

These Guidelines are being issued after the commissioning of the Financial Audit Manual and are to be used for planning and conducting audits under the mandate of the Department of the Auditor-General of Pakistan (DAGP).

The Guidelines and the other audit tools are an important foundation for bringing our work in the line with international best practices. Our auditors will have to apply with dedication the guidelines provided by the Financial Audit Manual while auditing in the field.

Implementation of the new audit methodology, and adoption of the Guidelines, will be carried out according to a schedule to be determined by my office according to a gradual phasing across the government entities that are covered in the audit mandate of the Auditor-General of Pakistan. Since the implementation of the new audit methodology is contingent upon professional training, it shall be the responsibility of the heads of the Field Audit Offices to get their personnel fully trained in the Financial Audit Manual and these Guidelines, with the help of Audit and Accounts Training Institute. Continued professional training of the officers and the staff of the Department shall remain the main focus of our efforts towards modernization and professionalism.

Keeping in view the future changes in the international best practices and the changing demands of the stakeholders, these Guidelines will be required to be updated and expanded. Field Auditors using these Guidelines are therefore encouraged to make suggestions for improvements in these Guidelines and other tools on an ongoing basis. Suggestions for improvements will be duly considered and incorporated in these Guidelines where necessary, by the Research and Development Wing of the Department of the Auditor General of Pakistan.

(Muhammad Younis Khan)
Auditor General of Pakistan

Dated: March, 2006



Chapter 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 Zakat. They do not replace the Financial Audit Manual (FAM) that establishes a general framework for conducting audit, but complement 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.

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 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 generalised 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 Papers

The audit process 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 the end of the form.

These Guidelines do not repeat the instructions for each form. This purpose is to provide 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.

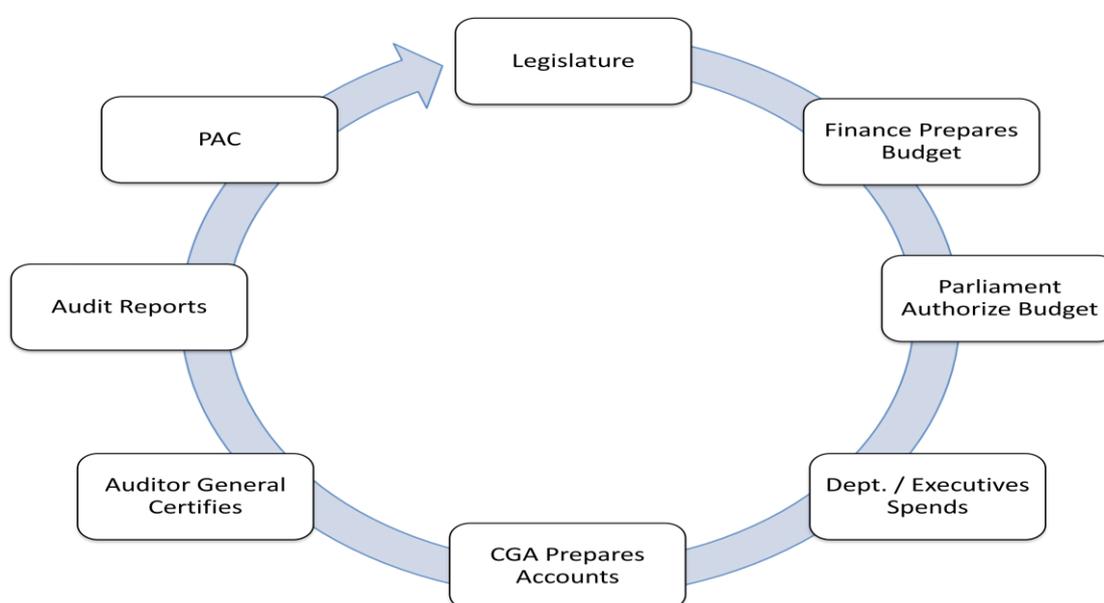
Ultimately, it is the audit team leader who will have to use his/her judgment in determining how best to apply the Audit Working Papers Kit in conducting a specific audit.

1.7 The Accountability Cycle

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

1. Each year, Ministry of Finance receives budget estimates from government agencies.
2. Based on the resources available and priorities of the government, the annual budget is prepared.
3. The Parliament approves the budget.
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 Pakistan Revenues (AGPR), who has the primary responsibility for disbursements, keeping a record of transactions and the preparation of Annual Financial Statements of the Federal, 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.





Chapter 2

OVERVIEW OF THE DIRECTORATE OF ZAKAT AUDIT

2.1. Overview of the Office

Article 169 of the Constitution of Pakistan, 1973 requires the Auditor-General of Pakistan to perform such functions and exercise such powers as are determined by or under an Act of Parliament in relation to the accounts of the Federation, the Provinces and any authority or body established by the Federation or Province. The Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 elaborates his duties and requires him to:

- Certify the accounts of the Federation.
- Audit all expenditure from Consolidated Fund.
- Audit all transactions relating to Public Account.
- Audit all receipts of Consolidated Fund and Public Account.
- Undertake studies and analysis relating to Federal Government Accounts.

The Auditor-General of Pakistan carries out its constitutional mandate through different Field Audit Offices. Directorate of Zakat Audit is one such office, which is responsible to conduct the audit of disbursement/collection of Zakat. The mandate of this audit is derived from Section 11(7) of the Zakat and Ushr Ordinance, 1980 which states that

“Notwithstanding anything contained in the preceding sub-sections, the Auditor-General shall conduct annual audit of the Central Zakat Fund, the Provincial Zakat Fund, District Zakat Funds and Local Zakat Funds including the accounts of a Deducting Agency or an institution receiving Zakat.”

The Federal Cabinet, in its meeting on 22 January, 1984, decided that the audit of Zakat Fund Accounts be conducted by the Auditor-General of Pakistan. As a result, with the approval of Finance Division, the Directorate of Zakat Audit was established by the Auditor-General in March, 1985 vide his letter No.3-A-11/30-83 dated 27th October, 1985.

2.2. Jurisdiction

Administrator General/Secretary Office:

- Ministry of Zakat and Ushr (Central Zakat Fund, National Level Health Institutions, District Zakat Committee (DZC), ICT Islamabad)

Provincial Accounting Office:

- Chief Administrator, Zakat office for Provincial Zakat Funds (PZF) of all provinces

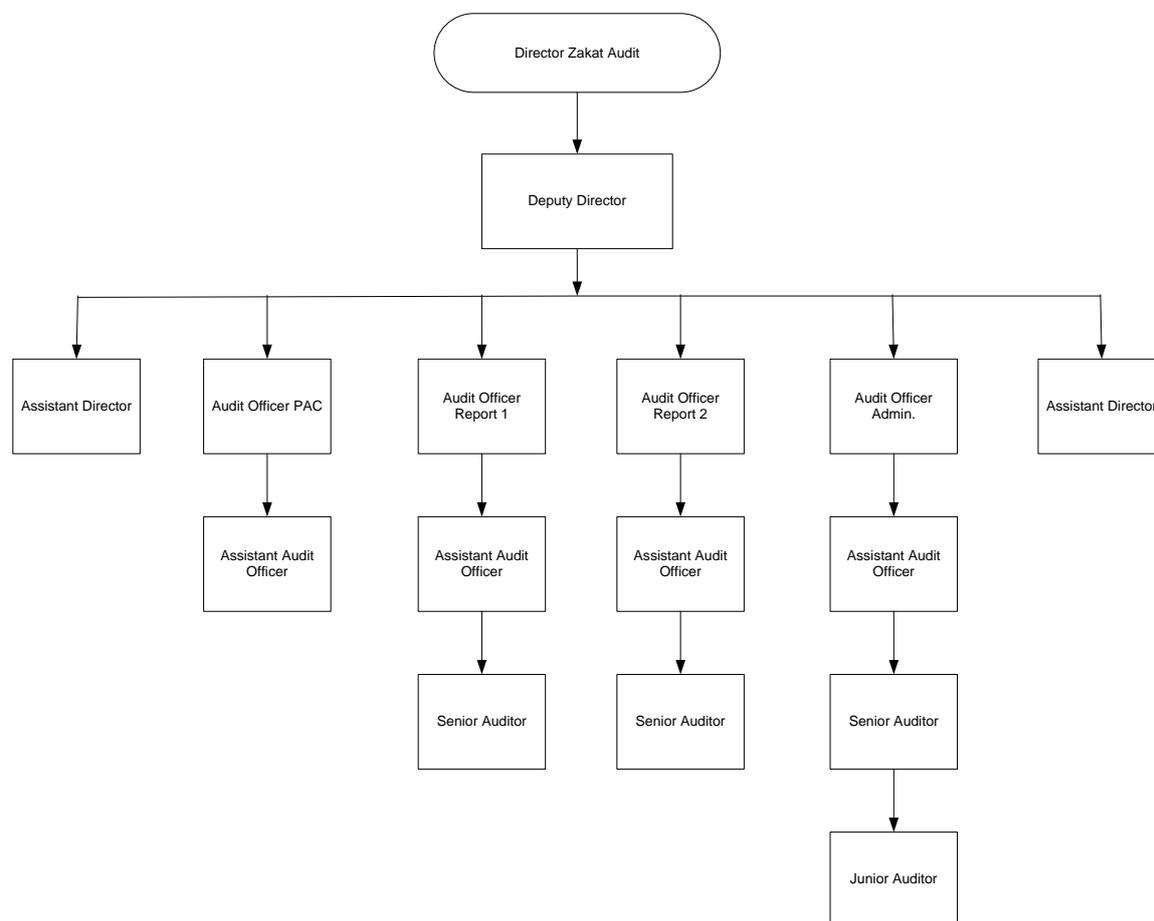
District Accounting Office:

- District Zakat Funds (DZF), Punjab, NWFP, Sindh, Baluchistan and Gilgit-Baltistan.

Other Accounting Offices:

- Tehsil Level Health Institutions for Zakat Fund grants out of DZF.
- Basic Health Units/Rural Health Centres for Zakat Fund grants out of DZF through Local Zakat Committees (LZC).
- Deeni Madaris (Funded by DZF).
- Educational Institutions (Funded by DZF).
- Vocational Training Institutions (Funded by DZF).
- Banks, Saving Centres, Post Offices, Listed Companies, where Zakat is collected/deducted.

2.3 Organogram of Directorate of Zakat Audit





Chapter 3

SCOPE OF AUDIT

3.1 Types of Audits¹

Directorate Audit, Zakat 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 opinion on Financial Statements;
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 statues 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 Institution considers should be disclosed.

¹ These Guidelines provide guidance on both the Certification and Compliance with Authority audit.

Performance audit² 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, 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 an opinion on the Financial Statements 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 authorised 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 present the financial position of the auditee. In order to express an 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;

² Detailed guidelines for Performance Audit have been issued by the DAGP which are being updated under a special program initiated by PIFRA.

- 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 of 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 Government, 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.
- Prioritising 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, where possible.
- Evaluating results;
- Reporting; and
- Follow up.

3.5 Important Audit Components of Zakat Audit

Some of the specific risks relating to Zakat include:

- Deduction of Zakat from exempted persons.
- Transfer of funds in cash instead of crossed cheques to beneficiaries.
- Distribution of less amounts to Mustahiqeen under different programs as approved by Central Zakat Council.
- Fake institutions may receive funds from District Zakat Committee.
- Distribution of Zakat funds to non-Muslims and non-citizens of Pakistan.
- Mustahiq patients may receive cash assistance instead of Free Medical treatment.

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

The major focus of the Directorate Audit, Zakat is on:

- Deductions
- Disbursements

3.5.1 Audit of Deductions

The receipts of money should be reviewed to check that they have been properly dealt with from a revenue perspective in accordance with the INTOSAI Auditing Standards. The auditor, therefore, needs to keep his/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 Disbursements

There are seven major types of activities in the auditee departments being audited by the Directorate Audit, Zakat:

- a. Guzara Allowance.
- b. Educational Stipends.
- c. Educational Stipends (Technical).
- d. Deeni Madaris.
- e. Health Care.

- f. Marriage Assistance; and
- g. Administrative Expenses.

These activities are multifarious in nature and widely dispersed across the country. A significant challenge for the audit team is to decide on the appropriate and judicious use of audit effort and resources.

Risk based auditing principle should be applied in both areas of audit i.e. deductions and disbursements. In the audit of Zakat collecting agencies i.e., banks, national saving centers, post offices, the team should take a list of institutions showing deductions of Zakat and priority should be given to institutions collecting more amounts, period audited since last. In the audit of disbursements, a detailed list of all organizations will be prepared and priority should be given on the basis of risk ratings.



Chapter 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 audit. This may include:

- Copies of relevant Government legislation, applicable financial rules, laws regulations, guidelines and other rules affecting the operations of an entity.
- Organization charts, details of key contacts and locations of operation.
- Role of entity, Vision and Mission Statements and the most recent business plan or charter of the entity.
- Copies of the estimates.
- Copies of long-term contracts.
- Loan agreements, mortgages and debt instruments, schedules of amortization for debts and special assets.
- Previous years' audited Financial Statements.
- Previous auditors' reports to management and management's responses.
- Extracts of the minutes of meetings.
- Chart of accounts.
- Summary of accounting policies used by the auditee departments.
- Special remuneration, if any, for senior officers.

- Environmental laws and regulations
- Others as appropriate

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 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.

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 utilization reports of the entity. This includes information about total deductions and total disbursements, and organization structure, main functions, etc.

The main functions of the auditee departments generally are:

- Deductions
- Disbursements

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 ;
- Locations where disbursements are made and their completeness 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.

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 the 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:

- Withdrawal from bank accounts before valuation date
- Change of government may affect the constitution of local Zakat committees
- Natural disaster such as earthquake, flood
- Sudden spread of epidemic diseases
- Slump in economic activities

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).

The major accounting records maintained by the auditee departments include:

Disbursements

- Main Cash Book
- Cheque Book (counter foils of used cheque and un-used cheque books)
- Treasury Pass Book
- Resolution Register
- Tender of Purchases/Comparative statements/Contract Agreement Files.
- Vouchers of Payment, Income tax deposit challan, etc.
- Stock Register
- Expenditure Statements
- Detail of receipt of Zakat Fund (Amount, Cheque No. and date, source)
- Six monthly Performance Review Reports of students
- Record relating to releases to DHQ/THQ hospitals, utilization reports, audit reports etc.

- Approved list of beneficiaries
- Monitoring reports

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

Deductions

- List of Account Holders
- List of Account Holders exempted of Zakat funds.
- List of Account Holders paid Zakat on 1st Ramadan @ 2.5 %
- Total amount deduction and transferred to Central Zakat Fund.
- Register showing affidavit of exempted account holders

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:

- General Financial Rules
- Federal Treasury Rules
- Zakat Ordinance, 1980
- Disbursement procedures
- Public Procurement Rules, 2004
- Any rules issued by Central Zakat Council from time to time

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 regulations. There are two approaches to process mapping namely Financial Statements approach (a top down approach) and transactions based approach (a bottom up approach). A sample business process is attached in Appendix "A".

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 and Provincial 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 operations, etc.; or
- by major activities

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;
- Object element.

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

1. Deductions
2. Disbursements
 - a) Guzara Allowance

- b) Educational Stipends
- c) Educational Stipends (Technical)
- d) Deeni Madaris
- e) Health Care
- f) Marriage Assistance
- g) Administrative Expenses

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

Significant Components	Main Heads	Critical Area
Deductions	Deductions	1. Deductions from different account holders
Disbursements	Disbursements	<ul style="list-style-type: none"> 1. Guzara Allowance 2. Educational Stipends 3. Educational Stipends (Technical) 4. Deeni Madaris 5. Health Care 6. Marriage Assistance 7. Administrative Expenses

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:

- Accounting for Deductions
- Accounting for Disbursements

Note: A sample of the permanent file prepared for the District Chakwal has been annexed as Appendix – A.



Chapter 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 that:

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

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 the audit entity determines the scope of the audit, and is generally defined by the audit mandate. For the audit of Financial Statements, 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 the 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 programme 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 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 auditee's 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 the level of 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, this 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 efforts 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 for 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 detail). 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 detail. 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 full 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 the entity's compliance with laws and regulations.

5.23 Sample Selection checklist

In preparation for performing the substantive tests of detail, 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 techniques during Certification Audit, they will be required to exercise professional judgment.

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 record 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 allowance 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. With a centrally led audit, there will be a division of

responsibilities between the central team and the field audit teams of the same Directorate or of other Directorates contributing to the centrally led audit.

An example of such an audit is the annual audit of the Financial Statements of the Punjab Province. Directorate General Audit (Punjab) has the prime responsibility to form a consolidated opinion on the Financial Statements of the Punjab Government. The Directorate General of Audit Works (Provincial) conducts the Certification Audit of the expenditures of works portion of the Provincial Departments, whose results are incorporated in the Financial Statements of the Government of the Punjab, which are certified by DG Audit Punjab (Central Team). The Directorate of Zakat Audit, at this stage, does not conduct the financial attest. However, the Compliance with Authority Audit of the deductions and disbursements is being carried through central led audit.

Paras from 6.4.5 to 6.4.10 of FAM give guidance about a 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 Audit 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 field audit teams of the same or other 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 significant matters, to the central team.



Chapter 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 Audit 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 auditee management, including:

- a. List of account holders with details of deductions made from them on 1st Ramdan
- b. List of beneficiaries along with amount disbursed to them
- c. Supporting documents (bills, vouchers other documents that are important for the audit record)

- d. In addition, the audit team should maintain detailed minutes of all the meetings with the auditee representatives, which should be placed in the Audit Working Papers 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 be considered for Zakat audit are as follows:

- Payroll
- Goods and Services
- Contracting
- Receipts
- Cash
- Stores and Inventory
- Income Tax
- Inter-entity transfers
- Disbursements
- Deductions

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 the 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 summarises 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 summarised 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 Zakat audit given at section 6.16 onwards 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 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 assertions³:

³Another 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 under 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 following detailed audit programmes for various audit areas.

- Audit of Deductions
- Audit of Disbursements – Guzara Allowance
- Audit of Disbursements – Educational Stipends
- Audit of Disbursements – Educational Stipends (Technical)
- Audit of Disbursements – Deeni Madaris
- Audit of Disbursements – Health Care
- Audit of Disbursements – Marriage Assistance
- Audit of Administrative Expenses

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.

6.17 Deductions

Audit Entity:

Audit Period:

Date(s) Conducted:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the details of total account holders for the audit period. • Obtain the details of deductions made by the Institution. • Check the quarterly summary reports and annual summary report. 			

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Check the basis of exemptions to ensure that Zakat was not deducted from persons exempted under law. • Check the details of deceased accounts and their evidence thereon. • Check the details of collection of Zakat on voluntarily basis. • Check the original exemption certificates. • Check the details of frozen/ceased accounts and their evidence thereon. • Check that proper Zakat is deducted on valuation date. • Check that the request for exemption is submitted one month before the valuation date. • Check the refund of Zakat and evidence thereon or adjustment in the quarterly reports. • Check the details of Zakat deductible assets in case of National Saving Centers as mentioned in Zakat & Ushr Ordinance 1980. • Check that the amount of Zakat has been timely deposited /remitted by the Zakat deducting Agency into the designated branches of the State Bank of Pakistan. 	<p>Ch III of Zakat collection and refund rules, 1981</p> <p>Ch III of Zakat collection and refund rules, 1981</p> <p>Ch III of Zakat collection and refund rules, 1981</p> <p>Ch IV of Zakat Collection and refund rules, 1981</p>		

6.18 Disbursements- Guzara Allowance

Audit Entity:

Audit Period:

Date(s) Conducted:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of beneficiaries showing their names, amount disbursed and other relevant information • Check that the Local Zakat Committee concerned has determined Istehqaq for Guzara Allowance • Check that the beneficiaries were Muslim. • Check that the declaration forms were properly signed by beneficiaries. • Check that the payments were made to beneficiaries through cross cheques by the respective Local Zakat Committee. • Check that Rs. 3,000 was paid to each beneficiary for 6 months and payment is made through 2 installments. • Check that payments made to beneficiaries are approved by Local Zakat Committee through resolution. • Check that payments were made to the residents of the concerned Local Zakat Committee. • Check the cases in which more than one Mustahiq is selected from one family for the sanction of Guzara allowance. 	<p>Chapter 1 of disbursement procedures of Zakat programmes by Central Zakat Council</p>		

6.19 Disbursements- Educational Stipends

Audit Entity:

Date(s) Conducted:

Audit Period:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of students showing the amount disbursed to them. • Check that amount of Zakat was disbursed after approval of Provincial Zakat Council (PZC) and in six monthly installments. • Check that the local Zakat committee has determined the Istehqaq. • Check that the institutions through which Zakat assistance may be provided are recognised by the Government. • Check that the application for scholarship was made on prescribed Zakat scholarship form titled “MORA Scholarship” form Number MORA-1 by the student. • Check that the rates of stipends are approved by the Central Zakat Council. • Check that the MORA scholarship committee has conducted performance review meeting after every six months. • Check that the names of those students who have shown un-satisfactory performance have been deleted from the list of students for scholarship programme supplied to the District Zakat & Ushr Committee and funds relating to them have been refunded to District Zakat Fund. • Check that the head of the institution had opened a current account in a scheduled bank titled MORA Scholarship Grant on receipt of the cheque. • Check that the MORA Scholarship committee 	<p>Chapter 2 of disbursement procedures of Zakat programmes by Central Zakat Council</p>		

Audit procedure	Rule ref:	Done By	WP Ref						
<p>conducts a meeting on regular basis before the disbursement of scholarships to students.</p> <ul style="list-style-type: none"> • Check that Zakat funds were disbursed according to the following proportion: <table style="margin-left: 20px; border: none;"> <tr> <td>Primary to Matric</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>Science, Arts & Professional Education</td> <td style="text-align: right;">25%</td> </tr> <tr> <td>Higher Education</td> <td style="text-align: right;">25%</td> </tr> </table> • Check that the following particulars of students were recorded in the register of payments. <ul style="list-style-type: none"> ➤ Name of student ➤ Father's name ➤ Permanent address ➤ Name of Local Zakat Committee certifying Istehqaq ➤ Istehqaq certificate number ➤ Amount of annual scholarship ➤ Amount of monthly payment ➤ Remarks on the performance of the student 	Primary to Matric	50%	Science, Arts & Professional Education	25%	Higher Education	25%			
Primary to Matric	50%								
Science, Arts & Professional Education	25%								
Higher Education	25%								

6.20 Disbursements- Educational Stipends (Technical)

Audit Entity:

Audit Period:

Date(s) Conducted:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of Mustahiq students showing the amount disbursed to them. • Check that the local Zakat committee has determined the Istehqaq. • Check that the ages of beneficiaries were between 18 to 35 years. • Check that the beneficiaries are unemployed. • Check that students possessed minimum qualification in order to be eligible for admission in the training 	Chapter 3 of disbursement procedures of Zakat programmes by Central Zakat Council		

Audit procedure	Rule ref:	Done By	WP Ref
<p>course of the training institute (by whatever name called) within each province.</p> <ul style="list-style-type: none"> • Check that the payment was made to each beneficiary not more than the prescribed amount. • Check that the payments made to beneficiaries were through cross cheques by the respective MORA (Technical) scholarship committee. • Check that one time grant of Rs. 5,000 was paid to each student after the successful completion of the training course. • Check that the name of the Institute is enlisted with the provincial Zakat administration. • Check that the advertisement was made in the local press for invitation of applications for MORA (Technical) scholarship from deserving persons. • Check that the first installment was sanctioned within a week or two in advance of the commencement of a course and the second installment was made immediately after fifty percent completion of the course. • Check that the proper record is maintained by the concerned technical institute separately to show the following: <ul style="list-style-type: none"> ➤ Names, addresses of students, Istehqaq certificate number, number of scholarships paid and amount of scholarship paid. • Check that the courses conducted by the institute are in the approved list of courses provided by Central Zakat Council. 			

6.21 Disbursements- Deeni Madaris

Audit Entity:

Audit Period:

Date(s) Conducted:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of students showing the amount disbursed to them. • Check that amount of Zakat was disbursed in six monthly installments after its approval from Provincial Zakat Council (PZC). • Check that the Local Zakat committee/Muhtamim concerned has determined the Istehqaq. • Check that the MORA scholarship committee exists as per rules. • Check that the institutions through which Zakat assistance may be provided are recognized by the provincial Zakat administration. • Check that the application for scholarship is made by student on prescribed Zakat scholarship form titled “MORA scholarship” form No. MORA-I. • Check that the chairman local Zakat committee of the area, where the student is permanently residing or area of Madrissah has signed the second part of the form relating to Istehqaq. • Check that the rates of stipends are approved by the Central Zakat Council on the basis of category of Madrissah. • Check that the MORA scholarship committee conducts performance review meeting after every six months. • Check that the names of those students who have shown un-satisfactory performance have been deleted from the list of students for scholarship programme supplied to the District Zakat & Ushr Committee and funds relating to them have been refunded to District 	<p>Chapter 4 of disbursement procedures of Zakat programmes by Central Zakat Council</p>		

Audit procedure	Rule ref:	Done By	WP Ref
<p>Zakat Fund.</p> <ul style="list-style-type: none"> • Check that the Mohtamim and one member (Scholarship committee) are jointly operating “MORA Scholarship Bank Account”. • Check that the head of Institution has opened a current account in a scheduled bank titled, MORA Scholarship Grant, on receipt of the cheque. • Check that the MORA Scholarship committee conducts a meeting on regular basis before the disbursement of scholarships to students. • Check that the following particulars of students were recorded in the register of payments. <ul style="list-style-type: none"> ➤ Name of student ➤ Father’s name ➤ Permanent address ➤ Name of Local Zakat Committee which certifying Istehqaq ➤ Istehqaq certificate number ➤ Amount of annual scholarship ➤ Amount of monthly payment ➤ Remarks on the performance of the student • Check that the accounts of miscellaneous expenditure grant (Food, accommodation and clothing) are maintained in a separate register. 			

6.22 Disbursements- Health Care

Audit Entity:

Audit Period:

Date(s) Conducted:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Check that the title of account is in the name of Health Welfare Committee concerned and ensure that the account is being operated by the authorized persons only. • Check that the Local Zakat Committee concerned has determined Istehqaq or Health Welfare Committee. • Check the amount of cash which was provided on account of Zakat Funds for the purpose of medical treatment. • Check that the ceiling of Rs. 2,000 in case of outdoor patient and Rs. 3,000 in case of indoor patient was observed during treatment. • Check that the approval of Health Welfare Committee of the hospital is found for medical treatment higher than the prescribed ceiling. • Check the patient is not entitled to receive medical treatment at the cost of his employer or under any other arrangement. • Check that whether the quality, quantity and rates of medicines issued to patients were verified by the pharmacist/Senior medical officer. • Check that the medicines issued to patients were prescribed by doctor. • Check that PPRA rules were followed for the procurement of medicines by Health Welfare Committee. • Check that Income tax was deducted from the 	<p>Chapter 5 & 6 of disbursement procedures of Zakat programmes by Central Zakat Council</p>		

Audit procedure	Rule ref:	Done By	WP Ref
<p>medical supplier and deposited into government treasury timely.</p> <ul style="list-style-type: none"> • Check that the utilization report is prepared in prescribed format. • Check that the Zakat funds are utilized only on the following items where such facilities are not available: <ul style="list-style-type: none"> ➤ Medicines including blood ➤ Medical treatment including operations ➤ Laboratory tests ➤ Bed in general ward ➤ Artificial limbs ➤ Any other item (excluding cash grant) approved by the Health Welfare Committee. 			

6.23 Disbursements- Marriage Assistance

Audit Entity:

Date(s) Conducted:

Audit Period:

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of beneficiaries with names and amounts disbursed to them. • Check that the Local Zakat Committee concerned has determined Istehqaq. • Check that the ages of beneficiaries are above 18 years. • Check that the religion of beneficiary is Islam. • Check that the payments made to beneficiaries were through cross cheques by the respective Local Zakat Committee in favour of the beneficiary. 	<p>Chapter 7 of disbursement procedures of Zakat programmes by Central Zakat Council</p>		

Audit procedure	Rule ref:	Done By	WP Ref
<ul style="list-style-type: none"> • Check that prescribed amount approved by Central Zakat Council was paid to each beneficiary. • Check the cases in which payment of Zakat to beneficiaries is made by Zakat Paid Clerk/Group Secretaries or any other person. • Check that the Nikkahnama was obtained within 3 months of payment to beneficiary. • Check that the name of beneficiary is struck off from the list of beneficiaries after payment. • Check that payment to beneficiary is made after resolution of Local Zakat Committee. 			

6.24 Administrative Expenses

Audit Entity:

Date(s) Conducted:

Audit Period:

Audit procedure	Done By	WP Ref
<ul style="list-style-type: none"> • Obtain the list of Zakat paid clerks showing monthly salaries paid to them. • Check that Rs.5,000 is paid as monthly salary to each clerk. • Check that the amount is paid through crossed cheques. • Check the personal files of Zakat paid staff. • Check that the Zakat paid staff possesses minimum qualification as required under rules. • Check that the payment is properly approved by District Zakat Committee. • Check that salaries paid to staff are covered under rules and procedures. • Check that other administrative expenses are incurred after 		

Audit procedure	Done By	WP Ref
<p>proper approval.</p> <ul style="list-style-type: none"> • Check that the chairman possesses minimum qualification. • Check that the chairmen is paid an allowance of not more than Rs.1,500. • Check that inventory/stock register has been maintained. • Check that the tender is called and if the stationery expense is more than the limit of Rs. 100,000. • Check that the stationery items are properly placed in stock room. 		



Chapter 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 detail 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 reports 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 users 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 Paper Kit have been followed in all respects.

The following tools are provided to ensure the quality of the auditors' opinion on the Financial Statements and their audit report:

- a. Management representation letter;
- 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 to 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 auditors' understanding of the reporting process, the Reporting Cycle of the Zakat Audit is given below.

Reporting Cycle of Compliance with Authority Audit

1. Development of Draft Audit Report (DAR)
2. Departmental Accounts Committee (DAC) meeting
3. Quality assurance review at DAGP
4. Audit report issued to President and Governors
5. Pre-PAC meeting with the AGP or Additional Auditor-General
6. Public Accounts Committee (PAC) Meeting

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

Development of Draft Audit Report (DAR)

- i) The reporting cycle begins by issuing Observations Statements (OS) during field work.
- ii) Audit and Inspection Report (AIR) is issued to the PAO based on initial management response on the OS.
- iii) Management response is obtained on the AIR.
- iv) Draft Audit Report (DAR) is prepared by incorporating management response on the AIRs.
- v) 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.
- vi) The DAR is issued to the PAO for Departmental Accounts Committee (DAC) meeting.
- vii) The paras 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 Paras 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.

Departmental Accounts Committee (DAC) meeting

- i) Paras and their replies are discussed with the respective PAO.
- 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) 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 as efficiently and effectively as possible and complies with INTOSAI Auditing Standards.

Audit report issued to President and Governors

- i. Under Article 171 of the Constitution, reports of the Auditor-General of Pakistan shall be submitted to the President and Governors of respective Provinces, who shall cause them to be laid before the National Assembly and Provincial Assembly respectively.

Pre-PAC meeting with the AGP or Additional Auditor General

- ii. Pre-PAC meeting is held with the Auditor - General of Pakistan or the Additional Auditor-General. The audit paras are discussed thoroughly before being presented at the Public Accounts Committee (PAC) meeting.
- iii. During the Pre-PAC meetings, the audit observations are categorised according to their significance. Cases, where remedial measures have been taken by the audited departments, are also marked for the consideration of the PAC.

Public Accounts Committee (PAC) Meeting

- i) The Director Zakat Audit, on behalf of the AGP, supports the PAC for appropriate action against the paras included in the Audit Report.
- ii) The PAC 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 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.

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. 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 from the number of control deviations found in 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 limit (UEL) for over- and under-statements based on the evaluation 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 summarize 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 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 ascertain whether 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 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 the 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 opinions: 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 or at least 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 field audit teams of the same Directorate or other Directorates.



Chapter 8

KEY TASKS AND RESPONSIBILITIES

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 assign 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
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	Summarising 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		P	S	R

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
	Representation Letter.				
7.16	Obtaining Management Representation Letter.		P	R	
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	
7.21	Reviewing the Quality Assurance Checklist			P	R

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
Planning					
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	
Execution					
5.8	Ensuring revision of the		P	R	A

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
	planning decisions, if required.				
	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	
Evaluation & Reporting					
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 INDEX
Permanent File Index/Checklist**

Main Reference	Supporting Schedules		Done by:	Date:
PF		Update Control Sheet		
PF-I		Status of the Entity		
PF-II		Background Information		
PF-III		List of Auditable Locations		
PF-IV		List of Bank Accounts		
PF-V		List of Authorised Signatories		
PF-VI		External Factors		
PF-VII		Accounting Records and Accounting System		
PF-VIII		Key Contacts		
PF-IX		Significant Audit Areas		
PF-X		Significant Accounting Policies		
		Supporting Documents List Corporate Plan (Mission, Vision, Objectives) Financial Rules/Laws & Regulations/Service Rules Organization Chart Accounting Policies Chart Of Accounts Zakat Disbursement Procedures (Annex-I) Status of Previous AIR (Annex-II)		

	List of Health Institutions (Annex-III)			
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**AUDITOR-GENERAL OF PAKISTAN
AUDIT PLANNING-PERMANENT FILE**

Form PF

Update Control Sheet

Name of Organisation: District Zakat Committee Chakwal

Original file prepared by: Saghir Ahmad, Asstt. Audit Officer Date: Jan 10, 2009

File updated by: _____ Date: _____

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

Understanding of Entity's Business

Form PF-I

Understanding of Entity's Business – Status of Entity

Name of Organisation: District Zakat Committee Chakwal

Principal Address:

District Zakat & Ushr Committee

Talagang Road Chakwal

Phone No.0543-553457

Status of Entity:

DZC is a part of organizational and administrative set up of Zakat system as provided in Chapter V of the Zakat & Ushr Ordinance, 1980 and is constituted by PZC under Section 16 of the Ordinance. DZC is strategically run by selected non-official members from the general public and administratively controlled by the Provincial Zakat Administration. The Chairman and Members of DZC are non-officials except District Zakat Officer who is ex-officio Member and Secretary of the DZC. The Chairman and Members of DZC hold their office for a term of three year and are eligible for reappointment. The only source of funding of DZC is the releases from PZF by PZC. The size of receipts is based on population of the District. The DZC disburses the received Zakat fund to various formations/ institutions according the prescribed share for assistance of the needy eligible to receive Zakat under Shariah under various programmes. Zakat fund is a specific purpose fund which is not available for appropriation against government functions/operations. All transactions of receipts and disbursements are operated through PLA District Accounts Office (maintained in NBP). The accounts of DZF are maintained by the DZC as provided in section 10 (1) of the Ordinance, which are reconciled with District Accounts Office/District Treasury.

Inter-Governmental Relationship:

District Zakat Committee Chakwal works under the administrative control of Chief Administrator Zakat Punjab (Secretary Zakat & Ushr Department Punjab) who act as ex-officio member of PZC and works under the superintendence and control of PZC which exercises general superintendence and control over the matters relating to Zakat and Ushr particularly the Zakat Funds in the Province and the maintenance of their accounts in accordance with the policy guidelines given by the CZC.

As such sub-entities of DZC are:

- Local Zakat Committees
- DHQ Hospital
- THQ Hospitals

- Educational Institutions
- Deeni Madaris
- Vocational Training Institutes

The DZC and other Zakat aided institutions are responsible to disburse/utilize Zakat fund according to rules, regulations and procedures framed by Central Zakat Council (CZC) and Provincial Zakat Council (PZC).

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

Form PF-II

Understanding of Entity’s Activities – Background Information

Name of Organisation: District Zakat Committee Chakwal

Zakat system was introduced in Pakistan through Zakat and Ushr Ordinance, 1980. Zakat, collected on voluntary basis and deducted on compulsory basis by the financial and other institutions, is kept in the Central Zakat Fund (CZF), which is managed by the Central Zakat Council (CZC). Zakat Fund is a specific purpose fund which can be utilized for purposes permitted under Shariah and as such is not available for Government appropriations. Moneys in the CZF are released to the Provincial Zakat Funds (PZFs) including Northern Areas Zakat Fund, National Level Health Institutions (NLHIs), ICT Zakat Committee and emergency relief. Provincial Zakat Councils (PZCs) release funds from PZF to District Zakat Fund (DZF) for assistance to the individuals. According to the Ordinance, a District Zakat and Ushr Committee shall be constituted in each district by the PZC concerned. The District Zakat Committee (DZC) shall, subject to such guidelines as may be given by the CZC or the PZC, oversee generally the functioning of administrative organization of Zakat and particularly the assessment of Ushr, atiyats, disbursements as well as utilization of the moneys in the DZF and the Local Zakat Fund (LZF).

District Chakwal is located in the Province Punjab. The DZC Chakwal consists of 375 LZC located in eight Tehsils. The DZC had provided Zakat Funds to LZCs and various institutions for disbursement to mustahiqeen under various Zakat regular programmes like Guzara Allowance (60%), Educational Stipends (18%), Deeni Madaris (8%), Health Care (6%), Social Welfare/Rehabilitation (4%), and Marriage Assistance to unmarried mustahiq women (4%), and special programmes like Educational Stipends (Technical) (through Vocational Training Institute (VTI) and Technical Education and Vocational Training Authority (TEVTA) institutions) and Permanent Rehabilitation (no allocation in 2006-07). The size of receipts is based on population of the District.

The DZC Chakwal has the following strength of field Zakat clerks and audit staff:

1. Audit Officer1
2. Auditor.....2
3. Audit Assistant ... 1
4. Zakat Clerks37
- Total 41

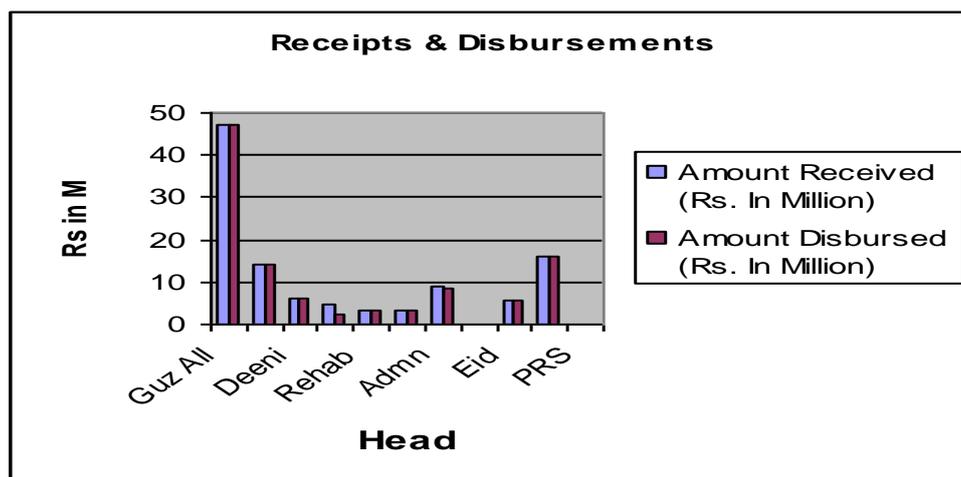
Size of Entity

Budgetary position of DZC Chakwal for the year 2007-08 is as follows:

Particulars	Rs. In Million
Opening Balance as on <u>01-07-2007</u>	5.867 refunded
Receipts during the year <u>2007-08</u>	53.071
Refunds of Local Zakat Committees	--
Total Receipts (<u>Available Funds during 2007-08</u>)	53.071
Disbursement during the year <u>2007-08</u>	51.816
*Closing balance at the end of the year (<u>30-09-2008</u>) as per cashbook	1.246 refunded

Head-wise details of receipts 2007-08

Sr. No	Description of Head	Receipts	Disbursements	Balance	No.Of Beneficiaries
<u>A.</u>	<u>Regular Heads</u>				
1	Guzara Allowance 60%	18037626	18013500	24126	3006
2	Education 18 %	5411288	5409216	2072	4999
3	Deeni Madaris 08 %	3434026	3434026	Nil	772
4	Health 06 %	1803762	1800000	3762	1634
5	Social Rehabilitation 4 %	1202498	575000	627498	115
6	Jehaiz fund 4 %	1202498	1000000	202498	100
<u>TOTAL</u>		<u>31091698</u>	<u>30231742</u>	<u>833758</u>	-
<u>B.</u>	<u>Other Programmes</u>				
1	Eid Grant	1875000	1875000	Nil	3750
2	Educational Stipend	16392369	16392369	Nil	773
3	Educational Stipend (TEVTA)	340000	340000	Nil	68
<u>TOTAL</u>		<u>18607369</u>	<u>18607369</u>	<u>37214738</u>	-
<u>C.</u>	<u>Administrative Expenditure</u>				
1	Salary of Zakat Paid Staff	1922000	1839190	83810	41
2	Chairman Allowance	1125000	1125000	Nil	375
3	Printing	112500	Nil	112500	-
4	Stationery	187500	Nil	187500	-
<u>TOTAL</u>		<u>3347000</u>	<u>3347000</u>	<u>300000</u>	-
<u>D</u>	<u>Supplementary Grant</u>				
i.	Telephone	10000	7710	2290	-
ii.	Electricity	5000	5000	Nil	-
iii.	Other/Contingent	10000	9595	405	-
<u>TOTAL</u>		<u>25000</u>	<u>22305</u>	<u>10000</u>	-



Core Operational Activity / Corporate Plan

The DZC oversee, generally the functioning of administrative organization of Zakat and the disbursement and utilization of moneys in DZF. (Section 16(2) of Zakat & Ushr Ordinance 1980). The DZC is also responsible to:

make plans for the district in such a form and manner as may be prescribed.

Prepare and maintain accounts of the DZF in such form and maner as may be prescribed.

Compile accounts of LZFs for the district in such a form and manner as may be prescribed.

Arrange in prescribed manner the audit of LZFs in district

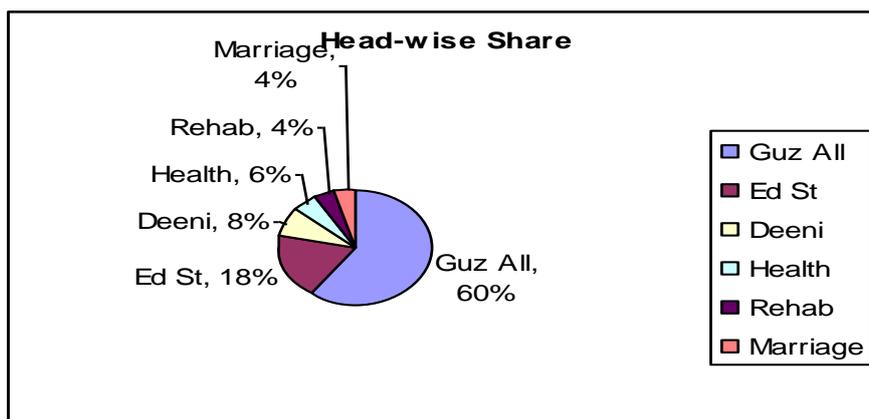
Tender to Provincial Zakat Council advice on any matter specified by it.

The DZC is responsible for provision of assistance to the needy, the indigent and the poor particularly orphans and widows, the handicapped and the disabled, eligible to receive Zakat under Shariah for their subsistence or rehabilitation either directly or indirectly through deeni Madaris or education, vocational or social institutions providing healthcare. (Section 8(a) of Zakat & Ushr Ordinance 1980)

Functions

The major service is distribution of Zakat under following programmes to Local Zakat Committees, Educational Institutions, Deeni Madaris and Health Institutions for assistance of the needy:

Guzara Allowance (60%), Educational Stipends (18%), Deeni Madaris (8%), Health Care (DHQ/THQ/BHUs/RHCs) (6%), Social Welfare/Rehabilitation (4%), and Marriage Assistance to unmarried mustahiq women (4%), and special programmes on actual requirement basis like Educational Stipends (Technical) (through Vocational Training Institute (VTI) and Technical Education and Vocational Training Authority (TEVTA) institutions) (and PRS not operative currently).



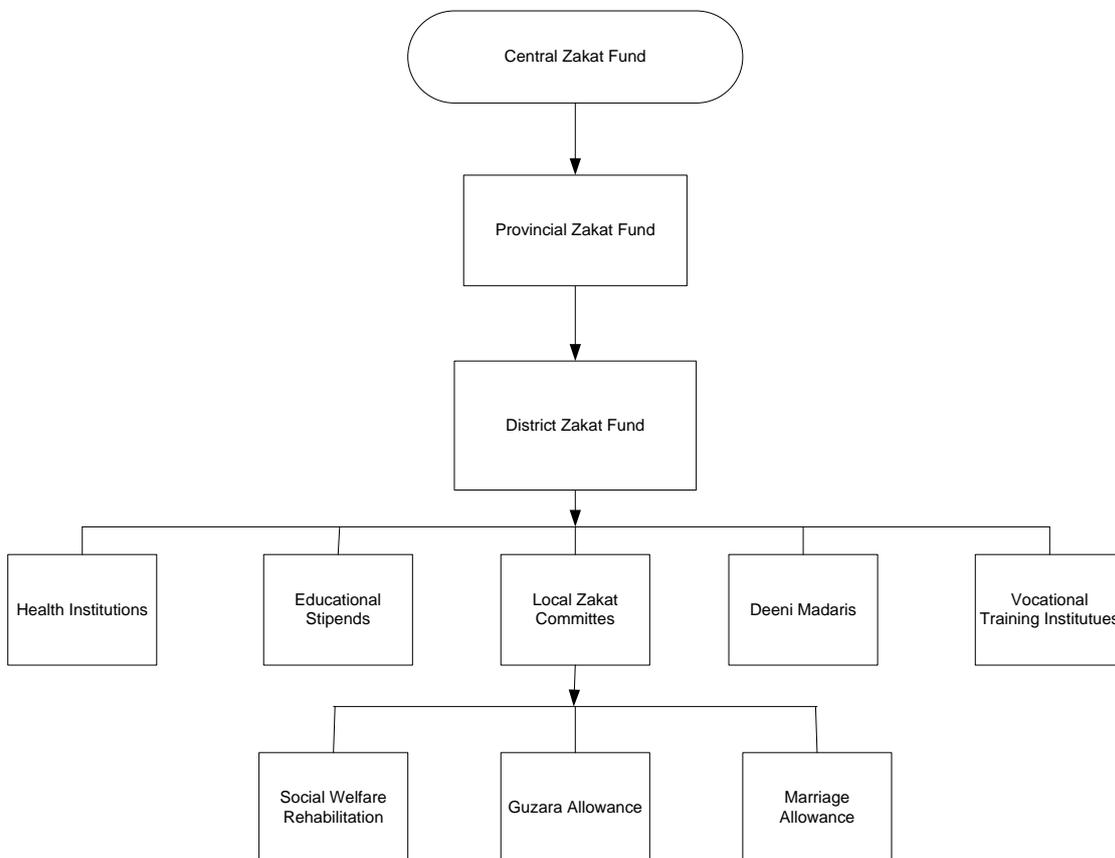
Main Business Process

The DZC Chakwal receives Zakat fund from Provincial Zakat Council and transfers the same to Local Zakat Committees and other Zakat receiving institutions (Health institutions, deeni Madaris & educational institutions) under its jurisdiction in accordance with rates/shares specified. The Local Zakat Committees and other Zakat aided institutions (funded from DZF) are responsible for further disbursement/utilization of funds to Mustahiqeen.

The DZC authorizes all withdrawals from DZF by majority vote, through crossed cheque in favour of payees and is required to record resolution.

All releases from DZC are subject to rates specified by CZC in the Zakat Disbursement Procedure for various programmes. Releases on account of Guzara Allowance, rehabilitation, marriage assistance, etc to LZCs is made according to LZC share in the light of total releases received from PZC. Releases on account of educational stipends and deeni Madaris are required to be made in accordance with class wise rates and number of students and are subject to approval by PZC. Releases to Health Institutions (DHQ & THQ) are subject to bed strength and rate per bed per annum. Releases to VTIs are on actual need basis keeping in view the number of students and rate per student (one time approval from PZC is however required).

Funds Flow Chart



Major Beneficiaries

Muslim citizens of the District particularly handicapped, widows and orphans eligible to receive Zakat under Shariah and criteria provided for various Zakat Disbursement Programmes. However, direct assistance to the beneficiaries is provided through LZCs, health institutions, educational institutions etc and not by the DZC itself.

Major Cost Centres

- District Zakat Committee
- Local Zakat Committees
- District Headquarters Hospital (HWC)
- THQ Hospitals (HWC)
- Deeni Madaris (MORA Scholarship Committee)
- Educational institutions (MORA Scholarship Committee)
- Vocational Training Institutions (MORA Scholarship Committee)

Reporting authority

DZC is responsible to report to the Secretary to the Government of Punjab, Zakat and Ushr Department being Principal Accounting Officer.

All Zakat aided formations / institutions who are provided funds from DZF are responsible to report to Chairman DZC for further consolidation and reporting to the Secretary Zakat & Ushr Department Punjab.

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

Form PF-III

Understanding of Entity's Business – List of Auditable Locations

Name of Organisation: District Zakat Committee Chakwal

District Accounting Office

- District Zakat Committee office for DZF and 375 LZFs (List attached)

Other Accounting Office

- District Level Health Institution for Zakat Fund (HWC DHQ Hospital Chakwal)
- 4 Vocational Training Institutes (Funded by DZF) Chakwal, VTI (List attached)
- 05 Deeni Madaris (Funded by DZF) (List attached)
- 108 Educational Institutions (Funded by DZF) (List attached)
- 1 Tehsil Headquarters Hospitals (THQ ----- & THQ -----)
- BHUs/RHCs (No funding made during 2007-08)

Locations of computer-based accounting systems database

Not existing presently

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

Form PF-IV

Understanding of Entity's Business – List of Banks Accounts

Name of Organisation: District Zakat Committee Chakwal

Federal Accounting Level: Central Zakat Fund 08 with SBP (Not applicable)

Provincial Accounting Level: Provincial Zakat Fund 03 with SBP (Not applicable)

District Accounting Level

- PLA (Provincial) is being maintained in District Treasury for Zakat Fund

Local Accounting Level

- Accounts of Local Zakat Committees and other Zakat aided institutions are being maintained in local scheduled banks (list of accounts is enclosed)

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

Form PF-V

Understanding of Entity's Business – List of Authorised Signatories

Name of Organisation: District Zakat Committee Chakwal

District Accounting Office:

District Zakat Fund account (PLA with District Accounts Office) is operated jointly by the:

- Chairman District Zakat Committee and
- District Zakat Officer

Local Accounting Office:

(accounts in local scheduled banks)

Local Zakat Funds:

- Chairman Local Zakat Committee
- Nominated member of the respective Local Zakat Committee

Deeni Madris:

- Mohtamim of the Deeni Madrassah
- Chairman Local Zakat Committee Concerned

Health Institution (DHQ):

- Medical Superintendent /Convenor Health Welfare Committee
- Nominated member of the respective Committee

Health Institution (THQ):

- Medical Superintendent /Convenor Health Welfare Committee or Medical Officer Incharge
- Nominated member of the respective Committee

Educational Institutions:

- Head of the Institution
- Nominated member of the respective Committee

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

Form PF-VI

Understanding of Entity's Business – External Factors

Name of Organisation: District Zakat Committee Chakwal

External factors that might affect the DZC's performance may include;

Social factors
Political factors
Economic factors
Climatic factors
Geological factors

Social factors:

Religious considerations
Literacy

Political factors:

Change of government may abandon present programs
Change of government may effect the constitution of LZCs

Economic factors:

Slump in economic activities
Rise in the prices of basic necessities

Climatic disaster:

Natural disaster such as earth quake, flood
Sudden spread of Epidemic diseases due to external environment.

Geological factors:

Desert area, hilly area

There is a political influence/interference during election of LZCs and disbursement of Zakat which lead to favouritism/nepotism.

Natural Calamities may lead to increased level of dependence on Zakat and effect the working of a formation.

Banking facilities (There is a factor of non co-operation for opening of accounts of mustehqeen-e-zakat and provision of proper bank statements)

Population/rural urban ratio of population, literacy rate, poverty rate, unemployment rate, communication network, community behaviour, geological structure

High population, low literacy rate, community behaviour towards dependence on Zakat etc may effect the proper working.

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

Form PF-VII

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

Name of Organisation: District Zakat Committee Chakwal

There is a manual system for recording receipts and disbursements by DZC. The Zakat Administration has its own chart of accounts for various Zakat heads. Chairman DZC and DZO are responsible for maintenance of records with the assistance of related staff. All moneys received by DZC are required to be credited into Personal Ledger Account (PLA) opened through District Accounts Office (not in conformity with New Accounting Model (NAM) as the same are not governed under Revised Procedure being such account in which the Government does not provide funds through budget). All such receipts are to be entered in Cash Book. Each disbursement out of PLA is to be authorized by DZC within the framework of Zakat laws and disbursement procedures. As a rule all disbursements will be through crossed cheques to be signed jointly by the Chairman DZC and DZO. Accounting period is the financial year commencing from 1st June and ending 30th June. The PLA is non-lapsable, however the unspent balance on 30th June is required to be refunded to CZF through PZF as per instructions of CZC. Significant internal controls include:

Authorization of expenditure and other decision making by the majority vote of DZC
Documentation (Resolution register, cash book, record in support of releases (forms, demands, calculations), pass book, internal checks/monitoring activities, attendance register, utilization reports, cheque book counterfoils, acknowledgements)
District audit activities and divisional audit activities
Job-descriptions and performance evaluation measures
Co-signatory ship
Human resource development measures
Crossed cheque payments

Following accounts records are maintained:

DZC

- Accounting at District Level:
- Main Cash Book
- Sub-Cash Books
- Cheque Book (counter foils of used cheque and un-used cheque books)
- Cancelled Cheques
- Treasury Pass Book
- Resolution Register
- Tender of Purchases/Comparative statements/Contract Agreement Files.
- Vouchers of Payment, Income tax deposit challan, etc.

- Stock Register
- Physical Verification Report of Stock
- Fidelity Bond/Security of Store Keeper
- Security Deposit Register (contractors)
- Security Deposit Instruments (Deposit-at-Call)
- Expenditure Statements
- Internal audit report
- Detail of receipt of Zakat Fund (Amount, Cheque No. and date, source)
- Application forms of students of educational institutions, deeni madaris, VTIs etc, MORA-2 (calculations) and record of releases
- List of enlisted technical institutions
- Six monthly Performance Review Reports of students
- Record relating to releases to DHQ/THQ hospitals, utilization reports, audit reports etc.
- Approval/Sanctions of PZC
- Approved list of beneficiaries of PRS
- Application Forms of PRS
- Authority/Intimation letter of releases of PRS to LZCs
- Monitoring reports of DMC on PRS
- Application Forms of Marriage assistance
- Application forms of social welfare/rehabilitation
- Election of LZCs Proceedings, Notifications/LC-II, complaints, qualification certificates of Chairmen/members LZCs, etc.
- Inquiry Reports
- Personal Files of Zakat Paid Staff, Attendance Register, Performance Reports of staff.
- Log Book of Vehicle and Movement Register

LZC

- Accounting at Local Level:
- Personal Register (LZ-11)
- Main Cash Book (LZ-13)
- Register of Mustahiqeen (LZ-19)
- Register of Istehqaq Renewed
- Declaration of Mustahiqeen
- Cheque Book (counter foils of used cheque and un-used cheque books)
- Cancelled Cheques
- Bank Statement
- Resolution Register
- Vouchers of expenditure out of Chairman Allowance

- Stationery/Stock Register
- Record relating to releases to HWC BHUs/RHCs
- Authority/Intimation letters of PRS received from DZC
- Monitoring reports of LMC on PRS

Health institutions

- Cash Book
- Cheque Book (counter foils of used cheque and un-used cheque books)
- Cancelled Cheques
- Bank statement
- Resolution Register
- Tender of Purchases/Comparative statements/Contract Agreement Files
- Vouchers of Payment / Bills of medicines/disposables/implants purchased, Income tax deposit challan, etc.
- Stock Register of Medicines (Bulk Purchase & Local Purchase)
- Physical Verification Report of Stock
- Fidelity Bond/Security of Store Keeper (Zakat Store)
- Security Deposit Register (contractors)
- Security Deposit Instruments (Deposit-at-Call)
- Utilization Reports / Expenditure Statements
- Patient Register (indoor and outdoor)
- Istehqaq Certificates of patients
- Prescriptions of medicines
- Patient History/Treatment Charts
- Approved rate list of medicines/Pharma Guide/PVMS
- Internal audit report
- Detail of receipt of Zakat Fund (Amount, Cheque No. and date, source)
- Detail of Payments out of Zakat Fund (Amount, Cheque No. and dates, payee)
- Sale proceeds of waste cartons/Material

Vocational Training Institute

- Bank Book
- Cash Book
- Bank Statement
- Cheque Books
- Cancelled Cheques
- Minutes of BOM meetings
- Minutes of MORA Scholarship Committee meetings
- Register of Incomes (Self-finance/MORA)
- Technical Plans of courses (Duration, timetable, No. of participants, eligibility criteria)

- List of courses
- Admission Forms of students of each course
- List of students finally selected for each course
- MORA-2 calculations for each course
- Attendance Registers
- Expenditure Statement/Reconciliation Statement/Utilization Reports
- Payment Register
- Acknowledgements of MORA Scholarship/Tool Grants (MORA-3)
- List of dropped-out students
- Results of students
- Implementation Status Reports of completed courses
- Enlistment with PZA

Educational Institutions

- Cash Book
- Bank Statement
- Cheque Books
- Cancelled Cheques
- Minutes of MORA Scholarship Committee meetings
- List of Mustahiq students (Class wise)
- Applications Forms of Mustahiq-e-Zakat students and istehqaq certificates
- MORA-2 calculations
- Attendance Registers
- Register of payments
- Expenditure Statement/Reconciliation Statement/Utilization Reports
- Acknowledgements of MORA Scholarship (MORA-3)
- Six monthly review reports of MORA Scholarship committee
- List of dropped-out students
- Results of students

Deeni Madaris

- Cash Book
- Bank Statement
- Cheque Books
- Cancelled Cheques
- Minutes of MORA Scholarship Committee meetings
- Registration with PZA for District Level/ CZA for National Level)
- Affiliation / Registration Certificates (PMEB)
- List of Mustahiq students (Course-wise)
- Applications Forms of Mustahiq-e-Zakat students and istehqaq certificates

- MORA-2 calculations
- Attendance Registers
- Register of payments
- Expenditure Statement/Reconciliation Statement/Utilization Reports
- Acknowledgements of MORA Scholarship (MORA-3)
- Six monthly review reports of MORA Scholarship committee
- List of dropped-out students
- Results of students
- Miscellaneous Expenditure Grant Register (Food Charges, Accommodation Charges, Clothing Charges)

Social Welfare Institution

- Cash Book
- Bank Statement
- Cheque Books
- Cancelled Cheques
- Minutes of MORA Scholarship Committee meetings
- Registration with Government/Social Welfare Department under relevant law
- List of Mustahiq beneficiaries
- Istehqaq certificates
- Register of payments
- Expenditure Statement/Reconciliation Statement/Utilization Reports
- Acknowledgements of beneficiaries

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

Form PF-VIII

Understanding of Entity's Business –Key Contacts

Name of Organisation: District Zakat Committee Chakwal

Chairman DZC Chakwal, District , Chakwal Phone No.0543-5534357

LZCs addresses attached.

List of Educational Institutions attached.

List of deeni Madaris attached.

List of VTIs attached .

AUDITOR-GENERAL OF PAKISTAN
AUDIT PLANNING-PERMANENT FILE

Form PF-IX

Understanding of Entity's Business – Significant Audit Areas

Name of Organisation: District Zakat Committee Chakwal

Receipts & Disbursement records relating to

Sr. No	Description of Head	Receipts	Disbursements	Balance	No. of Beneficiaries
A.	Regular Heads				
1	Guzara Allowance 60%	18037626	18013500	24126	3006
2	Education 18 %	5411288	5409216	2072	4999
3	Deeni Madaris 08 %	3434026	3434026	Nil	772
4	Health 06 %	1803762	1800000	3762	1634
5	Social Rehabilitation 4 %	1202498	575000	627498	115
6	Jehaiz fund 4 %	1202498	1000000	202498	100
TOTAL		31091698	30231742	833758	-
B.	Other Programmes				
1	Eid Grant	1875000	1875000	Nil	3750
2	Educational Stipend	16392369	16392369	Nil	773
3	Educational Stipend (TEVTA)	340000	340000	Nil	68
TOTAL		18607369	18607369	37214738	-
C.	Administrative Expenditure				
1	Salary of Zakat Paid Staff	1922000	1839190	83810	41
2	Chairman Allowance	1125000	1125000	Nil	375
3	Printing	112500	Nil	112500	-
4	Stationery	187500	Nil	187500	-
TOTAL		3347000	3347000	300000	-
D.	Supplementary Grant				
i.	Telephone	10000	7710	2290	-
ii.	Electricity	5000	5000	Nil	-
iii.	Other/Contingent	10000	9595	405	-
TOTAL		25000	22305	10000	-

Guzara Allowance	18013500
Educational Stipends (Technical)	16392369
Educational Stipends	5409216
Health Care	1800000
Deeni Madaris	3434026
Permanent Rehabilitation	NIL
Employee related expenses	1839190
Other than Administrative expenses	<u>22305</u>
Marriage Assistance	1000000

AUDITOR-GENERAL OF PAKISTAN
AUDIT PLANNING-PERMANENT FILE

Form PF-X

Understanding of Entity's Business – Significant Accounting Policies

Name of Organisation: District Zakat Committee Chakwal

There is Annual Budgeting (Non-lapsable but refundable). CZC prepares annual budget.

There is no asset - liability creation out of Zakat Fund

Recording of receipts and disbursement on cash-basis of accounting

Single entry book keeping

Payment to beneficiaries through crossed cheques

ANNEX-I**ZAKAT DISBURSEMENT PROCEDURES**

Disbursement Procedures for Various Programmes approved by the Central Zakat Council

Programmes of disbursement of Zakat, approved by the Central Zakat Council includes Guzara Allowance; Educational Stipends for students of educational institutions; Educational Stipends (Technical), Stipends to students of Deeni Madaris; Provision of Healthcare through health institutions (National Level & Provincial Level – DHQs/THQs/BHUs/RHCs); Social Welfare/Rehabilitation; and Marriage Assistance to unmarried Mustahiq Women. As a policy, following is the programme-wise share in the total allocation of the Zakat Fund:

Programme	Percentage of Distribution
Guzara Allowance	60 %
Stipends for students of educational institutions	18 %
Stipends for students of Deeni Madaris	08 %
Healthcare	06 %
Social Welfare/Rehabilitation	04 %
Marriage Assistance to Unmarried Mustahiq Women	04 %
Total	100 %

In addition to the above stated regular Zakat programmes, Zakat Funds are also utilized on Permanent Rehabilitation Scheme of Zakat, Educational Stipends (Technical)/Vocational Training Institutions, emergency relief in natural calamities, and any other purpose to be decided by the Central Zakat Council.

The procedures for disbursement of Zakat under each programme have been approved by the Central Zakat Council. Salient provisions of the procedures are given in the following paragraphs.

1. Guzara Allowance:

- The rate of guzara allowance will be Rs.500 per month per ‘mustahiq’.
- Istehqaq of an individual to receive assistance from Zakat Fund shall be determined by the Local Zakat Committee of the area of his permanent residence.
- It will be collective responsibility of the chairman and members of Local Zakat Committee to exercise extreme care and impartiality in selecting the rightful beneficiary.
- Payment to a mustahiq shall be made through a crossed cheque by the respective Local Zakat Committee.
- Crossed cheques will be presented to beneficiaries in the presence of notable of the area.
- No cheque will be issued for an amount that exceeds the currency period of six months i.e. Rs.3,000.
- Not more than one ‘mustahiq’ shall be selected from one and same household.
- Payment will be made at the full monthly rate, which will not be curtailed to a lesser amount to accommodate additional beneficiaries.
- A two percent quota of funds allocated for Guzara Allowance will be reserved for disabled.
- (Approved by the Central Zakat Council in its 87th meeting held on 16th November 2002)

2. Stipends for students of Educational Institutions

- Zakat assistance may be provided through such schools, colleges, universities, polytechnic and other educational institutions in Pakistan as are established or recognized by the Government or established in the private sector purely for charitable or social welfare purposes.
- The amount of scholarship will be used by the student for the purposes of fees, course books, course stationery and study material only.
- Istehqaq of a student shall be determined by the Local Zakat Committee of the area of his/her residence or of the area where the educational institution is located (as decided by the Central Zakat Council in its 89th meeting held on 7th June 2003). For this purpose the student will use a MORA Scholarship Form No. MORA-I.
- The stipend shall be paid in the form of “Zakat Annual Grant” to the educational institution recommended by the concerned District Zakat & Ushr Committee and approved by the Provincial Zakat Council. The size of annual grant will depend on number of students eligible and recommended for Zakat assistance by the MORA Scholarship Committee, level of education and rate of stipend per month.
- The MORA Scholarship Committee shall consist of head of institution, class teacher and nominated member of District Zakat Committee or Chairman Local Zakat Committee concerned or a member of that local committee nominated by the chairman.
- The District Zakat Committee will release funds to the head of educational institutions on bi-annual basis through crossed cheque in favour of MORA Scholarship Bank Account to be operated jointly by the head of institution and the officer nominated ensuring that first installment is released within 30 days of the commencement of the academic year.
- Within 15 days of the receipt of grant, the MORA Scholarship Committee will hold a meeting to disburse the scholarships to the students approved by the Provincial Zakat Council.
- The payment to student shall be made on monthly basis and an acknowledgement of receipt on prescribed form be obtained from the student.
- The rates of stipend as approved by the Central Zakat Council in its 84th meeting held on 26th January 2002, are as follows:

(Amount in Rs. per month)

S. No.	Class / Level	
1	From primary to middle level education	75
2	High school level	112
3	Intermediate and graduate level	375
4	Post-graduate level	750
5	Engineering/medical colleges	874

- The Zakat Funds shall be disbursed by the District Zakat and Ushr Committee according to following proportion;

1	Primary to Matric	50%
2	Science, Arts and Professional Education	25%
3	Higher Education	25%

The stipend sanctioned for a student shall be discontinued on the recommendations of MORA Scholarship Committee under intimation to the father/guardian and Local Zakat Committee concerned, if his/her conduct or performance is found to be unsatisfactory.

(Approved by CZC in its 85th Meeting held on 18th May 2002)

3. Educational Stipends (Technical)

- An unemployed adult Muslim, living below poverty line (Rs.670 per month); possessing minimum qualification set for admission to training course by a training institute; capable of self employment without further support from Zakat Fund; and having age between 18 and 35 years, shall be eligible for scholarship for studies in a technical education institutions.
- Any training institute established or recognized by the Provincial or Federal Government or being run in private sector subject to recognition of its diploma/certificate by Government/competent authority, shall be eligible to receive Annual Zakat Grant.
- Istehqaq shall be determined by Local Zakat Committee of the area of permanent residence of student or of the area where educational institution is located.
- Rate of scholarship shall be maximum Rs.1,000 per month per student. This ceiling is relaxable by MORA Scholarship Committee (Technical) after recording reasons and final approval of the District Zakat Committee.
- In addition to monthly scholarship, one time grant of Rs.5,000 will also be paid to each student for purchase of required tools, which would help him in self-employment on the basis of training/skill acquired.
- The DZC shall invite training institutes located in its jurisdiction for enlistment with it. Training institutes not enlisted shall not be eligible for scholarship.
- A consolidated list of training institutes will be approved by the PZC. Once approved, the training institutes will continue to receive MORA Scholarship grant year after year unless they are struck off by the DZC for reasons to be recorded in the minutes of its meeting under intimation to concerned institute.
- The DZC shall invite applications for MORA Scholarship (Technical) from deserving persons through advertisement in local press providing a copy to each LZC for prominent display at chairman offices, and wide publicity through mosques, schools etc. The applications will be submitted through LZC concerned.
- The DZC will present for approval, course-wise applications to MORA Scholarship Committee, which shall consist of Chairman DZC, nominated member of DZC, head of training institute, a senior member of teaching staff and District Zakat Officer.
- The annual Zakat grant will be released in two equal installments. First installment will be sanctioned a week or two in advance of commencement of course and second installment immediately after successful completion and subject to 50% utilization of the first installment.
- Funds will be released to training institutes through payee's account cheque in favour of the Principal or authorized representative.
- In awarding scholarship, the DZC will try to draw candidates from, as many LZC's as possible in order to achieve maximum participation of all.

- A monitoring committee of at least two members of DZC shall be constituted to supervise training. The committee will also keep contact with course beneficiaries and comment upon their chances of permanent settlement after successful completion of training.
- Monthly utilization reports will be submitted by DZC to respective provincial administration by the 7th of following month. A consolidated report covering all districts will be submitted to MORA by the respective provincial administration by 23rd of the month.
- At least 25% of the scholarships at all levels are earmarked for eligible girl students.
- Every PZA will be competent to select its own vocational or technical training courses. A guiding list of courses divided in 13 groups has been provided in the Zakat Disbursement Procedure.
- Certificate will be awarded to successful students in a simple ceremony to be attended by a nominated member of DZC, who will record his impressions and submit a report to DZC.
- Every training institute will submit an Implementation Status Report to the Provincial Zakat Administration at the conclusion of each course.

4. Stipends for Students of Deeni Madaris

- Deeni Madaris have been divided into following five categories for the purpose of determining rate of stipend.
 - i. Model Deeni Madaris
 - ii. Madaris affiliated with Pakistan Madarssah Education Board (PMEB)
 - iii. Registered Madaris whose syllabus is higher or equivalent or equivalent to PMEBS (subject to acceptance and recommendation of PZC and subsequent approval of CZC).
 - iv. Registered Deeni Madaris imparting deeni education only (without affiliation with PMEBS or adopting /following its curriculum)
 - v. Madaris branded as promoting extremism, sectarian violence or militancy.
- Rate of stipend shall be as follows:
 - a). Madaris belonging to category (i) to (iii)

i). Primary to Matric	Rs.500
ii). Above Matric up to BA or equivalent	Rs.750
iii). MA (or equivalent) and above	Rs.1,000
 - b). Madaris of category (iv)

i). Hifzo Nazira	Rs.150
ii). Mouqoof Aleh	Rs.375
iii). Daura Hadith	Rs.750
 - c). Madaris of category (v)No financial assistance
- The stipend shall be paid in the form of Annual Zakat Grant to madaris recommended by the concerned DZC and approved by the PZC.

- MORA Scholarship Committee will hold performance review meeting every six months to decide whether to continue the scholarship or cancel it for the remaining period. In case students are deleted from the scholarship programme, the funds will be refunded to DZF. The scholarship will be renewable for the next academic year subject to approval of the DZC for additional fund needed due to promotion of the student to the higher class.
- The DZC will release funds on biannual basis through crossed cheque in favour of Mohtamim of Madarssah or a person nominated fro the purpose.
- The Mohtamim of Madarssah will open a current account in a scheduled bank titled “MORA Scholarship Bank Account” to be operated jointly by Mohtamim and one member of his teaching staff.
- The fund will be disbursed by MORA Scholarship Committee to students approved by the PZC in cash on monthly basis.
- The MORA Scholarship Committee shall comprise of Mohtamim of Madarssah, a class teacher and a nominated member of DZC or Chairman, LZC or a member of LZC nominzted by Chairman, DZC.
- The stipend shall be used for the purposes of fees, course books, course stationery and study material.
- A deeni madarssah approved for annual Zakat grant will be eligible for additional financial assistance to meet expenditure on food, accommodation and clothing of resident mustahiq students. Deeni Madaris of category (i) to (iii) will be eligible for such additional financial assistance equal to the total amount of MORA scholarship approved for the Madarssah and those in category (iv), will get 50% of the total amount as food charges for resident students. Accounts of this expenditure will be maintained in separate registers in prescribed form. Under this grant, the expenditure will be kept within monthly grant budget proportions.
- There shall be no condition of registration of Deeni Madaris with Auqaf Department.
- National Level Deeni Madaris will have the option of getting themselves registered with the CZC for direct financial assistance of MORA Scholarship and Miscellaneous Expenditure Grant (food, accommodation and clothing) after fulfilling prescribed criteria.
- Every year, the CZC will directly offer up to 150 Special MORA Scholarships for higher education of matriculate and graduate students belonging to Madaris of category (i) to (iii).(Approved by CZC in its 85th Meeting held on 18th May 2002)

5. Healthcare through Health Institutions (National Level)

- Istehqaq of a mustahiq patient shall be determined by the LZC of area of his/her permanent residence. However, if a person may have shifted to another residence in his original district for more than 15 days, the LZC of area of his temporary residence shall be competent to determine istehqaq.
- In case of emergency, istehqaq of a patient can be determined by any member of Health Welfare Committee of the hospital concerned on the guarantee of some reliable person known to patient and hospital. After treatment the patient will have to produce istehqaq certificate from LZC, failing which expenditure shall be borne by him and he will be blacklisted for future assistance under Zakat programmes.

- The member of CZC shall be competent to determine Istehqaq of a poor patient for emergency treatment at a National Level Health Institutions/Hospitals located in the area of their residence. After emergency treatment, the beneficiary will produce istehqaq certificate from LZC of his/her residence within 30 days failing which the mustahiq will be black listed for any future assistance under Zakat programmes.
- Zakat Fund for medical treatment shall not be provided to beneficiaries in cash. They will be entitled to free medical treatment only to the extent of Zakat funds available in hospital as well as their equitable utilization on all mustahiq patients.

The following ceiling shall apply for the free medical treatment of mustahiq.

Indoor patients	Rs.3,000
Outdoor patients	..		Rs.2,000

The Health Welfare Committee (HWC) of the hospital will be competent to relax it up to requisite limit, on merit, ensuring that principle of accommodating maximum number of mustahiq patients is not compromised by admitting the expensive treatment of the few.

The composition of Health Welfare Committee shall be as under:

i)	Medical Superintendent/Convenor	Chairman
ii)	Senior Doctor	Member
iii)	Chairman District Zakat & Ushr Committee or his nominee	Member
iv)	Social Welfare Officer	Secretary

As a rule mustahiqeen are to be provided by the institution with the facility of treatment, medicines and other assistance free of cost.

The Zakat Fund shall be utilized only on following items where such facilities are not available:

- Medicines (including blood)
- Medical treatment (including operations)
- Laboratory tests
- Bed in general ward
- Artificial limbs
- Expenditure on transportation of the patient from the institution to another
- Any other item (excluding cash grant) approved by the committee.
- Food items for TB patients only

(Added in terms of Para 111 of minutes of A89th meeting of CZC held on 7-6-2003).

All facilities from Zakat money shall be either in kind or service.

Zakat money shall not be utilized for providing health assistance to person (including dependent) who is entitled to receive medical treatment at the cost of his employer or under any other arrangement.

(Approved by CZC in its 87th Meeting held on 16th November 2002)

6. Healthcare – Provincial Level (DHQs/THQs/BHUs/RHCs)

- Istehqaq of a mustahiq patient shall be determined by the LZC of area of his/her permanent residence. However, if a person may have shifted to another residence in his original district for more than 15 days, the LZC of area of his temporary residence shall be competent to determine istehqaq.
- In case of emergency, istehqaq of a patient can be determined by any member of Health Welfare Committee of the hospital concerned on the guarantee of some reliable person known to patient and hospital. After treatment the patient will have to produce istehqaq certificate from LZC, failing which expenditure shall be borne by him and he will be blacklisted for future assistance under Zakat programmes. The HWC will secure a guarantee on prescribed form.
- The member of CZC shall be competent to determine Istehqaq of a poor patient for emergency treatment at a National Level Health Institutions/Hospitals located in the area of their residence. After emergency treatment, the beneficiary will produce istehqaq certificate from LZC of his/her residence within 30 days failing which the mustahiq will be black listed for any future assistance under Zakat programmes.
- Zakat Fund for medical treatment shall not be provided to beneficiaries in cash. They will be entitled to free medical treatment only to the extent of Zakat funds available in hospital as well as their equitable utilization on all mustahiq patients.

Funds will be released to DZC's on population basis, who will in turn transfer funds to hospitals on the basis of share of each to be calculated as under:

DHQ – Rs.20 per bed per day
THQs – Rs.15 per bed per day

BHUs/RHCs Funds in balance after release to DHQs and THQs (as per their shares) will be distributed equally among all LZCs for their transfer to BHUs/RHCs functioning in their area.

The following ceiling shall apply for the free medical treatment of mustahiq.

Indoor patients Rs.2,000
Outdoor patients Rs.1,000

The Health Welfare Committee (HWC) of the hospital will be competent to relax it up to requisite limit, on merit, ensuring that principle of accommodating maximum number of mustahiq patients is not compromised by admitting the expensive treatment of the few.

The composition of Health Welfare Committee shall be as under:

DHQ Level

i)	Medical Superintendent/Convenor	Chairman
ii)	Senior Doctor	Member
iii)	Chairman District Zakat & Ushr Committee or his nominee	Member
iv)	Social Welfare Officer	Secretary

THQ Level

i)	Medical Officer / Incharge	Chairman
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iii)	Chairman LZC or his nominee	Member
iv)	Admn Officer/Incharge	Member

BHU/RHC Level

i)	Medical Officer / Incharge	Chairman
iii)	Chairman LZC or his nominee	Member
iv)	Dispenser	Member

As a rule, mustahiqeen are to be provided by the institution with the facility of treatment, medicines and other assistance free of cost.

The Zakat Fund shall be utilized only on following items where such facilities are not available:

- Medicines (including blood)
- Medical treatment (including operations)
- Laboratory tests
- Bed in general ward
- Artificial limbs
- Expenditure on transportation of the patient from the institution to another
- Any other item (excluding cash grant) approved by the committee.

Free medical treatment at BHUs/RHUs will be restricted to outdoor patients only up to the limit of Rs.400 per 'mustahiq' patient.

Monthly utilization reports will be submitted by BHUs/RHUs to their respective LZC. Failure on this account shall lead to with-holding of the next instalment.

All facilities from Zakat money shall be either in kind or service.

Zakat money shall not be utilized for providing health assistance to person (including dependent) who is entitled to receive medical treatment at the cost of his employer or under any other arrangement.

(Approved by CZC in its 87th Meeting held on 16th November 2002)

Social Welfare (NGO's)/Rehabilitation

Rehabilitation of Needy, the indigent and the poor, particularly orphan, handicapped and disabled, shall be eligible for the assistance. (Chapter-IV, Para 8(a) of Zakat and Ushr Ordinance, 1980)

Istehqaq of a mustahiq shall be determined by the respective Local Zakat Committee.

One time grant up to Rs.5,000 may be provided for rehabilitation.

Name of mustahiq receiving rehabilitation grant shall be struck off from the list of mustahiqeen.

Zakat Fund shall be provided to mustahiqeen through crossed cheque by the LZC of his/her area of residence. (Para 29 to 33 of Zakat Disbursement Procedure)

(Approved by CZC in its 73rd meeting held on 16-5-1998)

Revised Procedure of Social Welfare & Rehabilitation

Istehqaq of 'mustahiq' is determined according to criteria (adult Muslim, victim of circumstances, wishing to start a small business, a newly converted Muslim facing social problem, a person in need of tri-cycle, push cart)

Social welfare institutions (SWIs) include, orphanage, Darul Aman, Home of destitute and under-privileged women, home for mothers and children, etc.

Social welfare institutions working as NGOs shall not be eligible for Zakat grant. One time grant up to Rs.5,000 will be admissible.

Name of beneficiary is struck off from the list of 'mustahiqeen'.
25% of the total funds are utilized on rehabilitation and remaining 75% on the Social Welfare institutions.
Annual grant of the SWI will be calculated as Rs.500 per month per beneficiary for orphanage and similar institutions and Rs.700 per month per beneficiary for other institutions like Darul Aman etc.

Funds are released to SWI on bi-annual basis after approval of PZC through crossed cheque in favour of head of SWI or his nominee.

Current bank account is maintained by SWI.

Payment is made to beneficiaries on monthly basis and got acknowledged.

(Revised procedure circulated by Publication Officer Zakat & Ushr Punjab Lahore vide letter No.6984/04/Zakat/PO dated 15-12-04)

Marriage Assistance to Unmarried Mustahiq Women

Total assistance of marriage of a woman shall be Rs.10,000.

The istehqaq of a needy woman shall be determined by the Local Zakat Committee of her area of residence.

Generally the permanent address of the beneficiary will be treated as the area of her permanent residence. However, if there has been any change in her address, the LZC of the area of her new residence shall be entitled to determine her istehqaq, provided she has been staying at the new address for more than a year.

In case a mustahiq woman has been residing at a Darul Aman or any other registered social welfare institution, her istehqaq shall be determined by the LZC of the area where that institution may be located.

Beneficiary should be an adult Muslim dependent upon her parents or guardian (who can not afford the expenses of her marriage) or a social welfare institution for subsistence.

Payment will be made through a crossed cheque, drawn in the name of beneficiary only.

A copy of Nikah Nama will be obtained for record before effecting payment.

After providing marriage grant the name of mustahiq women be struck off from the list of mustahiqeen.

(Approved by CZC in its 87th Meeting held on 16th November 2002)

Permanent Rehabilitation Scheme of Zakat

The Central Zakat Council decided in its 81st meeting held on 13th January, 2001 to introduce 'Permanent Rehabilitation Scheme' in addition to existing Zakat Disbursement Programmes, realizing that the traditional Zakat Programmes alone were not enough to Government's poverty reduction efforts. Phase-I of the scheme was launched in 2001-2002. The scheme continued in the years 2002-2003, 2003-2004 and 2004-05 as Phase-II as per decision of CZC in its 87th meeting held on 16th November, 2002. The main strategy of the scheme was the empowerment of the poor by making them self-reliant with self-respect by providing them opportunity to generate their own source of income. The scheme provides various packages for different categories of skills, trades and professions. The amount of financial assistance under the scheme ranges from Rs.5,000 (Phase-I) /Rs.10,000 (Phase-II) to Rs.50,000 depending on needs of the respective trade and skill. The Central Zakat Council prescribes detailed procedure for disbursement of Zakat under the scheme for each phase.

An adult Muslim, living below poverty line (Rs.670 p.m.), possessing educational qualifications as prescribed for various packages, unemployed able to operate independently shall be eligible for assistance under the scheme.

Applications will be submitted to the Local Zakat Committee in the prescribed proforma. The application form will be duly signed by the applicant and a guarantor.

The application will be examined by the LZC to determine istehqaq and endorsed under the signature of the chairman.

The LZC shall hold a meeting to select the number of beneficiaries as per share allotted by the District Zakat Committee.

The application of selected beneficiaries will be submitted to the DZC, who will examine with reference to eligibility criteria.

Final selection will be made by the DZC in a meeting by majority of vote. The minutes will be recorded and kept ready. Generally DZC shall have no objection in accepting recommendations of LZC, however he may conduct random check up to 10% of applications in case of any doubt or complaint.

The DZC will release funds to respective LZC, who shall make payment to beneficiaries through crossed cheques in the main mosque or in presence of notables of the area.

There shall be constituted Central Coordination Committee, Provincial Coordination Committee to monitor the functioning of scheme.

The DZC will constitute a District Monitoring Committee to ensure effective functioning of the scheme.

The LZC shall constitute a Local Monitoring Committee for supervision and control over implementation.

The LZC shall submit progress report regularly to DZC.
(CZC in its 87th meeting held on 16th November, 2002)

HEALTH INSTITUTIONS (DHQS, THQS, BHUS/RHCS) 2007-08

S.#.	Name of Health Institution.	Name of Bank Accounts No. Branch	Bed Strength	Annual Zakat Grant	Telephone No. with Area Code	Fax No.	Email
1	Civil Hospital, Chakwal.		150	480,000	0243-9280153		
2	Dada Shah Dialysis Centre, Chakwal.		06	141,000			
3	T.B. Hospital, Chakwal.		24	167,600			
4	Lady Willington Hospital, Chakwal		50	230,000			
5	City Hospital, Chakwal.		50	230,000	0243-9280156		
6	Central Jail Hospital, Chakwal.		20	172,000	0243-9280120		
7	Taluka Hospital, Gambat.		210	359,180			
8	Dialysis Centre Gambat.		34	181,600			
9	Taluka Hospital Pir-jo-Goth.		25	120,000			
10	Taluka Hospital Kotdiji.		24	82,600			
11	Taluka Hospital Sobhodero.		20	78,000			
12	Rural Health Centre Hingorja.		08	73,000			
13	Rural Health Centre Ranipur.		20	78,000			
14	Taluka Hospital Nara.			35,000			
15	Taluka Hospital Mirwah.		15	30,000			
16	Taluka Hospital Faiz Ganj.		08	25,000			
17	T.B. Hospital Gambat.			80,000			



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