

# Audit Guidelines Civil Audit Punjab



Auditor-General of Pakistan



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



**GUIDELINES FOR THE AUDIT OF PROVINCIAL GOVERNMENTS**

**TO BE USED BY**

**THE DIRECTORATE GENERAL OF CIVIL AUDIT PUNJAB**





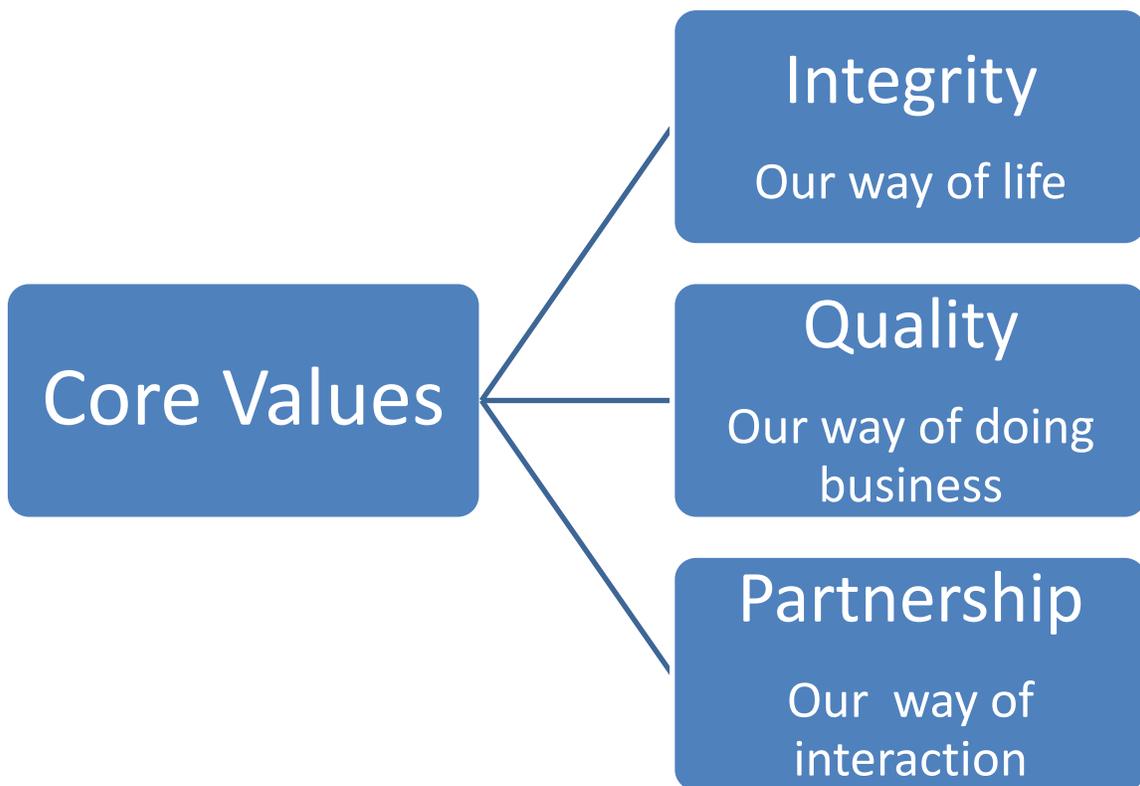
## VISION

A Model Supreme Audit Institution Adding Value to National Resources



## MISSION

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





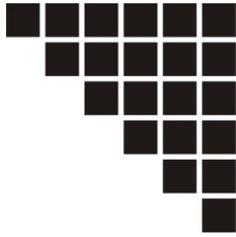
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## **PREFACE TO REVISED EDITION**

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 As a result, the FAOs continued to rely on their old and outdated codes and manuals for conducting audit.

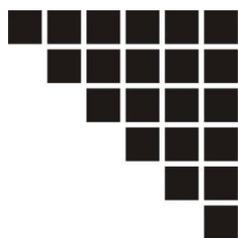
On the basis of lessons learnt from the implementation of FAM and its Sectoral Guidelines, it was decided to revise and update these Guidelines. This has been done with the help of consultants engaged by PIFRA for different FAOs, and in close coordination with the experienced auditors in the field. The 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.

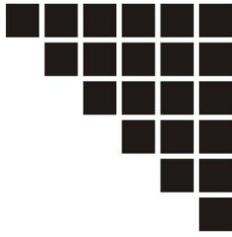
Implementation of the new audit methodology, and adoption of the Guidelines, will be carried out according to a schedule to be determined by my office according to a gradual phasing across the government entities that are covered in the audit mandate of the Auditor-General of Pakistan. Since the implementation 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 Provincial Governments. 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 Checks 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 Check that various steps recommended in these Guidelines and respective forms have been followed in all respects.

The Director General must Check 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 other major tools acquired under PIFRA are Computer Assisted Audit Techniques (CAATs) and Audit Management Software. If more information about these software tools is required, the auditor should refer to Manuals for 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 Check 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 Check 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.

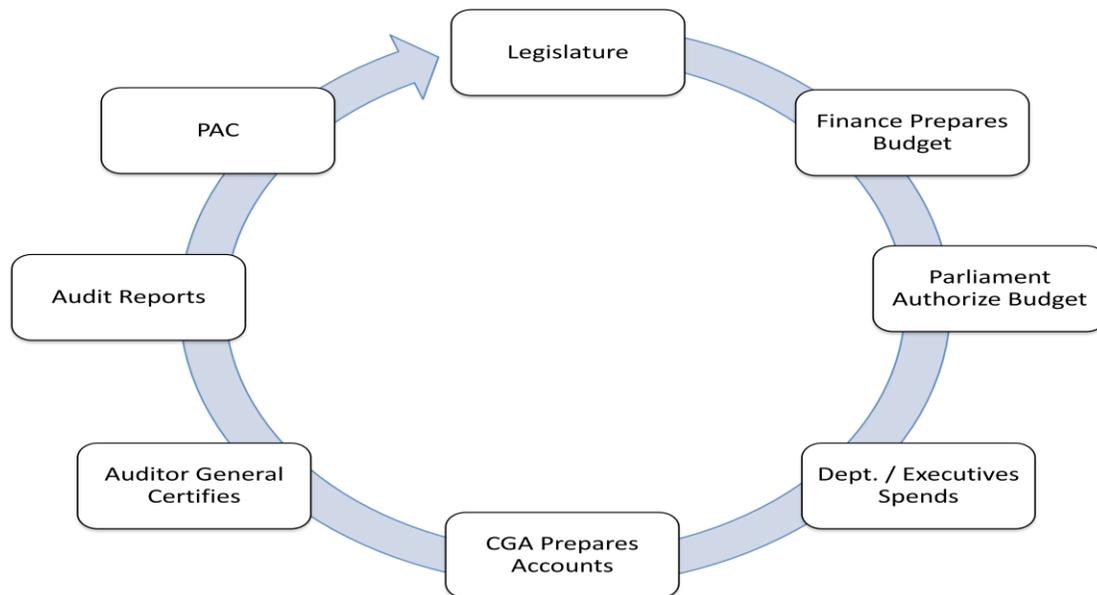
These Guidelines do not repeat the instructions for each form. This purpose is to provide additional guidance specific to the type of audit being planned or conducted. Forms and schedules given in the Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of 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:

- Each year, Department of Finance receives budget estimates from government agencies.
- Based on the resources available and priorities of the government, the annual budget is prepared.
- The Parliament approves the budget.
- Principal Accounting Officers (PAOs) sanction the expenditure.
- Controller General of Accounts is responsible for the preparation of Annual Financial Statements. This task is accomplished through the Accountant General Punjab (AGP), who has the primary responsibility for disbursements, keeping a record of transactions and the preparation of Annual Financial Statements of the Provincial Governments, where as for self-accounting entities, this task is accomplished by the Principal Accounting officers (PAOs).
- Each year, the Auditor-General of Pakistan certifies the Financial Statements of Provincial governments.
- Audited Financial Statements and audit reports are laid before the Provincial Assembly. These reports are then discussed in the Public Accounts Committee (PAC) who then reports back to the Provincial Assembly.





## Chapter 2

# OVERVIEW OF THE DIRECTORATE GENERAL OF CIVIL AUDIT (PUNJAB)

## 2.1. Overview of the Office

Overview includes key statistics of the office (such as the number of employees, physical location including regional representation), a brief, general description of expenditures, and a brief description of responsibility areas.

### Geographical Locations and Human Resource Statistics

Office Location	No. of Employees according to Office Location	Task assigned
Lahore	194	Audit of the provincial government of the Punjab

Office of the Auditor-General of Pakistan is the primary national institution that supports Parliamentary Oversight by promoting accountability, transparency and good governance in the management and use of public resources through its independent and objective reporting. The mandate of Auditor-General of Pakistan is prescribed in section 168 to 171 of the Constitution of Pakistan Auditor General's Ordinance 2001.

Each Directorate General (DG) Office is a strategic audit unit of OAGP that facilitates Auditor-General of Pakistan in accomplishing his constitutional responsibilities.

This office derives its audit mandate from the AGP Ordinance 2001 (e.g. Section 7, 8, and 12 of the Ordinance) read with relevant articles of the Constitution of the Islamic Republic of Pakistan 1973 and other instructions / orders of the AGP or government regarding jurisdiction of this office issued from time to time.

## 2.2 Jurisdiction

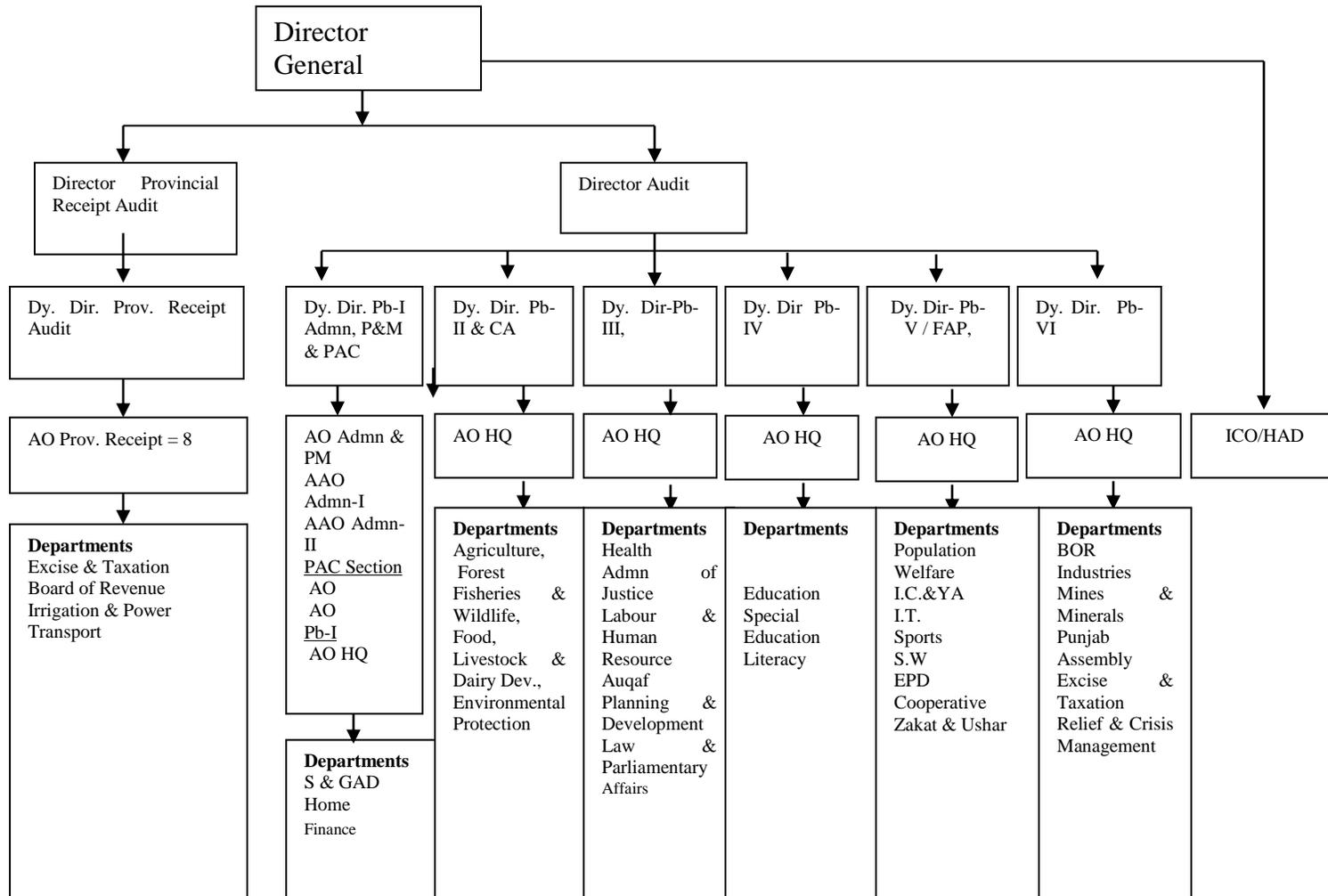
All controlling departments of Government of Punjab

Sr. No.	Departments	Mandate
1.	Agriculture	Note
2.	Board of revenue	

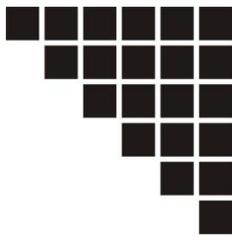
Sr. No.	Departments	Mandate
3.	Cooperative	
4.	Communication and works	
5.	Education (Schools)	
6.	Excise and taxation	
7.	Food	
8.	Finance	
9	Forest	
10	Health	
11	Home	
12	Housing and Physical Planning	
13	Industries	
14	Irrigation and power	
15	Labour and Human Resource	
16	Law and parliamentary affairs	
17	Live stock and dairy	
18	Local Government And Rural Development	
19	Provincial Assembly	
20	Planning and Development	
21	S and G.A. Department	
22	Transport	
23	Zakat and Ushr Department	
24	Education (Higher)	
25	Special Education	
26	Literacy	
27	Commerce & Trade	
28	Information Technology	
29	Information, Culture & Youth Affairs	
30	Auqaf	
31	Population Welfare	
32	Social Welfare	
33	Environmental Protection	
34	Sports	

*Note: This office derives its audit mandate from the AGP Ordinance 2001 (e.g. Section 7, 8, and 12 of the Ordinance) read with relevant articles of the Constitution of the Islamic Republic of Pakistan 1973 and other instructions / orders of the AGP or government regarding jurisdiction of this office issued from time to time. This office conducts audit of the above departments at provincial-level.*

## 2.3 Organogram of DG, Audit (Provincial)







## Chapter 3

# SCOPE OF AUDIT

### 3.1 Types of Audits<sup>1</sup>

Directorate General of Civil Audit Punjab conducts the following type of audit.

- Certification Audit of the forest department and of the Government of the Punjab as a whole;
- Compliance with Authority Audit of the government departments; and
- 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:

- Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinion on Financial Statements;
- Attestation of financial accountability of the government administration as a whole;
- Audit of financial systems and transactions including an evaluation of compliance with applicable statues and regulations;
- Audit of internal control and internal audit functions;

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<sup>1</sup> These Guidelines provides guidance on both the Certification and Compliance with Authority audit.

- Audit of the probity and propriety of administrative decisions taken within the audit entity; and
- Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institution considers should be disclosed.

Performance audit<sup>2</sup> is concerned with the audit of economy, efficiency and effectiveness and embraces:

- Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;
- 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
- 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:

- 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
- Check that assessed revenue is promptly collected and deposited in government treasury and properly classified in the Financial Statements.
- 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 the opinion on the Financial Statements, the auditor has to ensure the following:

- Financial Statements are evaluated for adequacy against "Presentation and Disclosure" requirements;

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

- Significant line items of Financial Statements are tested for the following audit assertions:
  - a. Existence and Occurrence
  - b. Completeness
  - c. Measurement
  - d. Regularity (compliance with applicable laws and regulations)

**Methodology:**

- Understanding the auditee;
- Conducting risk assessment;
- Defining detailed audit objectives;
- Developing audit programmes;
- Performing analytical procedures;
- Testing the internal controls;
- Determining sample size for substantive testing of detail;
- 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 Checks 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

Some of the specific relating risks include:

- Non compliances of regulations
- Misrepresentation of financial information.
- Misclassification of receipt or expenditures.
- Maintenance of stock without its actual requirement.
- Potential liability for environmental damage or damages due to legal action by persons impacted by departmental activities and operations.
- Non-auction of unserviceable material/machinery.
- Non-maintenance of record relating to assets.
- Natural disasters and other unforeseen occurrences that can place demands on the resources.

The auditor should be observant for any possible risks that could affect the financial and operational performance of auditee. Then the auditor should decide what aspects of these risks to take into account when planning the audit.

The major focus of the Directorate General Civil Audit is on:

- Revenue received by the auditee departments.

- Expenditure incurred by the auditee departments.
- Assets maintained by the auditee departments.

### **3.5.1 Audit of Revenue**

The main components of revenue are:

- Intergovernmental and interdepartmental transfers.
- Appropriations (Grants)
- Sale of Food.

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 check compliance with applicable laws and regulations.

### **3.5.2 Audit of Expenditure**

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

- Employee related expenditure;
- Operating expenses
- Transfers
- Expenditures on physical assets and others
- Debt and interest payments
- Loans and advances

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

Auditors plan the audit for the financial statement or for a particular formation as a whole. However financial information can be divided into smaller manageable components for better planning and execution, for focused approach and effective use of audit resources.

For a financial statement 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.

“Line items” are each of the amount reported in the financial statements, including the amounts disclosed in the notes thereto.

For compliance audit, it might be decided that individual DDOs should be subject to review. These are at the DAGP’s discretion and are reflected in the audit plan formulated every year. Normally, the most significant activities are taken as component.

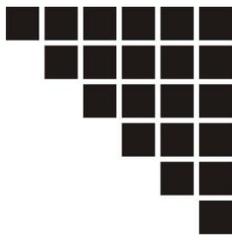
Components selected in the audit plan for all types of audit are based on materiality either in terms of amount (Rs.) or risk associated with activity. Details of significant components for all types of audit are elaborated in audit plan of the directorate every year. Also read 4.13 of this guideline for further guidance.

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

### **3.5.3 Audit of Assets**

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

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

**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 the audit activity in the particular area of 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 contain specific guidance for using the above forms.

#### 4.4 Update Control Sheet - PF

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

#### 4.5 Status of Entity – Form PF-I.

The auditor should document on this form the principal address, status (whether it is a Federal or a Provincial government, semi-government, self accounting, centralized or exempt accounting entity, etc.) and its relationship with other government departments/ministries (attached department, branch office, etc).

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

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

*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 ;
- Project sites or other operational locations that collect, record, process and report the financial information of auditee activities; and,
- Locations where assets are located and their existence can be checked by the auditor.

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

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

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

The auditor should list the names of personnel with authority to certify, approve and authorize 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:

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

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

This form has two requirements:

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

The major accounting records maintained by the auditee departments include:

- Cash Book
- Cheque Book
- Vouchers/Bills
- Contractor's Ledger
- Expenditure Statement
- Monthly Return
- Funds Releases
- Budget Releases
- Transfer Register
- Advance Register
- Expenditure Register
- Stock Register
- Measurement book

- Detailed Estimates

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

**Accounting Manuals and Codes:**

- Departmental Financial Rules (DFR)
- Provincial Financial Rules (PFR)
- Provincial Treasury Rules (PTR)
- Provincial Public Works Account Code (PPWA Code)
- Delegation of Financial Powers
- Land Acquisition Act
- Provincial Civil Service Regulations
- Provincial Esta Code
- Allotment Policy Provincial
- Punjab Procurement Rules, 2009
- Market Rate System – MRS
- Accounting Policies and Procedures Manual - APPM

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

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

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

Where there are new administrative policies or procedures with which the auditee departments should comply, the auditors must become familiar with them and Check that the audit is conducted against these benchmarks. In addition, the auditor should consider whether the policies and procedures in force are effective at reinforcing good management practices. Where a rule or procedure does not contribute to good management practices, it is the job of the auditor to recommend changes to such rules and procedures.

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

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

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

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

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

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

The auditor should list critical audit areas/significant financial statement components (including individually significant transactions and events), and their impact on the Financial Statements of the 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 projects, operations, ongoing maintenance of the facilities, major repairs, etc.; or
- by major activities (building, roads, water courses, etc.); or
- Object element [civil works (A012), repair & maintenance (A013) etc].

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

For certification audit, the most logical way of dividing up the financial statement is to consider each line item in the Financial Statements to be a separate component. The line item would be each amount reported in the Financial Statement, including the amount disclosed in the notes thereto.

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

- Separate districts;

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

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

- Income
  - Appropriations (grants)
  - Sale of Food
  - Intergovernmental or interdepartmental transfers
- Expenditures/Costs
  - 
  - Salaries and employee benefits
  - Operating expenses
  - Transfers
  - Expenditures on physical assets and others
  - Debt and interest payments
  - Loans and advances
- Assets
  - Fixed assets (land / buildings / infrastructure – roads, bridges)
  - Capital work in progress (civil works, etc.)
  - Major equipment
  - Current assets (stores)
  - Cash
- Liabilities
  - Long-term loans
  - Provision for retirement benefits
  - Security deposits
  - Current liabilities (creditors, etc.)

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

<b>Significant Financial Statement Components</b>	<b>Main Heads</b>	<b>Critical Area</b>
Expenditure	Civil Works (Development Expenditure)	Planning & Estimation of works. Tendering of works and engagement of consultancy services Post-bid contract amendments

		Variation /change orders in original contract/work orders Measurement of works Payment to the contractors beyond the terms of contract Escalation claim of the contractors Contract Payments Violation of contract specification/design Non-imposition of liquidated damages due to delay in completion of works Failure and termination of contracts
	Repair and Maintenance	Planning & Estimation of works. Tendering of works Variation /change orders in original contract/work orders Measurement of works work Payments
	Pay and allowances	Allowances paid to employees and deductions.
	Physical assets	Classification of assets and maintenance of appropriate assets registers.
	Other Operating expenditure	Limit of fuel and other charges e.g telephone according to the limits.

#### 4.14 Significant Accounting Policies – Form PF-X.

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

Significant policies may include:

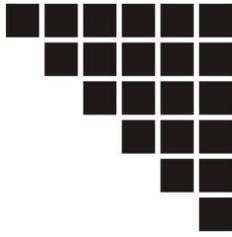
- Revenue recognition.
- Recognition of expenditure.
- Accounting for foreign currency transaction and interest payments
- Accounting for staff retirement benefits
- Accounting for investments.
- Assets valuation and depreciation
- Cash and cash equivalent
- Accounting for liabilities and commitments
- Accounting of Public debt.

A number of entity-supplied documents are required to support the forms and schedules:

- Organization chart
- Accounting policies
- Chart of accounts
- Entity's business plan or charter
- Applicable financial rules, laws and regulations, and service rules
- Environmental laws and regulations
- Long term contracts and leases
- Loan agreements, mortgages and debt instruments
- Amortization schedules for major assets
- Extracts of the minutes of meetings
- Previous years' audited financial statements
- Previous auditors' reports to management and management's responses
- Others as appropriate

*Note: A sample of the permanent file prepared for the Forest Department 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;
- 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 check that the various steps recommended in these Guidelines and respective forms have been completely followed in all respects.

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

## 5.3 Documentation in Planning Phase

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

- Audit objectives and scope \*
- Points for attention at next audit (from last year) \*
- Entity communication letter \*
- Audit planning memorandum \*
- Memorandum on post-planning changes \*
- Important dates \*
- Tour programme \*
- Information requested from entity officials \*
- Materiality assessment form
- Expected aggregate error and planned precision form
- Audit risk assessment form
- Inherent risk assessment form \*
- Internal control questionnaire – control for overall environment \*
- Internal control questionnaire – general computer controls \*
- Internal control questionnaire – application controls \*
- Control risk assessment form \*
- Analytical procedures assurance form

- Source of audit assurance form
- List of applicable laws and regulations \*
- Sample selection checklist \*
- High value item selection form \*
- Key item selection form
- Sample sizing for tests of internal control
- Sample sizing for substantive tests of details
- Checklist of accounting estimates to be reviewed
- Points for attention at next audit \*
- Audit planning checklist \*

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

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

## 5.4 Audit objectives and scope

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

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

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

The nature and size of 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 programmes needs to be prepared and approved keeping in view the timelines, resource constraints and audit strategy. The head of office should ensure that tour programmes are prepared and approved well in 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 details.

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

## 5.22 List of applicable laws and regulations

A major component of a Regularity Audit is the verification that the entity has complied with applicable laws and regulations. The audit team should enlist all applicable laws and regulations on this form for checking 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  $n$ th 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 Check 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 CAATs is being used to do the selection. Random selection is also possible, but contains all of the difficulties of cell selection. In addition, it has a further disadvantage – should fixed interval or cell selection be used, the sample size will automatically be adjusted for any over or under-estimations of the population value. With random selection, this will not occur. Hence random selection is rarely used with MUS. For both fixed interval selection and cell selection, the auditor needs to know the sampling interval.

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

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

For detailed guidance please refer to Appendix B of FAM.

## 5.24 High value item selection form

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

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

## 5.25 Key item selection form

As with high value items, the auditor may also want to individually review items which are unusual and which warrant special attention. Generally, these items will include transactions that cause an account to show a negative balance (e.g. an asset account with a credit balance) or unusual non-recurring items. The auditor will use judgment and experience to help identify these key items.

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

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

## 5.26 Sample sizing for tests of internal control

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

The use of CAATs (see FAM, 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 FAM, 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. An example of such an audit is the annual audit of the Financial Statements of the Punjab Province. The 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).

Para 6.4.5 to 6.40.10 of FAM gives guidance about a centrally led audit. With a centrally led audit, there will be a division of responsibilities between the central team and other Directorates contributing to the centrally led audit. The central team is responsible for:

- Setting the basic planning parameters (materiality, planned precision, audit risk, etc.);
- Setting inherent risk, control risk, other substantive procedures risk and substantive test of details risk for each component and each specific Financial Audit objective, and Compliance with Authority Audit objective and error condition;

- Determining the optimum mix of tests of internal controls, analytical procedures and substantive tests of detail for each component and for each specific Financial Audit objective, and related Compliance with Authority Audit objective and error condition;
- Performing the overall error evaluation; and
- Reporting the results of the audit.

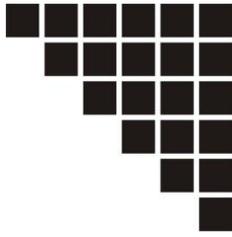
The auditors from each of the directorates are, in turn, responsible for:

- Providing advice to assist the central team to plan the audit;
- Reviewing the material received from the central team to Check 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.

In centrally led certification audit of the provincial government Financial Statements, the following (Planning Phase) forms of the Audit Working Papers Kit shall not apply during the certification audit work of the Directorate General of Audit Works Provincial:

- Materiality assessment form
- Expected aggregate error and planned precision form
- Audit risk assessment form
- Inherent risk assessment form
- Control risk assessment form
- Analytical procedures assurance form
- Source of audit assurance form





## 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 the auditee management, including:

- a. Financial Statements
- b. Trial balance

- c. Civil Account
- d. Appropriation Account
- e. Any inter-governmental accounts for elimination.
- f. Supporting documents (important agreements, bills, vouchers other documents that are important for the audit record)
- g. 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.

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 Check that the various steps recommended in these Guidelines and respective forms have been completely followed in all respects.

### 6.3 Forms and Schedules for Audit Execution Phase

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

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

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

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

### 6.4 Summary of Analytical Review Procedures Performed

This form is used to summarize the analytical procedures that were performed. The auditor should note the procedures that were performed and cross-refer each procedure to

the working paper that provides the details of the test (i.e. Details of Analytical Review Procedures Performed form).

## 6.5 Details of Analytical Review Procedures Performed

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

## 6.6 Completed Internal Control Questionnaires

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

The key ICQs to consider for audit are as follows:

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

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

## 6.7 Internal Control Deviations Form

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

Where the operations of the auditee organisations 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 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, rules and to find any errors or anomalies that may exist. Each Audit Programme provides a basic set of steps for the auditor to follow to perform substantive tests.

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

**Audit Objectives:**

To determine whether, on the basis of the transactions examined (selecting a representative sample of transactions or other form of sample), the entity's Financial Statements complies with the following assertions<sup>3</sup>:

- **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

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<sup>3</sup>Another set of assertions commonly used are: Existence / Completeness / Valuation / Rights and Obligations (or Ownership) / Presentation and Disclosure. The set used in these Guidelines is more appropriate for the audit of transactions in the public sector.

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 which are to be used in the audits of all departments.

- Employee Related Expenses
- Procurement
- Contingent Expenses
- Others

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. These audit programmes have been developed after addressing the risks identified in section 3.5 of these guidelines.

Government of Punjab has 23 budgetary departments which are financed by exclusive and shared grants. Departments selected for audit are based on the discretion of DAGP mandated by FAM. Keeping in view the specific needs of the following departments, separate audit programs have been added. Some steps can be performed with the help of CAATs and Audit Management Software named Audit Command Language (ACL).

- Local Government and Rural Development Department
- Food Department
- Finance Department
- Housing and Physical Planning, Communication and works, Irrigation and Power
- Home Department
- Agriculture Department
- Forest Department
- Irrigation & Power Department
- Board of Revenue Department
- Excise & Taxation Department
- Transportation Department

### 6.17 Audit Programme: Employee Related Expenses

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit Procedure	Done By	WP Ref
<ul style="list-style-type: none"> <li>• Check that proper particulars are entered in Audit Register for Gazetted Officer and in Scale Audit Register for Non Gazetted Officer.</li> <li>• Check that Office order or Establishment order for new appointment is issued by concerned head of department and amount is paid according to said order and entitlement in A.R.</li> <li>• Check that acknowledgement of payment to employees is received from employees / Drawing and disbursement officer (DDO).</li> <li>• Check that DDO certified the payment to Non Gazetted Officer</li> <li>• Check that Payroll Officer prepares Monthly Schedule of Employees latest by 26<sup>th</sup> of each month and Approved by Supervising Payroll Officer.</li> </ul>		

Audit Procedure	Done By	WP Ref
<ul style="list-style-type: none"> <li>• Check that Delegated Officer (other than Payroll/ Supervising Payroll Officer) prepares Payroll Credit Invoice or Cheque and sign by at least two officers.</li> <li>• Check that relevant officer enters all the payments into Register and prepares Payroll Advice Note (PAN) for bank in case of Cheque payment and Payroll Credit Advice (PCA) for direct bank transfer.</li> <li>• Check that payment to employees is reconciled with concerned department.</li> <li>• Check that copy of PCA &amp; PAN are sent to Account Section</li> <li>• Check that the employee is identified in Audit/Scale Audit Register; and that payment was made to correct payee</li> <li>• Check that proper personal files of all the officers with all necessary particulars are maintained.</li> <li>• Check that Service Book maintained for Non Gazetted Officer and certified by DDO.</li> <li>• Conduct a reconciliation (and/or check a batch of transactions) between {Direct Credit Advice / Payroll Advice /DDO monthly statement} and monthly schedule of Employees’ Salaries and Compilation Sheet</li> <li>• Check that the deductions are correct (according to the GP Fund / the income Tax Ordinance, 2001 and as modified from time to time / other deductions in accordance with rules and regulations governing deductions such as rent deductions, loans and advances / etc.)</li> <li>• Check that the amount of the first payment was correct according to the joining date of the new employees and according to their Payroll Register</li> <li>• Check that the amount of the last payment was correct according to the date of last day of employment in section and according to their Payroll Register – compare pay slips with Last Pay slip Certificate issued</li> <li>• Check that payroll payments are correctly identified in the Compilation Sheet under Payroll Object and correctly coded according to the Chart of Accounts by checking that the net pay and deductions have been correctly coded according to the Chart of Accounts codes.</li> <li>• Check that the total pay (gross, net and deductions) are correctly presented in the Compilation Sheet of the selected month by making the necessary calculations.</li> </ul> <p><b>Adhoc Relief (Wage Type: 1831)</b></p> <ul style="list-style-type: none"> <li>• Check that employees whose date of joining was 30-6-2005</li> </ul>		

Audit Procedure	Done By	WP Ref
<p>was paid adhoc relief allowance as per revised pay scale 2005. (Ref: para-6 of Finance department Letter # FD.PC.2-1/2005)</p> <ul style="list-style-type: none"> <li>• Check that the adhoc relief allowance shall continue to be admissible at frozen level on existing conditions. (Ref: Office memorandum # FD.PC-2-1/2007 Dated: July 23, 2007).</li> <li>• Check that the allowance is admissible to the employees transferred from one post to another taking effect after 01-07-2005, provided they were previously in receipt of such benefits. (Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007).</li> <li>• Check that this allowance was also admissible on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL. (Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007).</li> </ul> <p><b>Special Additional Allowance (Wage type:)</b></p> <ul style="list-style-type: none"> <li>• Check that this allowance was not paid to new employees who joined after 1-12-2001 and only paid to previous employees at frozen level who were entitled to and in respect of the benefits immediately before their appointment (promotions/transfers/absorptions). (Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)</li> </ul> <p><b>Special Allowance (Wage Type: 1550)</b></p> <ul style="list-style-type: none"> <li>• Check that an increase @ 15 % on initial of the pay shall be allowed to the contractual appointees as special allowance who are in receipt of pay package slightly higher than the standard pay package prescribed under the contract appointment policy dated: 29-12-2004. (Ref: letter # FD.PC-2-1/2007 Dated: 23rd July, 2007)</li> </ul> <p><b>Special Relief Allowance</b></p> <ul style="list-style-type: none"> <li>• Check that employees whose date of joining was 30-6-2005 onwards was paid special relief allowance @ 15 % of basic pay per month to a civil servant in BPS-1 to 22 as per revised pay scale 2005. This allowance continues to be admissible at frozen level on existing conditions.</li> </ul>		

Audit Procedure	Done By	WP Ref
<p>(Ref: para-6 of Finance department Letter # FD.PC.2-1/2005)                      (Ref: letter # No. FD.PC-2-1/2003)                      (Ref: Office memorandum # FD.PC-2-1/2007 Dated: July 23, 2007)</p> <ul style="list-style-type: none"> <li>• Check that the allowance is admissible to the employees transferred from one post to another taking effect after 01-07-2005, provided they were previously in receipt of such benefits.                      (Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)</li> <li>• Check that this allowance was also admissible on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL.                      (Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)</li> </ul> <p><b>Superannuation age</b></p> <ul style="list-style-type: none"> <li>• Check that superannuation pension is granted to a Government servant only on completion of age. Identify those Government officials who have attained the age of superannuation but are still in government job.</li> </ul> <p><b>Annual Increments</b></p> <ul style="list-style-type: none"> <li>• Check that the first annual increment of existing employees in basic pay scales, in which their pay is fixed on 01-07-2007 shall accrue on 1<sup>st</sup> December, 2007.                      (Ref: letter# FD.PC-2-1/2007 Dated: 23<sup>rd</sup> July, 2007)</li> </ul> <p><b>Dearness Allowance (Wage type: 1864)</b></p> <ul style="list-style-type: none"> <li>• Check that the dearness allowance @ 15 % sanctioned w.e.f. 1.07.2006 shall stand frozen at the level of its admissibility as on 30.06.2007 and the amount shall continue to be admissible to the entitled recipients until further orders but it will not be admissible to new entrants joining Govt. service on or after 01.07.2007.                      (Ref: letter# FD.PC-2-1/2007 Dated: 23rd July, 2007)</li> </ul> <p><b>Entertainment Allowance (Wage type 1518)</b></p> <ul style="list-style-type: none"> <li>• Check that this allowance is admissible to the Grade 19 and above officers only.</li> </ul>		

## 6.18 Audit Programme: Procurement

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit procedure	Done by	WP Ref
<p><b>Existence and occurrence</b>                      Check the:</p> <ul style="list-style-type: none"> <li>• Documentation (purchase order/purchase authorization/invoice/delivery receipt and receiving documentations)</li> <li>• Entry in inventory register.</li> <li>• Payments for product/material enter into ledger for current year.</li> <li>• Payment was made to the correct payee.                      (Para-4.15 to 4.40 of B&amp;R Code)                      (Para-4.18 to 4.45 of PWD Code)                      (Rule-2.20, 15.1 to 15.20 of Punjab Financial Rules)</li> </ul>		
<p><b>Completeness</b></p> <ul style="list-style-type: none"> <li>• Reconcile total expenditures on product/material with the amount recorded in the ledger.</li> <li>• Check that all material recorded as acquired in the year are charged against that year.                      (Rule-6.1 to 6.35 of Departmental Financial Rules)                      (Rule-17.2(2) of Punjab Financial Rules)</li> </ul>		
<p><b>Measurements</b></p> <ul style="list-style-type: none"> <li>• Check that the measurements were made in proper document/measurement books.</li> <li>• Check that goods were received as per order and paid for what was received. Identify any short fall by comparing purchase order and good received note.</li> <li>• Check that the invoices and payments have applied proper prices and include correct freight charges if applicable.</li> <li>• Check that advance payments have been reflected in the invoice and correspondingly deducted from payment.</li> <li>• Check arithmetical accuracy</li> <li>• Check applicable guarantees, service support.</li> <li>• Check that no payments were made for maintenance/replacement parts that were covered by warranties.</li> <li>• Check in case of late delivery, whether any penalties apply</li> </ul>		

Audit procedure	Done by	WP Ref
<p>under contract and if so, whether payment was adjusted accordingly.</p> <p>(Rule-7.17 of Departmental Financial Rules) (Para-4.5of B&amp;R Code)</p>		
<p><b>Regularity</b></p> <ul style="list-style-type: none"> <li>• Check that the acquisition process and the size of the purchase is within the authority limit of the authorizing officer.</li> <li>• Check that the supporting documents contained the justification for large purchases.</li> <li>• Check the expenditure was consistent with the nature of the appropriation to which it was charged.</li> <li>• Check that the supplier’s name is on list of approved vendors.</li> <li>• Check that in all major respects, the laws, regulations, rules and policies to the acquisition are complied with.</li> <li>• Procurement Process</li> <li>• Procurement methodology</li> <li>• Economy and effectiveness</li> <li>• Storage issues</li> <li>• Indent to supply</li> <li>• Storage</li> <li>• Issue policy</li> <li>• Arranging of stores</li> <li>• Limits of storage (PPR-2009)</li> </ul>		
<p><b>Monitoring and Maintenance</b></p> <ul style="list-style-type: none"> <li>• Examine the facilities for handling of equipments and check that: <ul style="list-style-type: none"> <li>○ the equipments placed in suitable places</li> <li>○ the storage is free of hazards are dangerous situation</li> <li>○ the handling equipment is in good handling order</li> <li>○ there were adequate periodic checks over the usage of equipments</li> <li>○ there are adequate physical control over the equipments to check that the equipment were properly safeguarded</li> </ul> </li> <li>• Check whether the maintenance of equipments records are sufficient to safeguarded the inventory <ul style="list-style-type: none"> <li>○ records are maintained up to date</li> <li>○ access to record is limited to make it difficult to alter to cover up theft</li> <li>○ regular reconciliation of actual equipments with inventory records and accounting records thereof</li> </ul> </li> </ul>		

## 6.19 Audit Programme: Contingent Expenses

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Repair of Govt. Vehicles</b></p> <ul style="list-style-type: none"> <li>• Check Vouched account.</li> <li>• Checks whether requisition from concerned officer/ official/driver for repair has been received.</li> <li>• Check whether estimate has been obtained from three motor workshops.</li> <li>• Check whether committee report has been prepared.</li> <li>• Check whether NOC has been obtained from SP/MT Punjab for expenditure more than Rs. 25,000.</li> <li>• Check whether comparative statement has been prepared and signed by the committee after obtaining quotations.</li> <li>• Check whether sanction of the competent authority has been obtained to incur expenditure.</li> <li>• Check whether purchase of spare parts has been made from sales tax registered firm and sale tax invoice obtained.</li> <li>• Check whether replacement of tyres/ battery has been made after spending prescribed life/covered prescribed distance.</li> <li>• Check whether entry of repair/detail of spare parts replaced has been made in the History Sheet/ Consolidated register of repair.</li> <li>• Check whether replaced parts have been received back and entered in the register of unserviceable articles.</li> <li>• Check whether Income Tax has been deducted/deposited into Govt. treasury at the time of payment.</li> <li>• Check whether actual payee receipt has been obtained from suppliers after payment.</li> <li>• Check whether payment has been made through bank draft/cheque/pay order.</li> </ul>	<p>1. IG Punjab Standing order No. 20 2.Rule 15.2 of PFR Vol-I. 3.Sr. No. 7-B of delegation of Financial Power Rules 2006 4. 4.49 of STR</p>		
<p><b>Irregular excess drawl of POL (over and above the prescribed limits) – Other checks</b></p> <ul style="list-style-type: none"> <li>• Check log books.</li> </ul>	<p>Chief secretary Letter No.</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<ul style="list-style-type: none"> <li>• Check Petrol Register.</li> <li>• Check whether monthly consumption of POL was within the limits prescribed.</li> <li>• Check whether calculation for consumption of POL for local duty and outside the municipal limits was calculated separately.</li> <li>• Check whether recovery was made in case of excess consumption of POL than prescribed limits.</li> </ul>	PA/ds (4) 1-57/90 dt 03-07-91		
<p><b>Irregular excess drawl of POL (over and above the prescribed limits) – other checks</b></p> <ul style="list-style-type: none"> <li>• Check Budget allocations.</li> <li>• Check expenditure statements.</li> <li>• Check Budget control/contingent register.</li> <li>• Check whether budget estimates were prepared and budget estimates were not under estimated.</li> <li>• Check whether 1st / 2nd excess surrender statements were sent to Finance Department on the fixed dates.</li> <li>• Check whether additional budget was obtained for payment of arrears of pay allowances of staff to avoid excess expenditure.</li> <li>• Check no payment was made against nil budgets.</li> <li>• Check reasons for excess expenditure.</li> </ul>	17.15 of PFR Vol- I		
<p><b>Irregular drawl of residential telephone charges over and above the prescribed limit.</b></p> <ul style="list-style-type: none"> <li>• Check calculation of monthly ceiling of each category of officer allowed residential telephone as per limits prescribed.</li> <li>• Check whether calculation of monthly ceiling of each officer allowed residential telephone was made in accordance with PTCL rates.</li> <li>• Check whether telephone bills watch register was maintained to watch the payments made to each officer during the financial year to avoid overpayment.</li> <li>• Check whether recovery of overpayment was made from the officer and deposited into Govt. treasury.</li> <li>• Check whether residential telephone charges claims submitted by officers were reduced to the prescribed limit every month to avoid excess payment.</li> </ul>	FD letter No. PW-11-2-24/tele/84 (p) dt 16-11-02		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Irregular mode of payment exceeding Rs. 100,000</b></p> <ul style="list-style-type: none"> <li>• Check Bill of each firm and actual payee receipt of each firm.</li> <li>• Check actual payee receipt of each firm.</li> <li>• Check that in case of payment of each firm up to/ exceeding Rs. 100,000, payment has been made through bank draft/ pay order/ cheque.</li> </ul>	4.49 of STR		
<p><b>Irregular expenditure on repair of building</b></p> <ul style="list-style-type: none"> <li>• Check technical sanction and administrative approval to incur the expenditure.</li> <li>• Check stock entries in case of purchase of building material.</li> <li>• Check measurement book.</li> <li>• Check inspection certificate by head of office regarding satisfactory work.</li> <li>• Check vouched account and detail of expenditure issued in case of deposit works obtained from Public Works Department.</li> </ul>	B&R code and CWD Rules		
<p><b>Irregular expenditure on printing charges</b></p> <ul style="list-style-type: none"> <li>• Check indent from user.</li> <li>• Check tender inquiry.</li> <li>• Check NAC of the Govt. Printing press.</li> </ul>	Serial No.3-b(Xiii) of part I of 2nd schedule of delegation of financial powers 1990 & para 24 of purchase manual		
<p><b>Transportation Charges</b></p> <ul style="list-style-type: none"> <li>• Scrutinize the transportation bills and see that payments were made after obtaining GP-7 from the recipient centre considering the remarks given at the GP-7 by the recipient centre.</li> <li>• Check the slips of the weighbridge while auditing the transportation bills and the GP-7</li> </ul>			
<p><b>Irregular Contingent Expenditure</b></p> <ul style="list-style-type: none"> <li>• Check that the consumption account of the AP tablet is prepared and its consumption is shown in the GP-8 under the signature of the ACI.</li> <li>• Check the inspection note book of the each centre.</li> </ul>			
<p><b>Entertainment Charges.</b> Check the following items:</p>			

Audit Procedure	Rule Ref	Done By:	WP Ref.
<ul style="list-style-type: none"> <li>• Agenda of Meetings;</li> <li>• List of Participants of meetings;</li> <li>• Adoption of tender enquiry system;</li> <li>• Sanction power; and</li> <li>• Govt. Rates for entertainment.</li> </ul>			

## 6.20 Audit Programme – Others\*

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Loss of Govt. Due to accident/burnt/theft of Govt. Vehicles.</b></p> <ul style="list-style-type: none"> <li>• Check sanctioned strength of Govt. Vehicles.</li> <li>• Check available strength of Govt. Vehicles.</li> <li>• Check list of Govt. Vehicles showing vehicle No, model, type, condition i.e. on road/ off road and name of officer/ official to whom allotted.</li> <li>• Check log book/ history sheet of Govt. Vehicles.</li> <li>• Check report of the officer/driver regarding incident.</li> <li>• Check Enquiry report of the incident.</li> <li>• Check whether the incident was reported to the head of office/ department.</li> <li>• Check whether case was got registered with Police station.</li> <li>• Check whether responsibility was fixed for taking necessary action for recovery/ write off loss in the light of decision given by enquiry.</li> </ul>	Rule 2.35 (2) of PFR Vol -I		
<p><b>Loss of Govt. Due to shortage of stores.</b></p> <ul style="list-style-type: none"> <li>• Check stock registers.</li> <li>• Check physical verification reports.</li> <li>• Check charge handing/taking over reports at the time of transfer of store keepers.</li> <li>• Check physical verification of stock was made periodically/ annually.</li> </ul>	1. Rule 15.1 of PFR Vol-I 2. Rule 2.35 of PFR Vol - I		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Non deposit of sales tax/income tax into Govt. Treasury.</b></p> <ul style="list-style-type: none"> <li>• Check paid vouchers.</li> <li>• Check Sales tax invoice or bank challans showing deposit of sales tax. Also check whether sales tax invoices has been obtained with the bill from the suppliers in case of sales tax registered firm.</li> <li>• Check bank challans showing deposit of Income Tax.</li> <li>• Check whether sales tax has been deposited into Govt. Treasury in case of non-registered firms.</li> <li>• Check whether Income tax has been deducted from claim of suppliers at source at the time of submission of bill to Accounts Office.</li> <li>• Check whether Income Tax has been deducted and deposited into Govt. Treasury at the time of payment to suppliers if already not deducted at the time of submission of bill to Account Office.</li> </ul>	<p>1. S.O Tax 1-19/97 dt 19-9-98. 2. Income tax Ordinance 2001</p>		
<p><b>Defective maintenance of record</b></p> <p><b>(A) Acquaintance Rolls:</b></p> <ul style="list-style-type: none"> <li>• Check that whether amount shown to be disbursed in acquaintance roll is equal to the amount drawn. In case of any difference between acquaintance roll and pay bill, the same has been properly accounted for i.e. shown unpaid, refunded by short drawl next month or deposited into Govt. Treasury.</li> <li>• Check whether signature of the official shown paid have been verified by the DDO or officer nominated by him.</li> <li>• Check whether revenue stamps have been affixed.</li> <li>• Check whether acknowledgment has been received in case of payment through money order, bank draft to officials placed at duty at other stations.</li> </ul> <p><b>(B) Log Books:</b></p> <ul style="list-style-type: none"> <li>• Check whether name of the department, the designation of the officer in charge. His telephone number and registration number of Govt. Vehicles has been mentioned on the first page of the log book.</li> <li>• Check whether log book has been maintained on prescribed form containing time, date, particulars of</li> </ul>	<p>1. Rule 7.13 of PFR Vol-I 2. Rule 7.14 of PFR Vol-I 3. Rule 7.15 of PFR Vol -I.</p> <p>Staff Vehicle Rules 1969</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>journey, purpose of journey (official/ private) name/ signature of the officer utilizing Govt. Vehicle. Also Check that Meter reading and petrol issued has been recorded in the log books.</p> <ul style="list-style-type: none"> <li>• Check whether monthly Goshwaras showing total petrol consumed and distance covered. Check that Average rate of distance covered per litre has been maintained and compared with the average rate of distance per litre given by Motor Vehicle Examiner.</li> <li>• Check whether log books have been updated on daily basis/regularly.</li> </ul> <p><b>(C) Stock Registers:</b></p> <ul style="list-style-type: none"> <li>• Check whether closing balances of previous year have been counted for as opening balance in next financial year.</li> <li>• Check whether stores received have been correctly recorded in the stock registers i.e. quantity, specification rate and cost has been shown in the stock register.</li> <li>• Check entries in the stock register regarding receipt and issuance of stores have been checked/signed by the officer in charge.</li> <li>• Check separate stock register for consumable and non-consumable items have been maintained.</li> <li>• Check balances shown in stock register have been physically checked/ verified periodically/ annually.</li> </ul> <p><b>(D) Consumption account of consumable stores:</b></p> <ul style="list-style-type: none"> <li>• Check Receipt and issuance of stores have been correctly recorded in the stock registers.</li> <li>• Check stores have been issued with the orders of the authorized officers.</li> <li>• Check balance of stores has not been held in excess of the requirements of a reasonable period i.e. six months.</li> </ul> <p><b>(E) Record of unserviceable spare parts received back:</b></p> <ul style="list-style-type: none"> <li>• Check that reference of bill number, date of newly purchased spare parts/repairs and Govt. Vehicle number is shown with the detail of spare parts</li> </ul>	<p>Rule 15.4 &amp; 15.5 of PFR Vol-I</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>received back.</p> <ul style="list-style-type: none"> <li>• Check that spare parts received back are transferred to SP MT Punjab for auction regularly.</li> </ul>			
<p><b>Non auction of un serviceable</b></p> <ul style="list-style-type: none"> <li>• Check Stock register of condemned and unserviceable articles.</li> <li>• Check order of competent authority of condemnation of articles.</li> </ul>	15.21-5 PER vol-I		
<p><b>Non deposit of cost of tender received from contractors</b></p> <ul style="list-style-type: none"> <li>• Check Tender forms issue register.</li> <li>• Check account of tender form printed and soled and balance.</li> </ul>	2.37 of PFR vol-1		
<p><b>Loss of stores due to negligence</b></p> <ul style="list-style-type: none"> <li>• Check stock register of store / stock.</li> <li>• Check physical verification of store.</li> <li>• Check Report of shortage if any.</li> </ul>	15.1 & 15.4 of PFR vol-I		
<p><b>Lapse of funds due to non surrendering</b></p> <ul style="list-style-type: none"> <li>• Check expenditure statement.</li> <li>• Check contingent register.</li> <li>• Check reconciliation of figure with AG/DAO.</li> </ul>	Rule 17.20 of PFR Vol-I		
<p><b>Undue retention of Govt. Money into chest with cashier</b></p> <ul style="list-style-type: none"> <li>• Check monthly balances of cash book.</li> <li>• Check disbursement register.</li> </ul>	Rule 2.2 PFR Vol-I		
<p><b>Non verification of Govt. Deposits</b></p> <ul style="list-style-type: none"> <li>• Check receipt vouchers</li> <li>• Check cash book.</li> <li>• Check deposit challan.</li> <li>• Check verification of deposit by T.O.</li> </ul>	Rule 2.4 PFR Vol-I		
<p><b>Misuse of general duty vehicles</b></p> <ul style="list-style-type: none"> <li>• Check allocation of vehicles.</li> <li>• Check list of vehicles.</li> <li>• Check log books.</li> </ul>	Item No. 49 of Appendix 14 of PFR vol-II staff		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<ul style="list-style-type: none"> <li>• Check vouchers of POL.</li> </ul>	vehicle Rules 1969		
<b>Non obtaining of actual payee receipts</b> <ul style="list-style-type: none"> <li>• Check cash book.</li> <li>• Check payment vouchers.</li> </ul>	Rule 2.22 (i) PFR Vol- I Rule 8.5 of PFR Vol-I		
<b>Non deposit of rent of canteen/shops/petrol pumps into govt. Treasuries.</b> <ul style="list-style-type: none"> <li>• Check contract/auction of canteen.</li> <li>• Check receipt account of rent.</li> <li>• Check deposit challan.</li> </ul>	Rule 7 of Punjab Treasury Rules		
<b>Non recovery/defective system of recovery on account of pension and commuted value from the reinstated employees.</b> <ul style="list-style-type: none"> <li>• Check cash book.</li> <li>• Check order for dismissed and reinstatement.</li> <li>• Check deposit challan.</li> </ul>	FD-SR-111-4 dt. 24-03-87 FD-111-4-13/84 dt 24-03-1987		
<b>Non registration of newly purchased govt. Vehicles</b> <ul style="list-style-type: none"> <li>• Check list of vehicles.</li> <li>• Check registration book.</li> </ul>	Para 5 of the west Pakistan Govt. Staff Vehicle(Use & maintenance Rule 1969)		
<b>Non auction of condemned vehicles/unserviceable spare part etc.</b> <ul style="list-style-type: none"> <li>• Check list of vehicles.</li> <li>• Check condemnation orders.</li> </ul>	FD Letter No. (A.A) 11-4/67, dated 17-05-1970(Pb DFR Rules 1990) 15.18 of PFR Vol-I		
<b>Non deposit of canteen rent into govt. Treasury</b> <ul style="list-style-type: none"> <li>• Check auction register tender file.</li> <li>• Check challan form verification by DAO.</li> </ul>	4.1 of PFR Vol- I		
<b>Loss of govt. Due to expiry of medicine</b> <ul style="list-style-type: none"> <li>• Check DTL certificate from the department.</li> <li>• Check stock register.</li> <li>• Check Bin cards.</li> </ul>	15.1 & 15.4 of PFR Vol-I		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Non maintenance of record of spoiled milk, rotten eggs &amp; non replacement from contractors</b></p> <ul style="list-style-type: none"> <li>• Check account register of spoiled milk &amp; rotten eggs.</li> <li>• Check challan verified by the DAO.</li> </ul>	<p>15.1 &amp; 15.4 of PFR Vol-I</p>		
<p><b>Budget and expenditure statement</b></p> <ul style="list-style-type: none"> <li>• Check that expenditure is not in excess of the budget.</li> <li>• Check that no expenditure has been sanctioned against which the budget has not been provided.</li> <li>• Check that saving was properly surrendered or not and case of the excess saving has been pointed out or not.</li> <li>• See that the expenditure was sanctioned within the competency.</li> </ul>	<p>Punjab Budget Manual 17.20 of PFR Vol. I 17.5 of PFR Vol.I</p>		

**\*This is a generalized Audit Program applicable to all departments as required. It includes steps to be performed for the audit of Health Department and Services and General Administration Department.**

### 6.21 Audit Programme: Local Government and Rural Development Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A05 Grants Subsidies and Write Offs

For audit procedures refer to Section C, D and F of Grants-in-Aid and Contribution Audit Programme Steps elaborated in Execution File of FAM.

### 6.22 Audit Programme –Food Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A07 Interest Payments

A09 Physical Assets

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Acquisition and repayment of Loan.</b></p> <ul style="list-style-type: none"> <li>• Check whether loan was obtained with the approval of the authority.</li> <li>• Check whether loan was entered in ledger/ register to watch the progress of loan.</li> <li>• Check whether repayment of loan was made promptly as soon as sale proceeds of wheat received in the account of Food department without any delay however incase of delayed payment, the amount of interest on delayed payment be work out.</li> <li>• Check whether rate of interest for each quarter dully notified by the authority was available and interest worked out accordingly.</li> <li>• Check whether profit and loss account prepared and stocks equal to loan amount available with the department.</li> <li>• Check whether incidental charges worked out correctly and approved from the Finance department.</li> </ul>	<p>para 16 of Food Manual</p> <p>para 19 &amp; 23 of Food Manual para 22 of Food Manual</p> <p>para 22 of Food Manual</p>		
<p><b>Receipt and utilization of Subsidy</b></p> <ul style="list-style-type: none"> <li>• Check whether amount of subsidy was received from the government and used for repayment of loan timely.</li> <li>• Check if amount due of subsidy was not received, efforts were made for grant of subsidy. Also check the effect of less receipt of subsidy amount.</li> </ul>	<p>Subsidy Policy of relevant year</p>		
<p><b>Non maintenance of Policy Files</b></p> <ul style="list-style-type: none"> <li>• Check whether sufficient arrangements for procurement of wheat were made well in time.</li> <li>• Observe the effect of wheat release policy.</li> <li>• Check whether wheat imported according to the need of the province.</li> <li>• Check whether wheat stock not carried forwarded in abnormal quantity.</li> </ul>	<p>Wheat Procurement Policy of relevant year</p> <p>Wheat release policy of relevant year</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Irregular sale and purchase of wheat</b></p> <ul style="list-style-type: none"> <li>• Check whether sale rate of wheat to other provinces was fixed after inclusion of incidental charges.</li> </ul>	As per policy announced by Govt. for that year		
<p><b>Delay in payment of interest</b></p> <ul style="list-style-type: none"> <li>• Check whether amount due against other provinces was received well in time and in case of delayed payment by the provinces, interest was charged.</li> </ul>			
<p><b>Non compliance of tendering process</b></p> <ul style="list-style-type: none"> <li>• Check whether tendering process for transportation of wheat was in accordance with the rules and transparent.</li> <li>• Check whether progress of contract is being watched and in case of failure of a contractor to fulfill the contract, action was taken according to the transportation policy of the department.</li> <li>• Check the recoveries being made from the officials which were imposed upon them. Check the period since recoveries are pending.</li> </ul>	<p>Para 7 of purchase manual</p> <p>Transport policy of that year</p> <p>4.1 of PFR Vol. I</p>		
<p><b>Non compliance of E &amp; D process</b></p> <ul style="list-style-type: none"> <li>• Check the progress of compliance with E&amp;D rules.</li> </ul>	E&D rule 1964		
<p><b>Scrutiny of Appendixes</b></p> <ul style="list-style-type: none"> <li>• Scrutinize appendix-G for verification of balances and excessive purchase of bardana.</li> <li>• Scrutinize appendix-c for verification of wheat issued to other provinces, flour mills and shortage if any.</li> </ul>			
<p><b>Improper maintenance of Running Accounts</b></p> <ul style="list-style-type: none"> <li>• Check that department are preparing thier running accounts.</li> </ul>			
<p><b>Lack of Monitoring System</b></p> <ul style="list-style-type: none"> <li>• Check that whether system for monitoring of godowns exists and sufficient arrangements were made to safeguard the wheat stock. Also check the damage in godowns.</li> </ul>	G.P-5		
<p><b>Irregular Purchase of Wheat</b></p> <ul style="list-style-type: none"> <li>• Payment of wheat without physical existence.</li> </ul>	Rule 2.33 of PFR Vol.I		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Improper sale of Wheat</b></p> <ul style="list-style-type: none"> <li>• Check that wheat is not issued at lower rates or without payment.</li> </ul>	Wheat release policy of relevant year		
<p><b>Inventory Mismanagement</b></p> <ul style="list-style-type: none"> <li>• Check that is there any engagement of temporary chowkidars without requirement and in deviation of formula.</li> <li>• Check that wheat was issued to the flour mills after deposit of the sale price. No issue can be made without advance payment of cost of wheat.</li> <li>• Check that wheat to the flour mills in the district was issued in accordance with the wheat release policy.</li> <li>• Check that wheat issued to the other districts was made in accordance with allocation made by the Food Deptt.</li> <li>• Check that acknowledgement in shape of GP-7 from the concerned quarter was received against issue of wheat as per GP-6.</li> <li>• Check that while issuing wheat to the flour mills, release permit of DFC was issued.</li> <li>• Scrutinize wheat purchase bills and compare quantity purchased as in the GP-5, 8 and gate register.</li> <li>• Check that bardana was issued after obtaining call deposit and same was entered in the bardana issue register.</li> <li>• Check that the call deposit of the farmers who did not return the bardana was forfeited.</li> <li>• Compare the balances of bardana and stock articles of the pervious schemes brought forwarded to the next schemes.</li> <li>• Check that in case of issue of bardana and stock articles from one center to the another, the approval of the DFC was obtained and also GP-7 was received against the GP-6 of the same quantity.</li> <li>• Check the monthly goshwara of bardana and stock</li> </ul>	<p>Wheat release policy of that year</p> <p>Wheat release policy of that year</p> <p>Wheat release policy of that year</p> <p>4.7(1) of PFR Vol.I</p> <p>4.7(1) of PFR Vol.I</p> <p>Rule 10 &amp; 11 of delegation of</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
articles. <ul style="list-style-type: none"> <li>• Check that wheat was stored as per instructions of the Department.</li> <li>• Check that issue of wheat was made according to the priorities fixed by the Deptt.</li> <li>• Check that incase of bardana and stock articles declared as unserviceable, such declaration was made after obtaining sanction from the competent authority.</li> <li>• Check that handing and taking over of bardana and stock articles was made with the newly posted staff at the PR center.</li> <li>• Check that items declared as unserviceable by the competent authority have been auctioned after observing codal formalities.</li> </ul>	Financial Power Rule 2006  15.18 & 15.21 (4) of PFR Vol.I		
<b>Improper Book Keeping</b> <ul style="list-style-type: none"> <li>• Physical inspection in respect of the repair of the godowns if so, may be made.</li> <li>• Godown clearance report i.e. SF-26 may be checked.</li> </ul>			

### 6.23 Audit Programme -Finance Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A05 Grants Subsidies and Write offs

A04 Employee Retirement Benefits

Audit Procedure	Rule Ref	Done By:	WP Ref.
<b>Irregular procedure of Debt</b> <ul style="list-style-type: none"> <li>• Check if debt conforms to Article 79 of Constitution and within limits prescribed by Legislation</li> <li>• Check that all new loans have been reported to</li> </ul>	APPM		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>the State Bank</p> <ul style="list-style-type: none"> <li>• Check that policy directives of Finance Division regarding debt limitation are being complied with</li> <li>• Obtain a copy of monthly report received by EAD/MoF from project authorities (project directors and controlling ministries), providing detail on the receipt and utilisation of external and domestic loans and compare with liability recognized in the accounts.</li> <li>• Check that immediately after a loan repayment is made, SBP informed EAD/MoF of the repayment, with a copy to AG office. All relevant details of the repayment should be included in this advice, including following: <ul style="list-style-type: none"> <li>○ loan identifier,</li> <li>○ relevant account heads,</li> <li>○ date of repayment interest and principal</li> <li>○ components of the repayment, in Rupees, as well as the relevant foreign currency.</li> </ul> </li> <li>• Check whether prior to authorisation, EAD/MoF has conducted a certification exercise, to Check the accuracy of the following: <ul style="list-style-type: none"> <li>· repayment schedules of the loan agreement</li> <li>· amount (principal and interest)</li> <li>· payment of related fees and charges</li> <li>· currency</li> <li>· demand notice from the lender</li> <li>· account heads to be used (principal, interest, related expenses),</li> </ul>                     and check against available budget (i.e. debt servicing budget) </li> <li>• Check that EAD/MoF shall authorise the State Bank of Pakistan to make the repayment, informing them of the relevant details.</li> <li>• Check that whether the scheduling of loan repayments is undertaken by EAD (in relation to external loans) and MoF (in relation to domestic loans), in accordance with the schedules provided in loan agreements.</li> <li>• Identify whether the debt is of the nature that does not require repayment (eg. certain classes of debt retirement scheme) and for such debts check</li> </ul>	<p>11.7.1.5</p> <p>APPM 11.5.3.4</p> <p>APPM 11.5.3.2</p> <p>APPM 11.5.3.1</p> <p>APPM 11.5.3.1</p> <p>APPM 11.3.3.3</p> <p>APPM 11.3.3.3</p> <p>APPM 11.3.2.2</p> <p>APPM 11.3.2.2</p> <p>APPM 11.3.2.1 &amp; 11.3.2.3</p> <p>APPM 11.3.1.2</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>if it is recognized in the liabilities or not as the same are not considered liabilities, and shall not be recorded as such. (External debt is managed by the Economic Affairs Division.)</p> <ul style="list-style-type: none"> <li>• Obtained detailed rules and regulations issued by MoF, governing the administration of foreign loans and check compliance of the same.</li> <li>• Identify whether external debt is obtained from abroad and distinguish debt from grants received from overseas donors, if any.</li> <li>• Obtain procedures for domestic loans regulated by Public Debt Act (1944) with supplementary procedures set out in the Government Securities Manual and check compliance of the same.</li> <li>• Obtain specific rules and procedures determined by Finance Division/Economic Affairs Division and check compliance of the same.</li> <li>• Obtain debt report produced by the AG office or DAO as the case may be. Debt report (see 1.3 and 1.3a of MERR) containing balances of the various classes of public debt, and movements in those balances. This report shall be produced in accordance with the format laid down in the Manual of External Reporting Requirements.</li> </ul>	<p>APPM 11.1.1.1 APPM 7.2.7.1</p>		

## 6.24 Audit Programme –Housing and Physical Planning, Communication and works, Irrigation and Power

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A05 Grants Subsidies and Write offs

A12 Civil Works

Refer to the guidelines issued for Directorate General Work Audit (Provincial) for relevant audit programmes.

## 6.25 Audit Programme -Home Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A012 Regular Allowances

A03 Operating Expenses

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Irregular expenditure on repair of building</b></p> <ul style="list-style-type: none"> <li>• Check vouched account.</li> <li>• Check rough cost estimate duly verified by SDO Public Works Department.</li> <li>• Check technical sanction to incur the expenditure.</li> <li>• Check administrative approval.</li> <li>• Check stock entries in case of purchase of building material.</li> <li>• Check measurement book.</li> <li>• Check inspection certificate by head of office regarding satisfactory work.</li> <li>• Check vouched account and detail of expenditure issued in case of deposit works obtained from Public Works Department.</li> </ul>	<p>1.Prisons Rule 875 to 887 Chapter 35 Prison Buildings 2.Police Department Rule 3.1 to 3.14 Chapter III Police Rules 1934 Vol- I</p>		
<p><b>Non recovery of cost of time expired uniform articles.</b></p> <ul style="list-style-type: none"> <li>• Check uniform issue register</li> <li>• Check stock register of sold uniform (unserviceable)</li> <li>• Check recovery register.</li> </ul>	<p>Rule 4.21 &amp; 4.22 Chapter iv clothing Police Rule 1934 Vol-I SP Tele letter No. 8409-2/E dated 1-3-78.</p>		
<p><b>Non condemnation of unserviceable govt. Vehicles/transfer to SP MT Punjab for auction.</b></p> <ul style="list-style-type: none"> <li>• Check Strength of vehicles.</li> <li>• Check list of vehicles available</li> <li>• Check history sheet of vehicles</li> <li>• Check detail of off-road vehicles.</li> </ul>	<p>FD letters No. (AA)-11-4/67 dated 17-05-1970, 23-04-1971 and 14-04-1980</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p><b>Non deposit of un-claimed property</b></p> <ul style="list-style-type: none"> <li>• Check list/detail of unclaimed property approval of dispose off by competent authority completion of formality.</li> </ul>	<p>Rule 134 &amp; 137 Chapter XV of Police Order 2002</p>		
<p><b>Non recovery of uniform, belt, boxes etc. from official dismissed or left the service</b></p> <ul style="list-style-type: none"> <li>• Check attendance register.</li> <li>• Check absentee statement.</li> <li>• Check orders of dismissed.</li> <li>• Check relieving of officer.</li> </ul>	<p>Chapter IV clothing Rule 35.4 of chapter IV Pb Police Rules Vol-I</p>		
<p><b>Non deposit of training charges collected by SP MT Punjab from trainee drivers obtaining training in police welfare driving schools into govt. Treasury.</b></p> <ul style="list-style-type: none"> <li>• Check receipt register.</li> <li>• Check attendance register of trainee drivers</li> <li>• Check rate of charges.</li> <li>• Check T.Cs.</li> </ul>	<p>4.1 of PFR Vol- I</p>		
<p><b>Non deposit of sale of dry bread pieces into govt. Treasury</b></p> <ul style="list-style-type: none"> <li>• Check Sale register of dry bread.</li> <li>• Check list of prisoners attested by the Superintendent jail.</li> </ul>	<p>IG(Prison) letter No. Budget/25754-60 dt 19-06-2005 4.1 of PFR Vol- I</p>		
<p><b>Non utilization of agriculture land attached with jails.</b></p> <ul style="list-style-type: none"> <li>• Check land register.</li> <li>• Check stock register.</li> <li>• Check contract file (if any).</li> </ul>	<p>Rule 854 Chapter 34 Maintenance of gardens of Jail Manual</p>		
<p><b>Non auction of dry wood/ unserviceable stores at jails.</b></p> <ul style="list-style-type: none"> <li>• Check stock register of condemned and unserviceable articles.</li> <li>• Check orders of competent authority.</li> </ul>	<p>15.21-5 PFR Vol –I 15.18 of PFR vol –I</p>		
<p><b>Malkhana account.</b></p> <ul style="list-style-type: none"> <li>• Check that every officer in-charge of the station examines the property in accordance with the Rule 22.15 of Police Rules 1934.</li> <li>• Check that each weapon, or article of property not</li> </ul>	<p>Rule 22.15 of Police Rules, 1934 Rule 22.16 of</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>being cattle, seized under the provisions of Police Rules is marked or labeled in accordance with the Rule 22.16 of Police Rules 1934.</p> <ul style="list-style-type: none"> <li>• Check that the officer-in-charge of the police station examines Government and other property in the store-room in accordance with Rule 22.18 of Police Rules, 1934.</li> <li>• Check that the head of the Legal Branch, with the help of his assistants, maintains the registers as specified in Rule 27.11 of Police Rules 1934 and Section 512 of Code of Criminal Procedure.</li> <li>• Check that Deputy Superintendent of police (Legal) with the assistance of his staff takes charge of weapons, articles and property connected with their safe custody until the case is decided. Also check that when final orders are passed in the case, such weapons, articles and property are, if not made over to the owner, are made over to the District Nazir.</li> <li>• Check that the Deputy Superintendent of police (Legal) takes charge of, and be responsible for the safe custody of suspicious property until the issue of the proclamation under section 523 of the Criminal Procedure Code, when such property be made over to the District Nazir.</li> <li>• Check that unclaimed property is dealt with in accordance with Rule 27.11(1) of Police Rules 1934.</li> <li>• Check that weapons, articles and property received in connection with cases are dealt with as per Rule 27.13(1) and Rule 22.18 of Police Rules 1934.</li> </ul>	<p>Police Rules, 1934</p> <p>Rule 22.18 of Police Rules, 1934</p> <p>Rule 27.11 of Police Rules, 1934 and Section 512 Code of Criminal Procedure</p> <p>Rule 27.12.(1) of police rule,1934</p> <p>Section 523 of the Criminal Procedure Code</p> <p>Rule 27.11(1) of Police Rules 1934.</p> <p>Rule 27.13.(1) of Police Rules,1934 &amp; Rule 22.18 of police rule</p>		
<p><b>Irregular expenditure under sub head investigation cost</b></p> <ul style="list-style-type: none"> <li>• Check Cash book of imprest money provided for expenditure for investigation.</li> <li>• Check Road certificates showing inspection report of range disbursement of imprest money.</li> <li>• Check Inspection report of range auditors on</li> </ul>	<p>1. Rule 2.8 of PFR Vol-I</p> <p>2. IG Punjab letter No. 19279/F-I dt 23-11-05.</p> <p>3.IG Punjab</p>		

Audit Procedure	Rule Ref	Done By:	WP Ref.
<p>investigation cost.</p> <ul style="list-style-type: none"> <li>• Check that whether cash book showing amount of imprest money, day to day expenditure and recoupment of expenditure was maintained.</li> <li>• Check complete vouched account i.e Bills, cash memos, actual payee receipts, and registration book of hired vehicle/copy of national identity card of driver to whom payment was made.</li> <li>• Check stock entry of stationery, films etc purchased was made.</li> <li>• Check Rates of expenditure for investigation of different crimes and procedures/ instructions given by Inspector General of Police Punjab vide standing order No. 1/2005 and No. 19279/F7 dated 23.11.02 were observed.</li> </ul>	<p>standing order No. I/2005</p>		

### 6.26 Audit Programme –Agriculture Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

**Material Objects for Integration:**

A03 Operating Expenses

A012 Pay of Other Staff

Audit Procedure	Done By:	WP Ref.
<p><b>Recovery outstanding against pattadars</b></p> <ul style="list-style-type: none"> <li>• Check that the recovery due is being affected or not.</li> <li>• Check that the land was auctioned after observing all coded formalities.</li> <li>• Compare the treasury challans with the verified statement by the DAO.</li> <li>• Compare the quantity of the seeds and fertilizers sown with the area sown.</li> <li>• Compare the average yield per acre with the standard production of that area.</li> <li>• Check that the production and the sale of the agricultural products</li> </ul>		

<b>Audit Procedure</b>	<b>Done By:</b>	<b>WP Ref.</b>
<p>are at the competitive rates.</p> <ul style="list-style-type: none"> <li>• Check the demand and collection record and treasury challans.</li> </ul>		
<p><b>Recovery outstanding against officials</b></p> <ul style="list-style-type: none"> <li>• Check the demand register and compare the demand with the received amount.</li> <li>• From the office order file, check that the recoveries have been made and entered in demand register and S. Book.</li> </ul>		
<p><b>Audit points regarding audit of the universities.</b></p> <ul style="list-style-type: none"> <li>• Check that cut conversion material as per felling schedule and form-5 have been taken in form-6 sale depot register and stock register timber form-7.</li> <li>• See that the orderly allowance has been stopped or otherwise.</li> <li>• Object the payment the medical allowance to the gazetted officers.</li> <li>• See that all outstanding advances have been adjusted or not.</li> <li>• Pay is being disbursed as per rules of the Govt. of the Punjab.</li> <li>• That the expenditure is being pre-audited or not.</li> </ul>		
<p><b>Development schemes and projects are not according to PC1.</b></p> <ul style="list-style-type: none"> <li>• Check that operations are carried out and rates charged according to provision of PC-I.</li> </ul>		

## 6.27 Audit Programme –Forest Department

**Audit Entity:**

**Audit Period:**

**Date(s) Conducted:**

<b>Audit Procedure</b>	<b>Rule Reference</b>	<b>Done By:</b>	<b>WP Ref.</b>
<p><b>Recovery outstanding against contractors</b></p> <ul style="list-style-type: none"> <li>• Check form 11.</li> <li>• Check with documentary evidence that the contractor had lifted the timber / material after the issue of work order but balance amount was not deposited</li> </ul>	Sub para 24 (5-V) of para 3.20 Part V of Forest manual Vol.III		
<p><b>Confiscation of earnest money</b></p> <ul style="list-style-type: none"> <li>• Check Work Orders.</li> <li>• Check that earnest money has been confiscated and deposited in Government Treasury incase if the</li> </ul>	2.33 of PFR Vol.I  2.2 of PFR Vol.I		

Audit Procedure	Rule Reference	Done By:	WP Ref.
contractor is found defaulter.			
<p><b>Supply of seeds/plantation without acknowledgement</b></p> <ul style="list-style-type: none"> <li>• Check Form 12.</li> <li>• Check that demand of seeds/plantation has been received on printed pad and with stamp of the head of Educational Institute, specifying the blank area of the Education Institute. Check that the demand and issue are according to the area.</li> <li>• Check that Range officer / Sub-Divisional Forest Officer had obtained sanction from his higher competent officer before issue. (with reference to DFR, 2006).</li> <li>• Check that proper acknowledgement of the total plants or stumps issued are on record.</li> </ul>	15.5 of PFR Vol.I		
<p><b>Forest offence cases not yet finalized</b></p> <ul style="list-style-type: none"> <li>• Check that all the forest offence cases have been disposed off; <ul style="list-style-type: none"> <li>○ by compounding them and effecting recovery;</li> <li>○ by prosecution in the Court of Law (these cases will be treated as not finalized till decision of court); or</li> <li>○ loss sustained by less imposing of fine than value of actual damage have been written off through approval of competent authority</li> </ul> </li> </ul>	7 to 12 & 27 of (rule No.3.8 chapter III-misc) Forest Manual-III		
<p><b>Forest offence cases registered with Police</b></p> <ul style="list-style-type: none"> <li>• Check that police authorities have offered the challans to the respective courts.</li> <li>• Check that in how many cases, the challans could not be submitted in the Court of Law due to non pursuance.</li> </ul>	7 to 12 & 27 rule 63 (chapter III-Misc) Forest Manual III 2.4(1) of Forest Manual vol.III		
<p><b>Non Recording of plants, Seed / other store articles</b></p> <ul style="list-style-type: none"> <li>• Check that plants, seed and other store items received from other ranges / Divisions have correctly been accounted for in the relevant stock register.</li> </ul>	15.4 of PFR Vol.I		
<p><b>Timber / Firewood / given on Superdari not disposed off</b></p> <ul style="list-style-type: none"> <li>• Check form no 17.</li> <li>• Point out non-deposal specifying the date since when it is lying un-disposed</li> </ul>	3.20 (23) of Forest Manual Vol. III		

<b>Audit Procedure</b>	<b>Rule Reference</b>	<b>Done By:</b>	<b>WP Ref.</b>
<b>Non Recording Timber Form 7</b> 1. Check that form 7 is complete in all respects and point out if any of information is missing.	15.4(A) of PFR Vol.I		
<b>Deposit of Government Money realized from offender /Non return of surplus and dismantled material to store.</b> <ul style="list-style-type: none"> <li>Check that all amount received from the offenders etc. has been timely deposited and in full.</li> </ul>	15.60 of Forest Manual Vol.III		
<b>Un-authorized occupation of Forest area</b> <ul style="list-style-type: none"> <li>Check cases of encroachments not reported earlier.</li> </ul>	2.4 (1) of forest Manual vol.I		
<b>Cut conversion material (timber and firewood)</b> <ul style="list-style-type: none"> <li>Check that cut conversion material has been taken in form-6, sale depot register and stock register timber form-7 as per felling schedule and form-5.</li> </ul>	As per Felling Programme		
<b>Forest operational Charges</b> <ul style="list-style-type: none"> <li>Check that rates applied for different forest operation have been charged according to Forest schedule rates 1974 and also check that whether the said operation was provided in annual plan of operation.</li> </ul>	2.33 of PFR vol.I		
<b>Development schemes and projects not according to PC1.</b> <ul style="list-style-type: none"> <li>Check that operations are carried out and rates charged according to provision of PC-I.</li> </ul>	As per PC-I		

## 6.28 Audit Programme- Irrigation & Power Department

**AUDIT ENTITY:**

**AUDIT PERIOD:**

**Date (s) Conducted:**

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<b>Blockade of Government Revenue due to non-finalization of Tawan cases.</b> <ul style="list-style-type: none"> <li>Check Receipts Register of Tawan Cases.</li> <li>Check case files of Tawan Cases.</li> </ul>	Instructions issued by the Chief Engineer, Irrigation Works vide No. CE (IW)-11446/ 55/ R/57/30 of 25 <sup>th</sup> February,1952		
<b>Non-realization of abiana on supply of canal water for use of non irrigation purposes.</b>	Section 36 of the Canal and Drainage Act, 1873		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
<ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register water charges</li> <li>• Check Naqsha No.18</li> <li>• Check Treasury Challans</li> <li>• Check the implementation of Canal and Drainage Act, 1873.</li> </ul>	and rules 11, 12 and 13 of the Canal and Drainage Rules, 1873.		
<p><b>Non recovery of Abiana even on expiry of validity of court Stay Orders</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> <li>• Check files of the assesses along with stay orders issued by the Courts</li> </ul>	Clause 4-A of Article 199 of the Constitution of the Islamic Republic of Pakistan read with the Law Department's Circular No.A-1929-89/2059-LR-IV of 23 <sup>rd</sup> August, 1989		
<p><b>Non/improper maintenance of records relating to receipt accounts-loss of substantial government revenue</b></p> <ul style="list-style-type: none"> <li>• Check maintain of revenue record</li> <li>• Check Naqsha No. 5 &amp; 18</li> </ul>	Rule 11 to 13 of the Canal Drainage Rules, 1873.		
<p><b>Loss of possible government revenue due to non-auction/non leasing of government properties</b></p> <ul style="list-style-type: none"> <li>• Property yield produce register</li> <li>• Cash Book</li> <li>• Receipts Book</li> </ul>	Para No. 13,22 of the Revenue Manual		
<p><b>Non –realization of electricity duty on self generation and consumption of electricity power</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check treasury challans</li> <li>• Check relevant files of assesses.</li> </ul>	Section 13 of the West Pakistan Punjab Finance Ordinance, 2001and rule 7 of the electricity duty rules, 1964		
<p><b>Concealment of arrears of electricity duty</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check relevant files of assesses</li> <li>• Check Treasury Challans</li> </ul>	Section 14 of the West Pakistan Electricity Duty Act 1964		
<p><b>Short Realization of electricity duty due to application of incorrect rate</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check treasury challans</li> <li>• Check relevant files of assesses</li> </ul>	Fifth schedule of the West Pakistan Finance Act 1964		
<p><b>Non-imposition of penalty on late deposit of electricity duty</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check treasury challans</li> </ul>	Rule 5 of the West Pakistan Finance Act, 1964		

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<ul style="list-style-type: none"> <li>• Check relevant files of assesses</li> </ul>			
<b>Blockage of electricity duty due to non-pursuance of stay orders issued by court</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check relevant files of assesses</li> <li>• Check Treasury Challans</li> <li>• Check files of the assesses along with stay orders issued by the Courts</li> </ul>	Clause 4-A of Article 199 of the Constitution of the Islamic Republic of Pakistan read with the Law Department's Circular No.A-1929-89/2059-LR-IV of 23 <sup>rd</sup> August, 1989		
<b>Unadjusted balance of electricity duty with WAPDA</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Electricity Duty</li> <li>• Check relevant files of assesses</li> <li>• Check Treasury Challans</li> </ul>	Section 13 of the West Pakistan Finance Act 1964		

## 6.29 Audit Programme- Board of Revenue Department

**AUDIT ENTITY:**

**AUDIT PERIOD:**

**Date (s) Conducted:**

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<b>Non-/short recovery of arrears of water rate (Abiana)</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> <li>• Check Statement 33-C</li> <li>• Check Treasury Challans</li> </ul>	Section 45 of the Canal and Drainage Act, 1873 read with section 114 (d) of the Land Revenue Act, 1967		
<b>Non-recovery of abiana due to the non-carrying forward of outstanding arrears.</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> <li>• Check Statement 33-C</li> <li>• Check the implementation of Canal and Drainage Act, 1873.</li> </ul>	Section 36 of the Canal and Drainage Act, 1873		
<b>Non-accountal of demand of abiana in Khatauni Malguzari</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> </ul>	Rule 67 of the Canal and Drainage Rules, 1873		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
<ul style="list-style-type: none"> <li>• Check Statement 33-C</li> </ul>			
<p><b>Non-levy of ten per cent surcharge on late payment of abiana</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> <li>• Check Statement 33-C</li> <li>• Check Treasury Challans</li> </ul>	Irrigation and Power Department Notification No SO (Rev) 2-19/86 dated 10 <sup>th</sup> October 1993		
<p><b>Non-recovery of government dues after expiry of stay orders</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (Malguzari) of abiana</li> <li>• Check Statement 33-C</li> <li>• Case files of the assesses along with stay orders issued by the Courts</li> </ul>	Clause 4-A of Article 199 of the Constitution of the Islamic Republic of Pakistan read with the Law Department's Circular No.A-1929-89/ 2059=LR-IV of 23 <sup>rd</sup> August, 1989		
<p><b>Non-recovery of tawan from un-authorized cultivators of state land</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of illicit cultivation of state land.</li> <li>• Check Treasury Challans</li> </ul>	Section 28 of the Colonization of Government Land Act, 1912 read with section 114 (d) of the Land Revenue Act 1967		
<p><b>Non/short-realization of mutation fee</b></p> <ul style="list-style-type: none"> <li>• Check record of oral mutation fee.</li> <li>• Check Treasury Challans</li> <li>• Check the implementation of Land Revenue Act, 1967</li> </ul>	Section- 46 of the Land Revenue Act 1967, and Revenue Department Notification No. 1897-2004/1414-LR-I dated 29 <sup>th</sup> June 2004		
<p><b>Non/short-realization of mutation fee on mortgage and inheritance</b></p> <ul style="list-style-type: none"> <li>• Check record of oral mutation fee.</li> <li>• Check Treasury Challans</li> </ul>	Revenue Department Notification No. 1897-2004/1414-LR-I of 29 <sup>th</sup> June 2004		
<p><b>Short-realization of mutation fee due to irregular transfer of urban land through oral mutation</b></p> <ul style="list-style-type: none"> <li>• Check record of oral mutation fee</li> <li>• Check Treasury Challans</li> </ul>	Section-17 of the Registration Act 1908 & 54 of Transfer of Property Act 1882, Board of Revenue Punjab memo No. 1714-2003/813-ST-I dated 28.07.2003		
<p><b>Non-Production of auditable record of Mutation</b></p>	Article 12 & 14 of the Auditor General		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
<b>fee and Capital Value Tax for the period 2007-08</b>	Of Pakistan (Function Powers and terms & Condition of Services) Ordinance, 2001		
<b>Non-short recovery of agricultural income tax</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register Agricultural Income Tax</li> <li>• Check Treasury Challans</li> </ul>	Punjab Agricultural Income Tax Rules 1997		
<b>Non –realization of Capital Value Tax on oral mutation</b> <ul style="list-style-type: none"> <li>• Check record of oral mutation</li> <li>• Check Treasury Challans</li> </ul>	Circular No.2 of the Central Board of Revenue Islamabad, issued vide No.F.4(1)TP/2006-CVT dated 1 <sup>st</sup> July 2006		
<b>Short-realization of stamp duty &amp; registration fee due to under valuation of assets.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of valuation table issued by the District Collector</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Article 23(b), 31(b) and 33(b) of schedule-I to the Stamp Act, 1899 and Section 27-A of the Act, ibid.		
<b>Non-realization of Capital Value Tax on transfer of urban immovable properties.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check Treasury Challans of Capital Value Tax</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Circular No.2 of the Central Board of Revenue Islamabad, issued vide No.F.4(1)TP/2006-CVT dated 1 <sup>st</sup> July 2006		
<b>Short-realization of stamp duty &amp; registration fee on lease deeds.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Article 35(a)(iii), (iv) & (c)(ii) of Schedule-I of the Stamp Act, 1899 and Section 78 of Registration Act 1908.		
<b>Short-realization of stamp duty and registration fee on mortgage and redemption deeds due to application of incorrect rate.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Board of Revenue Notification No. 13-2004/38-57(1) dated 10 <sup>th</sup> Jan, 2004, and Punjab Finance Act, 2006		

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<b>Short-realization of stamp duty and registration fee on conveyance deeds.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of valuation table issued by the District Collector</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Article 23(b), 31(b) and 33(b) of schedule-I to the Stamp Act, 1899		
<b>Irregular registration of time bar document without charging fine.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Section-23 of the Registration Act, 1908 and Section 25 of the Act <i>ibid.</i>		
<b>Serious irregularity by using stamp papers in more than one document.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check Treasury Challans</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Section 13 of the Stamp Act, 1899		
<b>Short-realization of stamp duty and registration fee due to misclassification of deeds.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Section -2 (10) of the Stamp Act, 1899 and article 23 to the schedule of Stamp Act.		
<b>Embezzlement of government revenue due to non deposit of collected registration fee.</b> <ul style="list-style-type: none"> <li>• Check registration Book-I to Book-IV</li> <li>• Check registration fee Book</li> <li>• Check Treasury Challans</li> <li>• Check implementation of Stamp Act, 1899.</li> </ul>	Table of fees given in the Registration Act 1908 and rule 7(1) of Subsidiary Treasury Rules.		

### 6.30 Audit Programme- Excise & Taxation Department

**AUDIT ENTITY:**

**AUDIT PERIOD:**

**Date (s) Conducted:**

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<b>Property Tax was lying un-recovered from state owned organizations</b> <ul style="list-style-type: none"> <li>• Check Survey Register</li> <li>• Check PT-I</li> </ul>	Section 3(2) of the Punjab Urban Immovable Property Tax Act, 1958 read		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
<ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of The Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	with section 4(a) and (b) of the Act		
<p><b>Non – recovery of arrears of Property Tax</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of The Punjab Urban Immoveable Property Tax Act, 1958</li> </ul>	Section 16 of the Punjab Urban Immovable Property Tax Act, 1958 read with rule 19 of the Punjab Urban Immovable Property Tax Rules, 1958		
<p><b>Failure to recover property tax due to non-carrying forward of arrears</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act, 1958</li> </ul>	Rule 15 of The Punjab Urban Immovable Property Tax Rules, 1958.		
<p><b>Failure to recover property tax due to grant of inadmissible exemption</b></p> <ul style="list-style-type: none"> <li>• Check Survey Register</li> <li>• Check PT-I</li> <li>• Relevant case files of assesses</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	Section-4 of the Punjab Urban Immovable Property Tax Act, 1958		
<p><b>Failure to recover property tax due to non-consolidation of property units</b></p> <ul style="list-style-type: none"> <li>• Check Survey Register</li> <li>• Check PT-I</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	Section-3 of the Punjab Urban Immovable Property Tax Act, 1958		
<p><b>Failure to recover property tax due to computational error</b></p> <ul style="list-style-type: none"> <li>• Check Survey Register</li> <li>• Check PT-I</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of</li> </ul>	Section 3 of the Punjab Urban Immovable Property Tax Act, 1958 read with rule 5 & 15 of the Punjab Urban Immovable Property		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
the Punjab Urban Immoveable Property Tax Act/Rules, 1958.	Tax Rules, 1958		
<b>Non-realization of arrears of property tax relating to 5 marla houses</b> <ul style="list-style-type: none"> <li>• Check Survey Register</li> <li>• Check PT-I</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	Section 4 (i) of Punjab Urban Immoveable Property Tax Act 1958 as amended through Finance Act, 2005		
<b>Non-recovery of property tax due from Cantonment Boards</b> <ul style="list-style-type: none"> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	Section-3-A of the Punjab Urban Immoveable Property Tax Act, 1958, read with the Presidential order No.13 of 1979.		
<b>Non-Recovery of property tax after expiry of stay orders</b> <ul style="list-style-type: none"> <li>• Check PT-I</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Case files of the assesses along with stay orders issued by the Courts</li> <li>• Check the implementation of provisions of The Punjab Urban Immoveable Property Tax Act, 1958.</li> </ul>	Clause 4A of Article 199 of the Constitution of Islamic Republic of Pakistan read with Law Department's letter No.1929-89/2059-LR. IV of 23 <sup>rd</sup> August 1989		
<b>Non-realization of Professional Tax</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of professional tax</li> <li>• Case files of the assesses</li> <li>• Check the implementation of provisions of the Punjab Finance Act, 1977 and the Punjab Professions and Trade Tax Rules, 1977.</li> </ul>	Provisions of the Punjab Finance Act, 1977 and the Punjab Professions and Trade Tax Rules, 1977		
<b>Non-recovery of Motor Vehicle Tax (Token tax)</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Motor Vehicle Tax</li> <li>• Case files of the vehicles</li> <li>• Check the implementation of provisions of the Motor Vehicle Taxation Act, 1958 read with section 34 &amp; 35 of The Motor Vehicle Ordinance, 1965.</li> </ul>	Section 3 of the Motor Vehicle Taxation Act, 1958 read with section 34 & 35 of The Motor Vehicle Ordinance, 1965		
<b>Non-realization of Cotton Fee</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Cotton Fee</li> <li>• Fortnightly Returns of Cotton Ginners</li> </ul>	Rule 25 of the Cotton Control Rules, 1966		

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<ul style="list-style-type: none"> <li>• Case files of the assesses</li> <li>• Check the implementation of provisions of the Cotton Control Rules, 1966</li> </ul>			
<b>Non-realization of Hotel Tax</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Hotel Tax</li> <li>• Monthly Returns of Hotel Tax</li> <li>• Case files of the assesses</li> <li>• Check the implementation of provisions of the Hotel Tax Rules, 1964</li> </ul>	Hotel Tax Rules, 1964		
<b>Short Realization property tax due to incorrect/miscalculation</b> <ul style="list-style-type: none"> <li>• Check PT-I Register</li> <li>• Check Demand &amp; Collection Register (PT-8 Register)</li> <li>• Check the implementation of provisions of the Punjab Urban Immoveable Property Tax Act/Rules, 1958.</li> </ul>	Rule 5 (2) of the Punjab Urban Immoveable Property Tax Rules, 1958		

### 6.31 Audit Programme –Transportation Department

**Audit Entity:**

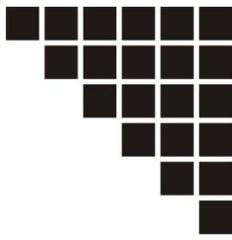
**Audit Period:**

**Date(s) Conducted:**

<b>Audit Procedure (Auditable record, check list)</b>	<b>Rule Reference</b>	<b>Done by</b>	<b>WP Ref</b>
<b>Non-realization of route permits renewal fee.</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of route permit</li> <li>• Check the record of adhesive stamps</li> <li>• Check case files of rout permits.</li> </ul>	Section 34 (1) (b) and Section 60 of the Motor Vehicles Ordinance 1965, read with rules 64 (2), 85 and 91 of the Motor Vehicles Rules, 1969		
<b>Non-realization of renewal fee from bus stands.</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Bus Stands</li> <li>• Check Treasury Challans</li> <li>• Check case files of C &amp; D class Bus Stands.</li> </ul>	Rule 253 of the Motor Vehicles Rules, 1969 read with Notification No. SORT-1/9-2/96 dated 22 <sup>nd</sup> July, 1996		
<b>Non-realization of renewal fee from goods forwarding agencies</b> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Goods Forwarding Agencies</li> <li>• Check Treasury Challans</li> <li>• Check case files of Goods Forwarded</li> </ul>	Rule 254 of the Motor Vehicles Rules, 1969		

Audit Procedure (Auditable record, check list)	Rule Reference	Done by	WP Ref
Agencies.			
<p><b>Loss of Government Revenue due to issuance of illegal NOC of expired rout permits</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of route permit</li> <li>• Check the record of adhesive stamps</li> <li>• Check case files of rout permits</li> </ul>	<p>Section 34(1) (b) and section 60 of the motor Vehicles Ordinance, 1965 read with rules 64(2), rules 85 and rule 91 of the Motor Vehicles Rules, 1969</p>		
<p><b>Non-realization of license fee from bus body building workshops</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of Bus Body Builders</li> <li>• Check Treasury Challans</li> <li>• Check relevant case files of Bus Body Builders.</li> </ul>	<p>Rules 197 of the Motor vehicles Rules, 1969 read with Transport Department's notification No SOTR-1/9-2/1996 of 22<sup>nd</sup> July, 1996</p>		
<p><b>Countless Loss of Government Revenue due to unlawful cancellation of expired route permits</b></p> <ul style="list-style-type: none"> <li>• Check Demand &amp; Collection Register of route permit</li> <li>• Check the record of adhesive stamps</li> <li>• Check case files of rout permits</li> </ul>	<p>Section 34 (1) (b) and Section 60 of the Motor Vehicles Ordinance, 1965 read with rules 64 (2), 85 and 91 of the Motor Vehicles Rules, 1969</p>		





## 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 reports:

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

These documents and the diligent performance of quality assurance procedures given in section 15 of FAM help Check 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, Checks quality. This process helps Check 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 Provincial Works 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 the Governor*
5. *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 PAOs for Departmental Accounts Committee (DAC) meeting.
- vii) The Paras finalised for Audit Report are retained in the AR section, while those which can not 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 by consolidating the Audit reports of all PAO, and incorporating Grants Analysis of all concerned departments 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 Checks that the work is performed efficiently and effectively as possible and complies with INTOSAI Auditing Standards.

*Audit report issued to Governor*

Under Article 171 of the Constitution, reports of the Auditor-General of Pakistan relating to the accounts of province shall be submitted to the Governor, who shall cause them to be laid before the Provincial Assembly.

*Public Accounts Committee (PAC) Meeting*

- i) 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 contain specific guidance for using the forms given for the Evaluation Phase in the Audit Working Papers Kit.

## 7.4 Internal Control Weaknesses – Impact Analysis

This form tracks the disposal of internal control weaknesses identified at the time of applying ICQs during the performance of audit. 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 evaluations of sample results for Projectable and Non-projectable errors from the preceding two forms. This is done by carefully following the step-by-step procedures included in the form.

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

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

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

## 7.12 Error in Each Component

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

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

## 7.13 Overall Error in Financial Statements

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

## 7.14 Compliance-With-Authority Violations

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

## 7.15 Checklist of Management Representation Letter

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

This checklist will help the audit team ascertain whether all the 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 General of the particular audit to confirm that the audit has been conducted in accordance with the DAGP audit standards.

## 7.18 Memorandum Supporting Signature

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

## 7.19 Auditor's Opinion

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

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

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

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

## 7.20 Follow up Continuity Schedule

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

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

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

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

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

The errors identified during the financial audit could include:

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

Recommendations made by the auditor can relate to:

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

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

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

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

## 7.21 Quality Assurance Checklist

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

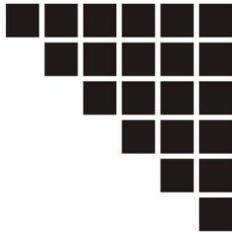
## 7.22 Centrally Led Audit

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.

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

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





## 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	

<b>4.12</b>	Listing Key Contacts.	<b>P</b>	<b>S-R</b>		
<b>4.13</b>	Listing Significant Audit Areas.		<b>P</b>	<b>S-R</b>	<b>A</b>
	Updating determination of components.		<b>P</b>	<b>R</b>	
<b>4.14</b>	Listing Significant Accounting Policies.		<b>P</b>	<b>R</b>	
	Update and review of Significant Accounting policies.		<b>P</b>	<b>R</b>	
	Review and Sign Off of all the forms within the Permanent File.			<b>R</b>	<b>A</b>

### 8.4 Key Tasks and Responsibilities: Audit Planning Phase

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
<b>5.4</b>	Determining Audit objectives and scope.				<b>P</b>
<b>5.5</b>	Listing/ Updating Points for attention at next audit.	<b>P</b>	<b>S</b>	<b>R</b>	
<b>5.6</b>	Preparing/Issuing Entity communication letter.		<b>P</b>	<b>R</b>	<b>A</b>
<b>5.7</b>	Preparing Audit planning memorandum.		<b>P</b>	<b>R</b>	
<b>5.8</b>	Revising Memorandum on post-planning changes.		<b>P</b>	<b>R</b>	
<b>5.9</b>	Scheduling Important dates.	<b>P</b>	<b>R</b>		
<b>5.10</b>	Preparing Tour Program.	<b>P</b>	<b>S</b>	<b>R</b>	<b>A</b>
<b>5.11</b>	Pursuing Information requested from entity officials.	<b>P</b>	<b>S</b>		
<b>5.12</b>	Preparing Materiality assessment form		<b>P</b>	<b>R</b>	<b>A</b>
<b>5.13</b>	Computing Expected aggregate error and planned precision form.		<b>P</b>	<b>R</b>	

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
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	

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
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

### 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	

<b>6.13</b>	Preparing Substantive Test of High Value/Key Items – Summary.		<b>P</b>	<b>R</b>	
<b>6.14</b>	Documenting Details of Errors in Samples, High Value Items and Key Items.		<b>P</b>	<b>R</b>	
<b>6.15</b>	Conducting Exit Interviews.		<b>P</b>	<b>S</b>	
<b>6.16</b>	Updation of Audit Steps given in the Audit Programmes, if needed.		<b>P</b>	<b>R</b>	<b>S</b>
<b>6.16</b>	Execution of Audit Steps as per the Audit Program	<b>P</b>	<b>P-S</b>	<b>S-R</b>	
	Ascertaining Execution of relevant Audit Programs		<b>P</b>	<b>P-S</b>	<b>S</b>

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

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
<b>7.4</b>	Documenting Internal Control Weaknesses – Impact Analysis.			<b>P</b>	<b>R</b>
<b>7.5</b>	Calculating Analytical Procedure Thresholds.		<b>P</b>	<b>R</b>	<b>S</b>
<b>7.6</b>	Documenting Evaluation of Analytical Procedures.			<b>P</b>	<b>R</b>
<b>7.7</b>	Evaluating Internal Control Deviations.			<b>P</b>	<b>R</b>
<b>7.8</b>	Conducting Substantive Tests Evaluation – Projectable Errors from Sample.		<b>P</b>	<b>S</b>	<b>R</b>
<b>7.9</b>	Documenting Substantive Tests Evaluation – Non-Projectable Errors.		<b>P</b>	<b>S-R</b>	
<b>7.10</b>	Calculating Substantive Tests Evaluation –		<b>P</b>	<b>S-R</b>	

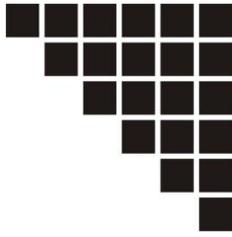
Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
	Summary.				
7.11	Documenting Achieved Level of Assurance Form.			P	R
7.12	Evaluating Error in Each Component.		P	R	S
7.13	Summarizing and preparing Overall Error in Financial Statements.		P	R	S
7.14	Documenting Compliance-With-Authority Violations.	P	P-S	R	
7.15	Drafting Checklist of Management Representation Letter.		P	S	R
7.16	Obtaining Management Representation Letter.		P	R	
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

## 8.7 Key Tasks and Responsibilities: Audit Quality Assurance

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
<b>Planning</b>					
5.3	Review that Planning has been carried out as per the recommended planning process.			R	S
FAM 15.3.6	Assigning Appropriate staff, required strength and skill set of the audit team.			P	R
FAM 15.3.7	Preparation, revision and approval of the Audit Budget.		P	R	A
5.30	Ensuring that audit programs are in place as required in Audit Policy Checklist.		P	R	
<b>Execution</b>					
5.8	Ensuring revision of the planning decisions, if required.		P	R	A
	Supervision of all phases of execution as per the tasks assigned in “key tasks related to execution phase” list.		P	R-S	
	To ensure review of audit working paper files.		P	R	S
6.16	To ensure executing audit steps as per the Audit Programs.		P	R	S
	Ensuring reporting and monitoring of audit activities with reference to “execution task list.”		P	R-S	
<b>Evaluation &amp; Reporting</b>					

<b>7.3</b>	To ensure detailed review and approval of monetary errors, compliance with authority Violations and internal control deviations found.		<b>P</b>	<b>R-S</b>	<b>A</b>
<b>7.15,7.16,7.18</b>	Ensuring tools for the auditor's opinions and statements are used.		<b>P</b>	<b>S</b>	<b>R</b>
<b>7.17</b>	Ensuring Documentation of Audit Completion Checklist.		<b>P</b>	<b>R-S</b>	<b>A</b>
<b>7.21</b>	Reviewing the Quality Assurance Checklist. *		<b>P</b>	<b>R</b>	<b>A</b>

\*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.



## APPENDIX

### AUDITOR-GENERAL OF PAKISTAN

#### PERMANENT FILE

#### Permanent File Index/Checklist

Main Reference	Supporting Schedules		Done by:	Date:
PF PF-I PF-II PF-III PF-IV PF-V PF-VI PF-VII PF-VIII PF-IX PF-X		Update Control Sheet Status of the Entity Background Information List of Auditable Locations List of Bank Accounts List of Authorised Signatories External Factors Accounting Records and Accounting System Key Contacts Significant Audit Areas Significant Accounting Policies		
		Supporting Documents List Corporate Plan (Mission, Vision, Objectives) Financial Rules/Laws & Regulations/Service Rules Organization Chart Accounting Policies Chart Of Accounts Environmental laws and regulations Long-term contracts/and leases Loan agreements, mortgages, debt instruments Amortization schedules of major assets		

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form - PF**

UPDATE CONTROL SHEET

Name of Entity/Organisation: Forest Department Government of the Punjab  
Original file prepared by: Mr. Amir Fayaz, Deputy Director

Date: 15.04.2009

File updated by:	_____	Date: 15.2.2010
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____
File updated by:	_____	Date: _____

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form PF-I**

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

STATUS OF ENTITY

Principal Address:

Secretary,  
Floristries Wild Life and Fisheries Department  
Poonch House,  
Lahore.

Status of the Entity:

Government Department (Provincial)

Inter-Governmental Relationship:

Department of province of Punjab

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form PF-II**

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

BACKGROUND INFORMATION:

Size of Entity

	2008-09 Rs.	2007-08 Rs.
Total Assets		32,624,000
Total liabilities		601,681,000
Total revenue		516.796 million
Total expenditure		1118.247 million

Core Operational activity

To create new irrigated plantation  
 Focus on Indigenous Tree species  
 Forestation, Regeneration and raising of nurseries  
 Restocking of irrigated plantations  
 Private Public partnership investment  
 Exploring Avenues for revenue increase  
 Marketing  
 Sustainability of existing forestry resources  
 Maintenance of water shed for regulating water flow of rivers  
 Maximizing production of wood and wood products and material for the growing needs of wood based industries.  
 Improvement of range lands  
 Growing awareness about the environmental protection  
 Development of sericulture  
 Provision of recreational facilities and protection of wild life in the forest lands  
 Creating extension service to provide the planting stock and technical know how to the framers at their door steps.  
 Raising of linear plantations along canal, roads and rail side  
 Optimizing the production potential of forest plantation.

Functions

Environmental protection by plantation  
 Maintenance of water shed for regulating water flow of rivers  
 Recreational facilities and protection of wild life in forest  
 Promotion of social / farm forestry on private lands

Production of wood, timber, wood products, fire wood, and material for wood based industries.

Education of public for tree plantation

Major Beneficiaries

Public at large of the Province of Punjab.

Provincial Government

Major Cost Centres

Principal Accounting Office

Drawing and Disbursement Offices

Reporting Authority

Principal Accounting Officer, Forest Department,

Government of the Punjab

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form PF-III**

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

LIST OF AUDITABLE LOCATIONS

Principal Accounting Office	Secretary Forest Department	1
	Director Audit Cell	1
District Accounting Offices	Chief Conservator of Forest	3
	Conservator of Forest	9
	Director, PFRI, Gatwala	1
	Admn LSNP	1
	Principal, P.F.S.	2
	D.D. Sericulture	1
	A.D. Sericulture	2
	Divisional Forest Officers	38
Other Accounting Locations	N.A	
Location(s) of computer-based accounting systems database:	All Accounts are being maintained manually.	
Supporting Documents		
List of 59 formations (As given on the next page)		

**STATEMENT SHOWING THE LOCATION OF FORMATIONS**

<b>S. No.</b>	<b>Name of Formations</b>
1.	Secretary to Government of the Punjab, Forest Department Poonch House, Lahore.
2.	Director, (B&A) Forest, 24-Cooper Road, Lahore.
3.	Chief Conservator of Forest, Lahore.
4.	Chief Conservator of Forest, Multan.
5.	Chief Conservator of Forest, Rawalpindi.
6.	Conservator of Forest, Lahore.
7.	Conservator of Forest, (M&E), Lahore.
8.	Conservator of Forest, (RM), Lahore.
9.	Conservator of Forest, (Ext.), Lahore.
10.	Conservator of Forest, Rawalpindi.
11.	Conservator of Forest (D.W.P.), Sargodha.
12.	Conservator of Forest (D.W.P.), Faisalabad.
13.	Conservator of Forest, Multan.
14.	Conservator of Forest (D.W.P.), D.G.Khan.
15.	Director PFRI, Gatwala, Faisalabad.
16.	Admn: LSNP, Bahawalpur.
17.	Divisional Forest Officer, Lahore/Sheikhupura.
18.	Divisional Forest Officer, Pest Control, Lahore.
19.	Divisional Forest Officer, Publicity, Lahore.
20.	Divisional Forest Officer, (Extension), Lahore.
21.	Divisional Forest Officer, Sericulture, Lahore.

<b>S. No.</b>	<b>Name of Formations</b>
22.	Divisional Forest Officer, Gujranwala.
23.	Divisional Forest Officer, Sialkot.
24.	Divisional Forest Officer, Gujrat.
25.	Divisional Forest Officer, Kasur at Changa Manga.
26.	Divisional Forest Officer, Okara.
27.	Divisional Forest Officer, Faisalabad.
28.	Divisional Forest Officer, Jhang.
29.	Divisional Forest Officer (Silva), Faisalabad.
30.	Divisional Forest Officer, Multan
31.	Divisional Forest Officer, Chichawatni.
32.	Divisional Forest Officer, Sahiwal.
33.	Divisional Forest Officer, Muzaffargarh.
34.	Divisional Forest Officer, D.G.Khan.
35.	Divisional Forest Officer, Rajanpur.
36.	Divisional Forest Officer, Layyaha
37.	Divisional Forest Officer, Bahawalpur.
38.	Divisional Forest Officer, LSNP, Bahawalpur.
39.	Divisional Forest Officer, (R.M), Bahawalpur.
40.	Divisional Forest Officer, Bahawalnagar.
41.	Divisional Forest Officer, Rahim Yar Khan.
42.	Divisional Forest Officer, Sargodha.
43.	Divisional Forest Officer, Khushab.
44.	Divisional Forest Officer, Mianwali.

<b>S. No.</b>	<b>Name of Formations</b>
45.	Divisional Forest Officer, Bhakkar
46.	Divisional Forest Officer, Rawalpindi (South).
47.	Divisional Forest Officer, Rawalpindi (North).
48.	Divisional Forest Officer, Rawalpindi (T.E.D)
49.	Divisional Forest Officer, Murree.
50.	Divisional Forest Officer, Attock.
51.	Divisional Forest Officer, Chakwal.
52.	Divisional Forest Officer, Jhelum.
53.	Divisional Forest Officer, (R.M) Chakwal.
54.	Divisional Forest Officer, (R.M) Chakkar.
55.	Divisional Forest Officer, (R.M) D.G.Khan.
56.	Principal, Punjab Forestry School, Ghoragali.
57.	Principal, Punjab Forestry School, Bahawalpur.
58.	Assistant Director Sericulture, Lahore.
59.	Assistant Director Sericulture, Multan

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form PF-IV**

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

LIST OF BANK ACCOUNTS

Federal Accounting Level

Not Applicable

Provincial Accounting level

Accounts are being maintained in state bank of Pakistan. Incase of personal ledger accounts (PLAs) these are maintained in treasury office.

District Accounting level

Accounts are being maintained in state bank of Pakistan/ National Bank of Pakistan. Incase of personal ledger accounts (PLAs) these are maintained in District accounts offices.

**AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE**

**Form PF-V**

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

LIST OF AUTHORIZED SIGNATORIES

		<i>Sanction Limit</i>	<i>Signature</i>
Principal Accounting Office	<i>Secretary Forest</i>	Full Powers	
	<i>Director (B&amp;A) Forest</i>	Category-II Officer	
Entity/Department/Unit	Chief Conservator of Forest Lahore, Rawalpindi and Multan.	Category-I Officer	
	Conservator of Forest Lahore, Rawalpindi, Multan, Sargodha, Bahawalpur and D.G.Khan	Category-II Officer	
District/Local Office/Formation	Divisional Forest Officers and Deputy Director Sericulture	Category-III Officer	

Supporting Documents

Delegation of Financial, Powers and Rules, 2006

List of Drawing & Disbursing Officers is as follows:

<b>Sr. No.</b>	<b>Name of Officer and Designations</b>	<b>Place of posting.</b>
1.	Mr. Gulzar Ahmad, Accounts Officer.	O/O Director, B&A (Forests), Lahore.
2.	Mr. Akbar Ali Naz, Admn. Officer.	O/O CCF (M&E) Lahore.
3.	Mr. Muhammad Aslam, Admn. Officer.	O/O CCF, S.Zone, Multan.
4.	Mr. Muhammad Abrar, Admn. Officer.	O/O CCF, N.Zone, Rawalpindi.
5.	Mr. Muhammad Ajmal Rahim, C.F.	Coordination Circle, Lahore.

<b>Sr. No.</b>	<b>Name of Officer and Designations</b>	<b>Place of posting.</b>
6.	Mr. Muhammad Rafique, C.F.	R.M.Circle, Lahore.
7.	Mr. Tahir Saeed, C.F.	D.W.P, Gatwala, Faisalabad.
8.	Mr. Muhammad Afzal, Director.	P.F.R.I, Gatwala. Faisalabad.
9.	Mr. Shabbir Ahmad Rana, C.F.	C.F (M&E) Cell, Lahore.
10.	Rao Khalid Mehmood, C.F.	Extension Circle, Lahore.
11.	Mr. Bashir Ahmad, C.F.	Coordination Circle, Rawalpindi.
12.	Mr. Zahid javaid, C.F.	D.W.P, Sargodha.
13.	Mr. Naseer Ahmad Khan, C.F.	Coordination Circle, Multan.
14.	Sheikh Muhmmad Irshad, C.F.	D.W.P, D.G.Khan.
15.	Mr. Tariq Mehmood, C.F./Administrator.	L.S.N.Park, Bahawalpur.
16.	Mr. Riaz-ul-Haq, DFO.	Lahore/Sheikhupura
17.	Mr. Waheed Sarwar, DFO.	Gujranwala.
18.	Mr. Shahid Pervaiz Khan, DFO.	Sialkot.
19.	Mr. Muhammad Nawaz Sindhela, DFO.	Gujrat.
20.	Mr. Ejaz Hussain Sherazi, DFO.	Kasur at Changa Manga.
21.	Mr. Zahoor Ahmad, DFO.	Okara.
22.	Mr. Liaquat Ali Gill, DFO.	Faisalabad.
23.	Mr. Muhammad Riaz Tawana, DFO.	Jhang.
24.	Mr. Abdul Rashid, DFO.	Silva, Faisalabad.
25.	Mr. Abdul Basit, DFO.	Publicity, Lahore.
26.	Mr. Akmal Rahim, DFO.	Extension, Lahore.
27.	Mr. Ghulam Sabir, D.D.Sericulture.	Lahore.
28.	Mr. Zafar Iqbal, Asstt. Director, Seri.	Multan.

<b>Sr. No.</b>	<b>Name of Officer and Designations</b>	<b>Place of posting.</b>
29.	Mr. Abdul Jabbad, Asstt. Director, Seri.	Lahore.
30.	Mr. Shakeel Ahmad Khan, S.R.O, Seri.	Lahore.
31.	Mr. Mazhar Iqbal Khalid, Principal.	P.F.S, Ghoragali.
32.	Mr. Sana Ullah Khan, Principal.	P.F.S, Bahawalpur.
33.	Mr. Javaid Iqbal, DFO.	Multan.
34.	Mr. Muhammad Siddique Dogar, DFO.	Chichawatni.
35.	Mr. Liaquat Ali Sulehri, DFO.	Sahiwal.
36.	Mr. Itifullah Khan, DFO.	Muzaffargarh.
37.	Mr. Naseem Hassan, DFO.	D.G.Khan.
38.	Mr. Masood Pervaiz, DFO.	Rajanpur.
39.	Mr. Ijaz Ahmad, DFO.	Layyah.
40.	Mr. Habib Ur Rehman, DFO.	Bahawalpur.
41.	Mr. Fida Hussain, DFO.	L.S.N.P, Bahawalpur.
42.	Mr. Muhammad Saleem Anwar, DFO.	Rahim Yar Khan.
43.	Mr. Hibib-ur-Rehman, DFO.	Bahawalnagar.
44.	Mr. Muhammad Ilyas Bashir, DFO.	Sargodha.
45.	Mr. Khizar Hayat Minhas, DFO.	Khusahab.
46.	Mr. Muhammad Azam, DFO.	Mianwali.
47.	Mr. Abdul Muqet Khan, DFO.	Bhakkar.
48.	Mr. Muhammad Jamil, DFO.	(South) Rawalpindi.
49.	Mr. Muhammad Yousaf, DFO.	(North) Rawalpindi.
50.	Mr. Fida Hussain, DFO.	T.E.Div: Rawalpindi.
51.	Mr. Ameer Muhammad, DFO.	DFO, Murree.

<b>Sr. No.</b>	<b>Name of Officer and Designations</b>	<b>Place of posting.</b>
52.	Mr. Tariq Mehmood, DFO.	Attock.
53.	Mr.Saqib Mehmood, DFO.	Chakwal.
54.	Mr. Muhammad Saeed Tabassam, DFO.	Jhelum.
55.	Mr. Abdul Ghaffar, DFO.	R.M. Chakwal.
56.	Mr. Abdul Muqet Khan, DFO.	R.M. Chakkar.
57.	Mr. Azamat Rabbani, DFO.	R.M. D.G.Khan.
58.	Mr. Altaf Hussain, DFO.	R.M. Bahawalpur.

AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE

Form PF-VI

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

EXTERNAL FACTORS

Following are the major External Factors:

Yield and Climatic conditions in the country:

Overall productivity of wood during the period directly effects the operations of the department e.g. supply of wood to capture the market. Maximizing production of wood and wood products and material for the growing needs of wood based industries directly effects the departments financial performance.

Public Awareness:

Growing awareness about the environmental protection can effect provision of recreational facilities and protection of wild life in the forest lands that can appear as direct source of revenue to the department. Public awareness and technical know how of the farmers influentially raises linear plantations along canal, road and rail sides.

Wood based industries:

These industries being the direct beneficiary of the department also act as the external force to drive the financial performance of the department. Boost or slump in this industrial sector would directly bring change to the revenue generation capability of the department.

Market prices:

Market pricing of planting stock, planting facilitations and procurement of infrastructure resources are linked with the operations of the department and its financial performance.

Illegal cutting and Encroachment of Forests and Forest lands:

Level of activities relating to Illegal cutting and Encroachment of Forests and forest lands threatens the financial position of the department. Financial position of the department is majorly represented by the assets threats to which gives serious set back to revenue generation as well as ownerships of the department's properties.

AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE

Form PF-VII

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

ACCOUNTING RECORDS AND ACCOUNTING SYSTEM  
Federal Accounting Level

Not applicable

Provincial Accounting level

Secretary Forest

Annual Budget

Director (B&A)

Appropriation Accounts  
Consolidated Accounts both Expenditure and Receipt (Monthly/Annually)  
Reconciliation statements  
Cheque Book, Vouchers/Bills

Employees Related Record

Preparation of Pension Payment Authorities/Register  
G.P.Fund record like Ledger Card, Broad Sheet, Advance Payment Registers etc.  
Audit Register and record regarding authorization and payment of claims to  
gazetted/non-gazetted staff.  
Long Terms Advance Register

District Accounting Level

Cash Book (Divisional/Disburser)  
Monthly Cash Account  
Timber Form 7-17  
Cheque Book & Paid Cheque Reg.  
Vouchers/Bills  
Contractors/ Disburser Ledger  
Budget Control Form/Budget Release  
Actual (Expenditure Statement)  
Personal Ledger Account (PLA)  
Reconciliation Statements (Form-15)

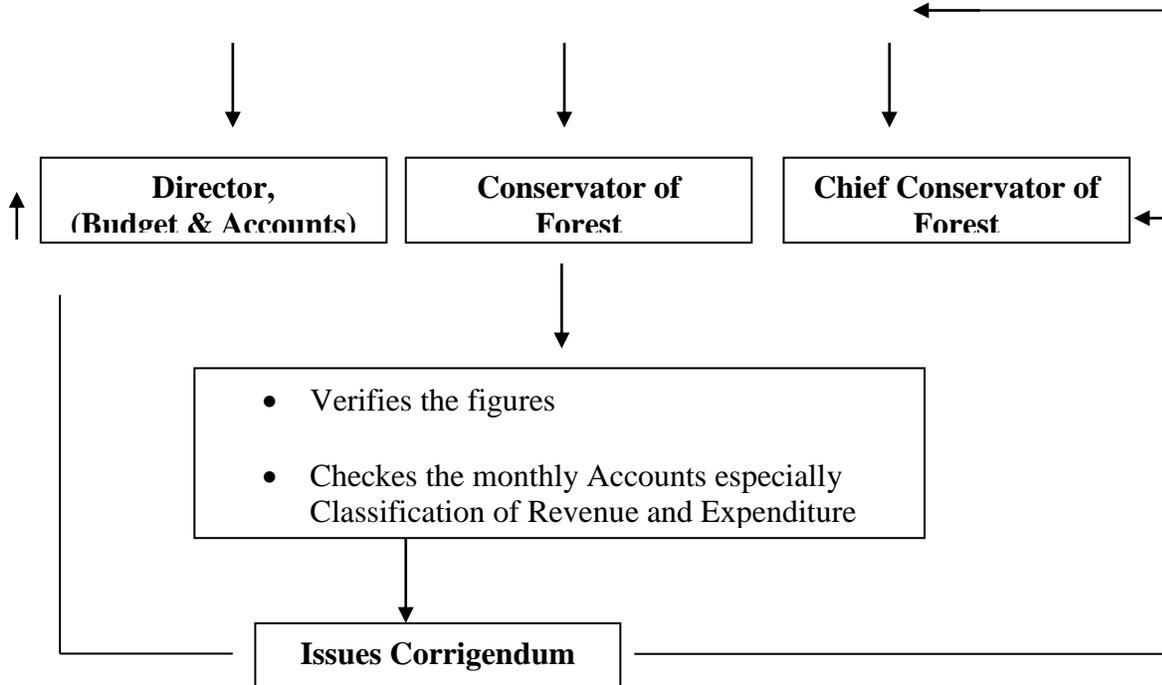
Employees Related Record

G.P.Fund record like Ledger Card, Broad Sheet, Advance Payment Registers etc.  
Payment of pay claims of gazetted/non-gazetted staff.

MONTHLY STATEMENT OF ACTUALS OF REVENUE  
AND EXPENDITURE

MONTHLY RETURN SUBMITTED BY:--

Divisional Forest Officer (DDO) by 5<sup>th</sup> following moth



AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE

Form PF-VIII

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

KEY CONTACTS

<b>Key Management Personnel</b>	<b>Name</b>	<b>Title</b>	<b>Tel.</b>	<b>Fax</b>	<b>E-Mail</b>
Principal Accounting Office	Babar Hassan Bharwana	Secretary, Forest Wildlife and Fisheries Department	99211695	99211648	
Entity/ Department Unit	Arshad Liaquat Ch	Director (Budget and Accounts)	99200791	99200792	director budget @ hotmail. com
	Gulzar Ahmad	Chief Internal Auditor	99200798	99200792	director budget @ hotmail. com
District/ Local Office/ Formation	'Annex-C'				

AUDITOR-GENERAL OF PAKISTAN  
PERMANENT FILE

Form PF-IX

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

## SIGNIFICANT AUDIT AREAS

<b>Significant Financial Statement Component</b>	<b>Critical Audit Area Y/N</b>
Residual Equity/Share Capital	N
Liabilities & Commitments	Y
Deposits & Reserves	N
Fixed Assets and Depreciation	Y
Investments	N
Cash & Bank	N
Loans and Advances	N
Revenues/Receipts	Y
Purchases Costs/Payments	Y
Employee Related Expenses/Payments	Y
Operating Expenses/Payments	Y
Grants, Subsidies & Write Offs	Y
Interest Payments.	Y
Suspense & Clearing	N
Other	N
	Y
General Provident Fund	Y

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Form PF-X

PERMANENT FILE

FOREST DEPARTMENT GOVERNMENT OF THE PUNJAB

SIGNIFICANT ACCOUNTING POLICIES

#### Revenue recognition

Revenue is recognized on the date of receipt of money by the bank or clearance of cheque. Revenue is recognized on a gross basis and any related costs are recorded separately. Receipts representing recovery of any previous overpayment are adjusted against relevant expenditure, if it occurs in the same financial year.

#### Recognition of expenditure

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued. Policies for recognition of expenditure are as follows;

a) Payments made through cheque

Payments made through cheque: expenditure is recognized on the date the cheque is issued.

b) Inter government transfers

Expenditure is recognized on the date the transfer is made by the transferor.

c) Payments directly in bank accounts

Direct payments into bank account, expenditure are recognized on the date the payment advice is issued to the bank.

d) Direct payments by State Bank of Pakistan (SBP)

Repayment of loans and other direct payments by the SBP, expenditure is recognized on the date State Bank of Pakistan advises the relevant accounting office.

e) Imprest payments

Expenditure is recognized when the required claim vouchers are submitted and imprest account is reimbursed.

Employee benefits

The government has following plans for its employees:

a) General Provident Fund

The contributions made by the government and interest on provident fund balance are recorded as expenditure in that financial year to which they relate with a credit to liability. The balance outstanding is presented as liability.

b) Pension

The entitlement of government employees to a stream of payments after they retire from service. No liability for pension is recognized in the Financial Statements and pension payments made during the year are recorded as expenditure.

c) Encashment of leave

This represents liability arising from entitlements to the various forms of leave earned by government employees. No provision is made and the expenditure is recognized on the basis of payments made during the year.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash with State Bank of Pakistan and with federal treasuries.

Liability

Liabilities are future sacrifices of economic benefits that the government is presently obliged to make as a result of the past transaction. All liabilities are recorded at historical cash value.

Public Debt

Public Debt comprise cash inflows from banks, similar lending agencies, commercial institutions and amounts owing in respect of non-cash assistance provided by third parties and foreign borrowings. All debts raised are classified as either floating or permanent debts depending on the nature of the transaction.

Assets

Assets are future economic benefits controlled by the government as a result of past transactions or other past events. Assets are recorded at cost and currently no depreciation is charged.

### Loan and advances

Loans and advances includes loan and advances due from provincial governments, autonomous bodies, financial and non-financial institutions, to government servants for housing building and purchase of conveyances and other loans. Loans to government servants are interest bearing and interest are calculated in accordance with the General Financial Rules.



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