

2016

Auditor General of Pakistan



Annual Report

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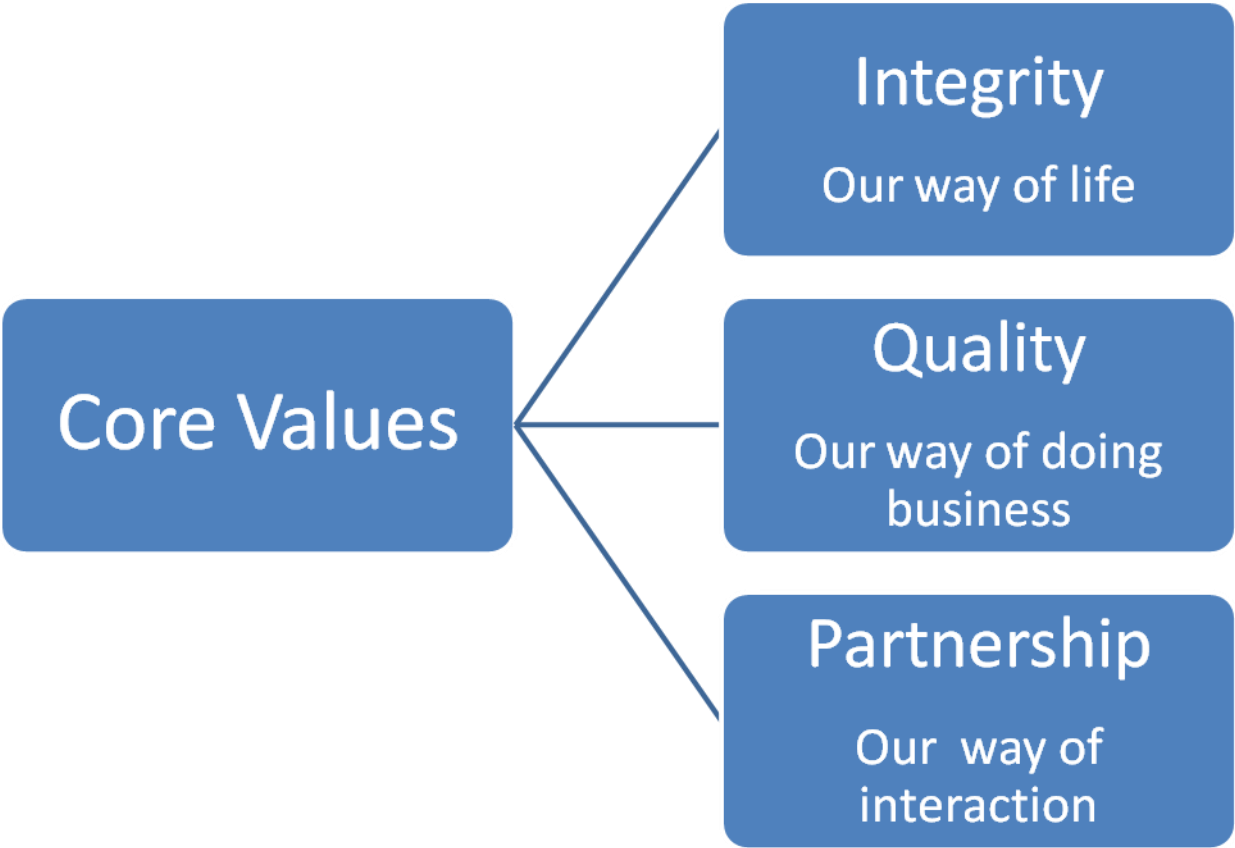
VISION

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



Annual Report 2016

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List of Acronyms

AATI	Audit & Account Training Institute
ACCA	Associate Chartered Certified Accountant
AGP	Auditor General of Pakistan
AMIS	Audit Management Information System
APPM	Accounting Policies and Procedures Manual
ASOSAI	Asian Organization of Supreme Audit Institutions
CA&E	Corporate Audit & Evaluation
CAP	Corporate Audit Plan
CFAO	Chief Finance and Accounts Officer
CGA	Controller General of Accounts
CIA	Certified Internal Auditor
CISA	Certified Information System Auditor
CoA	Chart of Accounts
DA	District Audit
DAC	Departmental Accounts Committee
ECOSAI	Economic Coordination Organisation Supreme Audit Institution
ERP	Enterprise Resource Planning
FAM	Financial Audit Manual
FAO	Field Audit Office/ Federal Audit Operations
FY	Financial year
GOP	Government of Pakistan
HRD	Human Resource Development
HRM	Human Resource Management
ICGFM	International Consortium on Governmental Financial Management
IDI	INTOSAI Development Initiative
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISAR	International Standards of Accounting and Reporting
ISSAIs	International Standards of Supreme Audit Institutions
ITP	Intensive Training Programme
NAM	New Accounting Model
PA	Provincial Audit
PA&AS	Pakistan Audit & Accounts Service
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PIFRA	Project to Improve Financial Reporting and Auditing
PIPFA	Pakistan Institute of Public Financial Accountants
PSDP	Public Sector Development Programme
QMF	Quality Management Framework
SAI	Supreme Audit Institution
UNIDO	United Nations Industrial Development Organization

Message from Auditor General of Pakistan

Department of Auditor General of Pakistan (DAGP) is engaged in augmenting culture of professionalism and quality in the organization. The aim is to integrate the current auditing standards, approaches and methodologies in our auditing practices for bringing about a qualitative change in our output, and to equip us better in helping the legislature in its function of parliamentary oversight over receipt and disbursement of public funds. A paradigm shift in audit approach based on our new strategic plan and objectives of audit reform committee has resulted in changing the focus from traditional audit to performance and special audits.

With the setting up of the new democratic order and a proactive Public Accounts Committee, the responsibility of DAGP has increased significantly. We have accepted this challenge by following the core values of Integrity, Quality and Partnership. Our endeavours resulted in submission of last two years' audit reports to the legislature in a record period of 6 to 8 months for Certification and Compliance with Authority Audits respectively. We are creating value for the nation by ensuring transparency in public spending, being fully cognizant of the need for efficient utilization of resources. We are now striving to achieve complete independence of the Department as prescribed in the Constitution and Rules of Business.

We would like to reiterate our resolve to work in tandem with all stakeholders by aligning the goals of the SAI Pakistan (DAGP) with the Government's reform agenda in order to promote transparency and good governance. We are improving communication as well as working relationship with the executive departments by providing them timely and quality feedback in public financial management. This will help them achieve their objectives economically, efficiently and effectively.

This Annual Report of the Department is a manifestation of our resolve to present the performance of the Department for public scrutiny which is in line with the government's policy of ensuring transparency, accountability and good governance. We shall make the Annual Report a regular feature in the years to come.

November, 2016
Islamabad.

(Rana Assad Amin)
Auditor General of Pakistan

Editorial

The 2016 Annual Report is a document covering all dimensions of Department of Auditor General of Pakistan and its performance at national and international level. It comprehends activities, targets and achievements of the Department during the Audit Year 2015-16 while auditing the Financial Year 2014-15. Qualitative commentary on the Public Accountability mechanism in Pakistan and the role of department of Auditor General is also included to make this annual report useful for general readers. All types of audit activities carried out under different wings of AGP and their outcomes are provided through simplified tabular data. The role of Supreme Audit Institution (SAI) Pakistan as an international actor is also expounded. In the end the challenges confronted by the department and our readiness to respond these challenges is pronounced.

I am thankful to the staff of Policy Wing for their dedicated efforts in compilation of this Year Book. The professional acumen and auditing skills of all officers and officials working throughout the country are also acknowledged whose efforts and dedications resulted in making possible the achievements mentioned in this 2016 Annual Report.

The suggestions and ideas to further improve the document are highly welcomed.

Tafakhar Ali Asdi
Director General (Policy)

Islamabad-November, 2016

CHAPTER -1
PUBLIC ACCOUNTABILITY IN PAKISTAN

1 - Public Accountability in Pakistan

1.1. Genesis of the SAI Pakistan

The SAI Pakistan has a long history of being at the centre of public accountability that goes back to the 19th century when the financial codes and manuals for public financial management in the region were first drafted in pre-independence era. Since the independence of the country, the SAI Pakistan enjoys a constitutional status that ensures continuity of its operations for promoting transparency in governmental operations.

The system of financial control and accountability in Pakistan follows the Westminster model under which four institutions exercise financial control over public resources. These are the Parliament, the Treasury, the Principal Accounting Officer (PAO), who is the head of a Government department, and the Auditor General. The Auditor General plays a pivotal role in the process of accountability.

1.2. Auditor General as the Pivot of Accountability

According to the Constitution of the Islamic Republic of Pakistan, the Parliament and the Provincial Assemblies have the final word over the issuance of public funds from the Consolidated Funds and the Public Accounts of the Federal and Provincial Governments. Control over these funds is exercised by the Parliament through the office of the Auditor General who ensures conformity to the determination of the legislature. His mandate, given in the Constitution of the country and supported by subsidiary legislation, enables him to develop independent and objective assessments of the process of governance, which augment the legislative oversight of the peoples' representative on governmental operations.

1.3. Constitutional Mandate and Status of AGP

The mandate and status of the Auditor-General of Pakistan (AGP) have been given in Articles 168 – 171 of the Constitution and the Auditor General’s (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001. The powers and functions of the Auditor

Article 168:

“There shall be an Auditor General of Pakistan who shall be appointed by the President. The Auditor-General shall, unless he sooner resigns or is removed from office in accordance with clause (5), hold office for a term of four years from the date on which he assumes such office or attains the age of sixty-five years, whichever is earlier”.
The other terms and conditions of service of the Auditor-General shall be determined, by Act of Majlis-e-Shoora (Parliament); and, until so determined, by Order of the President.

Article 169:

“The Auditor General shall, in relation to (a) the accounts of the Federation and of the Provinces; and (b) the accounts of any authority or body established by the Federation or a Province, perform such functions and exercise such powers as may be determined by or under the Act of Parliament and, until so determined, by order of the President”.

Article 170:

The audit of the accounts of the Federal and of the Provincial Governments and the accounts of any authority or body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit.

Article 171:

“The reports of the Auditor General relating to the accounts of Federation shall be submitted to the President, who shall cause them to be laid before the National Assembly and the reports of the Auditor-General relating to the accounts of a Province shall be submitted to the Governor of the Province, who shall cause them to be laid before the Provincial Assembly”.

General were governed by Pakistan (Audit & Accounts) Order 1973, till 30th June 2001. A new Ordinance was promulgated in 2001 to replace the Order of 1973.

Since the Auditor General of Pakistan heads the SAI Pakistan and acts as the lynchpin of public accountability, he is appointed by the President under Article 168 of the Constitution. In order to develop an independent and objective assessment of the process of governance and to augment the legislative oversight of the people’s representative on governmental operations, the Auditor General has been provided a secure tenure in office (a fixed term of 4 years or 65 years of age whichever occurs earlier). He can only be removed from office in a manner similar to the Judge of the Supreme Court.

The enactment of 18th amendment as part of constitution has enhanced the powers of AGP and now the scope of audit extends to every single entity and body where spending from national exchequer is involved.

1.4. Role of the PAC in Public Accountability

Under the basic Westminster model the Parliament divides itself into various committees to efficiently undertake its wide range of oversight responsibilities. From its earlier days, the model saw the need for a committee to oversee government's financial operations and from this the PAC evolved. It is the 150-odd years of Westminster parliamentary history which has been the foundation of the Public Accounts Committee in Pakistan. The Public Accounts Committee (PAC) is one of the most important institutions to ensure legislative accountability. Its role and responsibilities have been laid out in the "Rules of Procedures and Conduct of Business in the National Assembly". These rules specify that the PAC should look into the legality and regularity of income and expenditure of government departments along with the reports of the Auditor-General. As per his constitutional mandate, the Auditor-General of Pakistan submits audit reports on the accounts of the Federation and Provinces to the President and Governors respectively. The President/ Governor cause them to be laid before the National/Provincial Assemblies, which in turn refer these reports to the respective Public Accounts Committees. The Principal Accounting Officers are called upon to appear before these Committees to satisfy the public representatives with reference to the observations of the Auditor General made in his reports with regard to the public spending incurred through them. The Public Accounts Committees are required to submit annual reports for the deliberation, and consideration of the respective assemblies.

The Parliament, through its PAC, is reliant on the Auditor General for most of the information it requires to carry out its particular mandate. There are many examples across many countries where an Auditor General has extended the scope of his work in order to accommodate the PAC's needs which go beyond the conventional financial audit. This has given rise to various types of compliance and performance audits. While a PAC might not have the powers to instruct government, by becoming 'formidable' in the eyes of the public it gains an authority that causes government to nonetheless treat its directives as instructions. However, there is a need to further expand the oversight role of the PAC, its legislative mandate to enforce the implementation of its recommendations.

1.5. Functions of AGP

Under the Law, the AGP performs the following functions:

- i. determining, with the approval of the President, such forms, principles and methods in which the accounts of the Federation and of the Provinces shall be kept,
- ii. certifying the accounts, compiled and prepared by the Controller General of Accounts or any person authorized on that behalf for each financial year, showing under the respective heads the annual receipts and disbursements for the purpose of the Federation, each Province and each District,
- iii. submitting the certified accounts with such notes/comments or recommendations as he may consider necessary to the President or the Governor of a province or the designated district authority,
- iv. preparing reports relating to the accounts of the Federation/Provinces and submit them to the President/Governor, who shall cause them to be laid before the National/ Provincial Assemblies,
- v. AGP also performs the function of auditing
 - a. all expenditures from the Consolidated Fund and Public Accounts of the Federation and each Province;
 - b. all receipts which are payable into the Consolidated Fund or Public Accounts of the Federal Government and of each Province and in the accounts of each district; and to provide assurance that these were payable, have been properly and correctly deposited; and internal controls are in place for their proper assessment and collection;
 - c. accounts of stores and stock kept in any office or department of the Federation or of a Province or of districts;

Government departments are accountable to the Parliament for disbursing public money for the service and purpose for which they had been made available and in accordance with the prevailing rules and regulations.

- d. all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts in any Federal or Provincial department and public sector enterprises;
- e. the accounts of any body or authority substantially financed by loans or grants from the Consolidated Fund of the Federal or Provincial or District Government and to provide assurance as to the fulfillment of the conditions subject to which such grants or loans were given.

The constitution also provides the AGP adequate powers to carry out these functions.

1.6. Audit Function and Jurisdiction

The mandate of the AGP, spelled out in Chapter one, requires the organization of the AGP to conduct annual audit of the accounts of the Federal Government's ministries, divisions, attached departments, subordinate offices, autonomous/semi-autonomous organizations and of the accounts of the Provincial departments, organizations and their subsidiaries. Audit of the accounts of District Governments has also been entrusted to the AGP under the Local Government Ordinance. Additionally, some FAOs conduct audit of foreign aided projects funded by the World Bank, Asian Development Bank, and other bilateral and multilateral donors.

1.7. Auditing Standards and Types of Audit

The AGP has adopted the INTOSAI Code of Ethics and Auditing Standards. The Financial Audit Manual (FAM) and twenty Audit Guidelines prepared and adopted for public sector auditing in Pakistan are consistent with the International Standards of Supreme Audit Institutions (ISSAIs) and cover all stages of audit cycle. The Guidelines for Performance Audit used by the AGP are comprehensive and these are being revised to be consistent with international best practices. The ASOSAI Guidelines on AQMS are practiced by the AGP in its Audit Reports.

The Auditor General of Pakistan conducts three types of audit:

- i. ***Financial attest*** focuses on audit opinion on the financial statements and the state of internal controls in the audited entities

- ii. *Compliance with authority audit* encompasses observance of laws, rules, regulations, and prescribed procedures by the audited entities and leads to reports on their non compliance
- iii. *Value for money* or *Performance audit* reports on the economy, efficiency and effectiveness in the management of public funds

In addition to the above, special audits are conducted on the directives of the Auditor General, the PAC and on the requests of the heads of executive departments. Instances of grave financial indiscipline highlighted by media or public complaints also become a basis for initiating a special audit.

1.8. Quality Control

During the quality review of annual audit reports, it was noticed that quality control checks on the audit report did not identify deficiencies in audit reports and could not prevent recurrence of the same deficiencies in audit reports of subsequent years. Further, it was realized that quality needed to be monitored at all stages in audit cycle and not at the reporting stage only.

Quality Management Framework (QMF) which comprises Quality Assurance Mechanism, Quality Control Mechanism and Quality Improvement Mechanism is meant to ensure quality of each and every report before its approval. This framework, consistent with the INTOSAI and ASOSAI standards and guidelines, captures all dimensions of audit quality and applies to all stages of audit cycle. The AGP started to judge performance of our field audit offices with reference to the QMF from 2009-10. It established two levels of committees. The Internal Quality Control Committee (Internal QCC) is headed by the Deputy Auditor General of the concerned Audit Wing. Each head of the Audit Wing rated audit reports of its FAOs against quality attributes laid down in the QMF. After the internal QCC the report is submitted to the external DAG for External QCC. The AGP has also introduced a standardized “Template for Audit Report” for the FAOs. Standardization of the audit products is expected to facilitate the stakeholders in identifying governance issues on a consistent basis across the governments.

As a result of these measures, the quality of audit reports has improved notably this year. Further, the AGP identified a few gaps in the QMF that are now being plugged in. For instance, the QMF focuses on pre-issuance stages of Audit Reports and the follow-up stage. However, capturing the impact of audit needs to be included in its design.

1.9. Creating a Partnership Culture with Clients

The AGP wants to create a partnership culture with auditees to have maximum impact of its products and services on the system. Thus, FAOs are required to be in touch with auditees during audit engagement at all stages in audit cycle. Audit engagement begins after intimation has been given to the auditees. Further, preliminary reports are discussed and management views taken before these reports are

The AGP has been able to create an environment in which every employee is expected to contribute to quality improvement.

issued. Subsequently, before the finalization of the audit reports, the Principal Accounting Officers¹ (PAOs) are apprised of the major findings so that they can either initiate remedial actions or satisfy the auditors with valid explanations for managerial actions that lead to the audit findings. After the finalization of the audit reports, the PAOs are requested to organize meetings of the Departmental Accounts Committees (DACs). The DACs in Pakistan deal with the audit related functions usually performed by the Audit Committees and provide a platform for addressing the concerns of the auditors before they are reported to the legislature. This arrangement increases the cost-effectiveness of audit process because the adjudication of the legislature is required only in cases that are significant in terms of their financial and systemic implications.

1.10. Special Sectors Audit

Auditor General of Pakistan created/re-designated a wing for special sectors audit which is headed by a Deputy Auditor General. The wing is meant to carry out the vision of

¹ Administrative Secretaries in Ministries/Divisions/Departments. Under the system of financial control and budgeting, the PAOs are responsible to ensure that the funds allotted to their Ministries/ Divisions etc. are spent for the purpose for which the allocation is made and that the expenditure falls within the ambit of a grant or an appropriation duly authorized. A PAO has to personally appear and offer explanations before the PAC.

making the Department of Auditor General of Pakistan as a model Supreme Audit Institution by Strengthening and Institutionalization of Special Audits, viz:

- i. Creation of a new Unit as (Banking / Financial Institutions Audit).
- ii. Creation of a Special Audit Unit (SAU)) for strengthening and institutionalization of Special Audits like Forensic Audit and Performance audit
- iii. Creation of a System Audit Unit (SAU) to promote the use of Information Technology and Information System and to provide technical support to FAOs in conduct of IT Audits.

1.11. Policy Board of AGP and its first meeting

The revival and constitution of the Policy Board as a think tank and an advisory body to DAGP is an effort to make this office and its working all the more effective with collective wisdom and creative ideas crystallized into pragmatic actionables.



First Policy Board Meeting

First meeting of the Policy Board of the Department of the Auditor General of Pakistan (DAGP) was held on 1st of August 2016 in the office of the Auditor General of Pakistan under the Chairmanship of the Auditor General of Pakistan, Rana Assad Amin. The Policy Board strongly agreed that DAGP has to have financial independence for fulfilling its mandate to conduct public sector auditing in Pakistan. The Policy Board endorsed the view that DAGP cannot be treated like other attached departments of the Finance Division keeping its view its role as a watchdog and overseer of the public funds. The Policy Board agreed in principle that most recent reports should be discussed in PAC first, however, the reports of previous years be given due importance. Uploading of DAGP's audit reports on the official

website was also recommended. It was agreed during the meeting that a new initiative will be taken to employ social media for dissemination of information to the stakeholders. In this regard Facebook, Twitter, LinkedIn etc. were identified as some of the tools for dissemination of information. DAGP has enhanced collaboration and cooperation with other professional bodies including various international organizations. Members of the Policy Board agreed that DAGP should work on seeking membership of its officers in ICMAP on the pattern of PIPFA memberships. It was also decided to devise a proper mechanism for interacting with social sector and seeking input from civil society during the audit planning process. The Board recommended taking up a study of different models across the SAIs and other bodies to identify the best prevalent practices. Audit Plans 2015-16 of the Field Audit Offices (FAOs) of DAGP were for the first time prepared after consulting with Civil Society Organizations. The Policy Board appreciated the expansion in the international activities of DAGP and expressed satisfaction on the recent initiatives of the department. The Policy Board agreed that DAGP shall further enhance its relations with the SAIs of Muslim countries and SARRC countries.



The Group photo of the participants of first Policy Board meeting

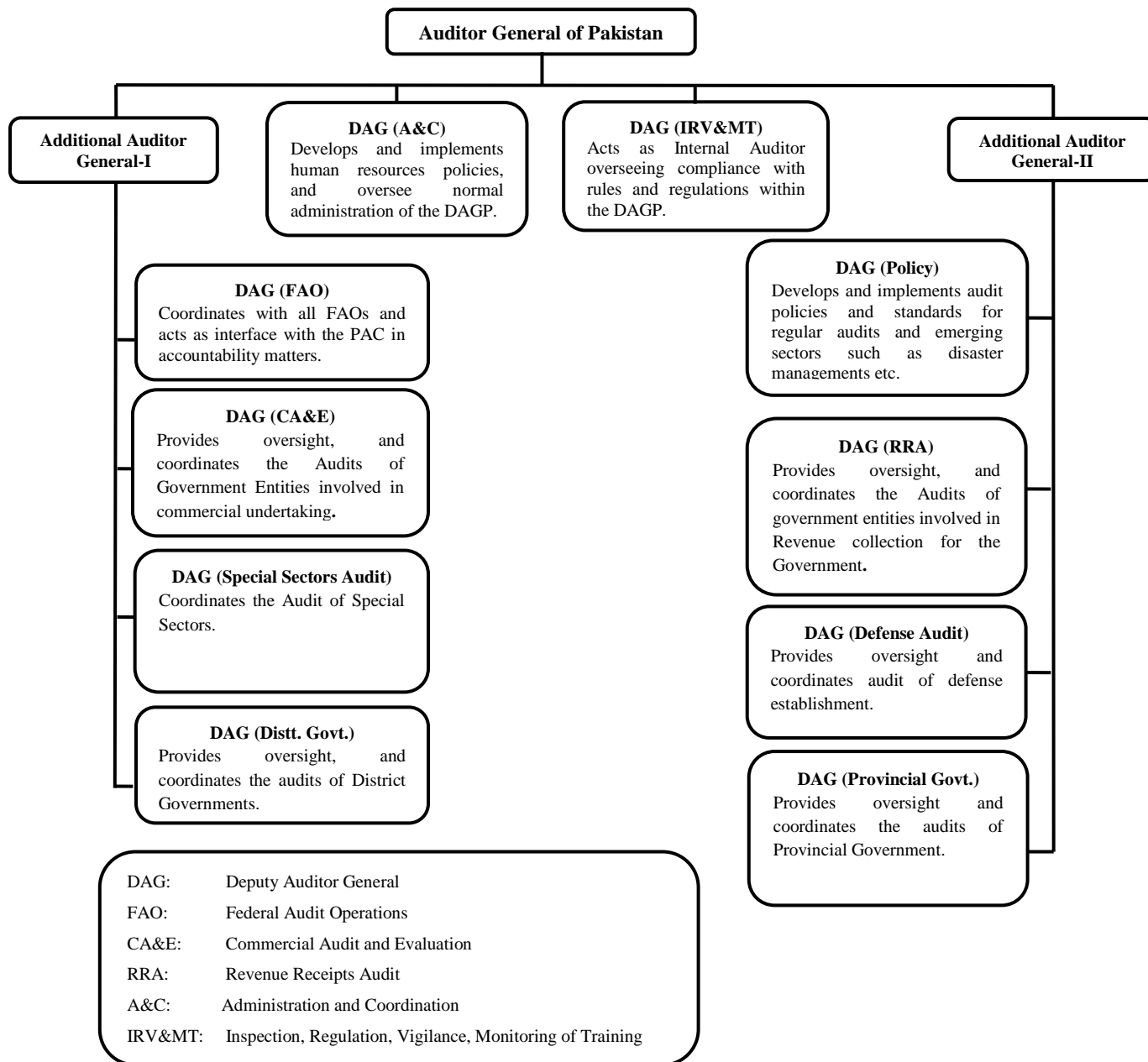
1.12. AGP's Organization

At the apex of the Department is the Auditor General who has a fixed term of four years, which is non-extendable. The AGP is assisted by two Additional Auditors Generals who oversee the work of Audit and other Wings. There are 30 Field Audit Offices (FAOs)

with clearly delineated audit jurisdiction. These FAOs are organized under six Audit Wings. Each of the Audit and other Wings are headed by a Deputy Auditor-General who reports to the one of the two Additional Auditor-Generals. The Deputy Auditor General directs, controls and coordinates the work of the field offices under his/her Wing. The exception to this principle is the Deputy Auditor General (Inspection and Regulations), whose Wing carries out the inspection of all FAOs and Wings on behalf of the Auditor-General of Pakistan. The fundamental role of this Wing is to report to the Auditor General on the integrity and compliance aspects of our operations.

Distribution of work in the AGP office has been depicted in the organizational chart that follows:

ORGANIZATIONAL CHART OF SAI-PAKISTAN



1.13. Strategic Partnership and Professional Memberships

The SAI Pakistan maintains strategic and professional liaison with recognized domestic and international accounting and auditing bodies. The AGP is;

- i. On the Council of the Institute of Chartered Accountants of Pakistan.
- ii. Member of the Constituent Body of the Pakistan Institute of Public Finance Accountants, which is an associate member of the IFAC.
- iii. The Director of the International Consortium on Governmental Financial Management (ICGFM).
- iv. The current Chairman of the Asian Organization of Supreme Audit Institutions (ASOSAI)
- v. The permanent Secretary General of the Economic Co-operation Organization's Supreme Audit Institutions (ECOSAI).

1.14. Personnel

The number of core professional officers of the AGP, also known as the Pakistan Audit and Account Service (PA&AS) is 625, working against the sanctioned strength of 832. The PA&AS provides frontline, middle and top leadership to the AGP in its audit operations, government accounting, and other financial management activities at federal, provincial and district levels. The Officers of PA&AS are selected on the basis of a national competitive examination conducted by the constitutionally appointed Federal Public Service Commission (FPSC). The selected officers undergo a rigorous pre-service training program of 18 months. The number of support staff in the audit offices is 3721

The AGP is an equal opportunity employer and does not discriminate on the basis of immutable traits such as minority, sex and disability. It ensures fairness in the employment process and also equal treatment and respect during employment, especially for women.

This is evident from the significant number of women working in the department.

Department of the Auditor General of Pakistan has 29 field audit offices, with a sanctioned strength of 5387 employees as on December 31, 2015.

1.15. Internal Audit and Vigilance within the AGP's Organization

The Inspection, Regulation, Vigilance and Monitoring (IRV&M) Wing acts as an internal auditor of the department providing a reasonable assurance on the propriety and probity of the working within the AGP's organization. This Wing directly reports to the AGP and provides assurance that audit operations meets the standards of financial and administrative discipline prescribed by law and best practices. The Inspection cell of the Wing conducts administrative inspections of Field Audit Offices of the AGP as per the approved plan. During the year 2014-15, the wing carried out inspections of the Field Audit Offices. The Regulation cell of the wing provides guidance on particular questions of legal and financial import. The Vigilance Section deals with cases of complaints received from the public regarding loss to public exchequer. It conducts enquiries in cases of frauds, embezzlements and losses, and reports its findings to higher authorities. It also works for speeding up the Pension and Provident Fund cases of the retiring public servants.

1.16. Budget

The budget of the AGP's Department is charged upon the Federal Consolidated Fund and is not required to be voted in the Parliament. During the FY 2015-16, Rs.3.80 billion was provided to meet the expenditure of the Department. The following Table gives the budget out lay of the AGP for FY 2015-16:

	In Rs. Million
1. Employee related expenses	2,663.04
2. Operating expenses	949.80
3. Medical Re-imburement to Pensioners	94.84
4. Financial Assistance To Deceased Civil servants	35.68
5. Transfer (Entertainment & Gifts)	2.96
6. Physical Assets	19.94
7. Repair and Maintenance	36.08
Grand Total	3,802.35

CHAPTER - 2
PERFORMANCE REPORT ON AUDIT ACTIVITIES

2 - Performance Report on Audit Activities

2.1. Audit Reports of the AGP

The AGP prepares various types of audit reports to fulfill its audit mandate. These include

- Certification audit reports express opinion on financial statements;
- Compliance with Authority reports ensure that the public operations are in accordance with relevant primary and secondary legislation, and focus on deviations from norms, good practices and regulations;
- Performance audit report deal with the VFM issues;
- Special audit reports address special interest areas of certain stakeholders

Besides identifying cases of financial irregularities and internal control weaknesses in a particular audited organization, an audit report also identifies areas of financial management that need improvement. It also reports on the compliance to the PAC's directives relating to the previous audit reports on the same audited entity.

The audit findings of the field audit offices that depict financial irregularities, internal control weaknesses and other areas of vulnerability are generally grouped in the following categories for reporting purposes:

- i. **Violation of Rules and regulations**, including reported cases of fraud, thefts, misuse of public resources and weaknesses of internal control systems
- ii. **Accounting Errors** that are significant but are not material enough to result in the qualification of audit opinions on the financial statements
- iii. **Violation of the principles of propriety and probity** in public operations
- iv. **Recoveries and overpayments**, representing cases of established overpayments or misappropriations of public monies
- v. **Non-Production of Records**
- vi. **Others**, including cases of accidents, negligence, etc.

Criteria for the classification of audit findings into these categories is clearly provided in the *Reporting Guidelines for the Field Audit Offices* to ensure that FAOs categorize their audit findings uniformly.

2.2. Strategic Plan

AGP's Strategic Plan is a new multidimensional initiative. It's a medium term planning for composite progression. The plan is being executed to achieve five goals in 4 years which are:

- i. Improving Financial and Organizational Independence
- ii. Development of Professional and Institutional Capacity
- iii. Development of Communication & Cooperation with stakeholders
- iv. Use of Modern Audit Techniques and Technologies
- v. Improving Internal Governance

To achieve the goals of Strategic Plan the DAGP has already achieved the Pre requisites by Equipping with necessary IT software and hardware, capabilities of Computer Assisted Audit Techniques, developing Sectoral Audit guidelines and adopting risk based audit methodologies.

2.3. Corporate Audit Plan

As its regular annual feature, the AGP involves all the FAOs in the preparation of a Corporate Audit Plan (CAP) for carrying out its audit mandate. The CAP seeks to achieve the following:

- i. Timely, reliable and relevant reporting for the stakeholder's vis-à-vis Legislature and the Government and the Public.
- ii. Addressing High Risk Areas and System Weaknesses in the Financial System.
- iii. Value Addition by assessing key performance indicators,
- iv. Identifying emerging challenges

The annual audit planning takes into account the concept of **audit cycle** under which audited entities are categorized according to their importance and risk. The AGP's audit cycle provides for the audit coverage of all the entities of the federal and provincial

governments and their subsidiaries in a three years period; but keeping in view the risk parameters, there are entities which are audited annually or biennially.

The CAP basically aggregates annual audit plans of all FAOs. Once audit plans are approved, FAOs begin to carry out planned audits under the supervision of the heads of the Audit Wings. The Audit Wings provide update on the implementation status of their respective audit plans to the AP&SS Wing of the AGP. It is worth adding that the plan is a dynamic document and is amended keeping in view the requirements of various stakeholders.

2.4. Significant Achievements in Audit Expenditure to Recovery Ratio

As a result of drastic audit reforms, there has been a substantial increase in the recoveries pointed out by audit, with a phenomenal increase in expenditure to recovery ratio in 2015-16.

Total recovery for the year **2015-16 was Rs.80.96/- billion** as compared to Rs. 40/- billion during 2014-15, showing an increase of more than 100%.

In this year the **expenditure to recovery ratio is 1:22** as compared to previous year's 1:15. This means that for every rupee spent on audit, Rs.22/- is recovered from ministries/divisions on account of irregular expenditure. Whereas, last year Rs.15/- were recovered against one Rupee spent.

2.5. Performance on the Financial Attest

Section 7 of the Auditor-General Ordinance 2001 provides that the Auditor General shall

*“on the basis of such audit as he may consider appropriate and necessary, **certify the accounts**, compiled and prepared by Controller General of Accounts or any other person authorized in that behalf, for each financial year, showing under the respective heads the annual receipts and disbursements for the purpose of the Federation, of each Province and of each district, and shall submit the certified accounts with such notes, comments or recommendations as he may consider necessary to the President or the Governor of a Province or the designated District Authority, as the case may be.”(Emphasis added)*

The annual financial statements of the Federal Government consist of the Appropriation Accounts and the Finance Accounts. These accounts are prepared by the Controller General of Accounts (CGA) under the provisions of the CGA Ordinance, 2001 and in accordance with the principles and forms of accounts prescribed by the Auditor General.

There is a centralized pre-audit system prevalent in Pakistan, which requires the Ministries, and Departments of the Federal, Provincial and District Governments to get their payments processed from the pre-audit offices that work under the supervision of the Controller General of Accounts (CGA) and the control of the Ministry of Finance. Since the payments are processed in the pre-audit offices, the accounts are also prepared by them and consolidated in the offices of the Accountants General, which are the field offices of the CGA. In cases where certain departments of the Federal and Provincial Governments are authorized to maintain accounts, they are required to prepare detailed accounts of their payments and receipts, which are merged with the central accounts prepared by the Accountants General.

The financial statements of the Federal and Provincial Governments are certified under a System Based Approach (SBA) to Financial Attest. The objective of SBA is to enable the government auditors to plan their activities economically and efficiently so that they can collect the required evidence regarding the health of government accounts. Under this approach, the auditors first evaluate and test the systems of internal controls involved in processing and recording the transactions. If they find that these systems are dependable, they place reliance on them and carry out an appropriately reduced level of substantive testing of details.

During the Audit Year 2015-16 the AGP certified the accounts of 101 entities of the Federal, Provincial and District governments. The following Table gives the extent of coverage in this area of auditing and gives the results.

Government	No. of Accounts Certified	Size of Account	Nature of Audit Certificate
Federal	2	12,393,054,020,211	Unqualified
Self-Accounting Entities	8	837,308,625,898	6 Unqualified 1 Qualified and 1 Adverse
Total Federal Government	10	13,230,362,646,109	-
Provincial – Punjab	3	885,306,015,398	Unqualified
Provincial – Sindh	3	597,909,442,448	Unqualified
Provincial – KP	3	373,284,179,412	Unqualified
Provincial – Baluchistan	2	194,970,111,767	Unqualified
Districts (Punjab)	72	271,417,000,000	72 Unqualified
AJ & K Council	2	10,479,160,208	Unqualified
AJ & K Government	2	71,873,761,217	Unqualified
Gilgit Baltistan Govt.	2	29,207,246,636	Unqualified
Gilgit Baltistan Council	2	415,025,886	Unqualified
Total	101	15,665,224,589,081	-

2.6. Performance regarding Compliance with Authority and VFM Audits

The reports of the AGP on Compliance with Authority and Performance Audits are distinct from the Financial Attest of accounts because they relate to the executive departments who, in the prevalent centralized system of payments and accounting, are not responsible for maintaining their accounts. The results of such audits are given in the following section of this report.

During the audit year 2015-16, the FAOs working under the supervision and control of various audit wings of the AGP carried out the audit of 8746 formations from 325 Federal and Provincial entities along with 253 entities of 112 districts. The audited outlays totaled up to Rs.9.477 trillion representing revenue receipts, disbursements and expenditures.

Table below provides nation-wide figures of the total amounts audited, recoveries made on the basis of the audit findings and values of transactions placed under audit observations.

(Rs. in million)

Sr. No.	Description	Total
1)	Total amount audited	9,477,098.614
2)	Recovery made at the instance of audit	80,964.32
3)	Amount placed under audit observations	8,156,171.350

The Audit Wing wise detail is as under:

(Rs. in million)

Sr. No.	Description	Total amount Audited	Recovery made at the instance of audit	Amount placed under audit observations
1)	DAG (FAO)	526,322.972	1,292.90	578,401.314
2)	DAG (CA&E)	2,633,658.707	43,197.24	5,919,090.899
3)	DAG (Prov. Audit)	1,899,775.798	4,146.74	425,574.369
4)	DAG (Distt. Audit)	319,613.057	1,790.14	182,038.028
5)	DAG (Defense Services)	353,326.390	4,048.21	211,516.780
6)	DAG (RRA)	3,744,401.690	26,489.09	839,549.960
	Total	9,477,098.614	80,964.32	8,156,171.350

The Field Audit Offices produced 495 audit reports based on the audit of entities receiving funds from the Federal, Provincial and District budgets. The audit findings pointed out overpayments and facilitated the recovery of a total of Rs. 80.964 billion.

Table below provides nation-wide figures of audit reports issued in the audit year 2015-16:

Sr. No.	Description	No. of Reports
1)	Audit Reports	211
2)	Special Audit Reports	33
3)	Performance Audit Reports	20
4)	Other Audit Reports (Audits of foreign funded Projects, IT & Environment Audit etc.)	231
5)	Total Audit Reports	495

The Audit Wing wise detail is as under:

Sr. No.	Description	Compliance with Authority Audit Reports	Special Audit Reports	Performance Audit Reports	Other Reports	Total Reports
1)	DAG (FAO)	26	1	0	51	78
2)	DAG (CA&E)	6	6	4	31	47
3)	DAG (Prov. Audit)	11	12	6	86	115
4)	DAG (Distt. Audit)	161	4	7	48	220
5)	DAG (DS)	2	10	3	15	30
6)	DAG (RRA)	5	0	0	0	5
	Total	211	33	20	231	495

The following section of this chapter outlines the performance of the six Audit Wings of the AGP for conducting Compliance with Authority and Value for Money audit.

2.6.1 Federal Audit Operations Wing

The Federal Audit Operations (FAO) has four field offices: DG Audit Federal Government, DG Audit (F&I), Directorate General Audit Disaster Management and Director Zakat Audit. The Wing is also a focal point for interacting with the Public Accounts

Committee. It is a resource center on the task of modernization, simplification and up-gradation of the books of Rules and Regulations.

The financial statements including the Appropriation/Finance Accounts pertaining to the Federal Government, Pakistan Mint, National Savings, Geological Survey of Pakistan and Ministry of Foreign Affairs are examined by this wing. This wing is also responsible for examining the expenditures of Ministries, Divisions and attached organizations headed by Principal Accounting Officers at the level of Federal Government.

The wing issued 26 Compliance with Authority Audit Reports along with one Special Audit Report.

Sr.No.	Description	No. of Reports
1)	Compliance with Authority Audit Reports	26
2)	Special Audit Reports	1
3)	Performance Audit Reports	0
4)	Other Audit Reports	51
	Total Reports	78

The details of total amount audited by the FAO Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	526,322.972
2)	Recovery made at the instance of audit	1292.90
3)	Amount placed under audit observations	578,401.314*

**including amount of Zakat not realized amounting to Rs.65, 483.70 million*

The detailed breakup of the amounts placed under audit observations is given in the table that follows:

(Rs. in million)

Sr. No.	Description	Amount placed under audit observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity	24,455.158
2)	Accounting Errors	257,527.062
3)	Reported cases of Fraud, embezzlement, thefts and misuse of public resources.	1,719.321
4)	Weaknesses of internal control	210,458.825
5)	Recoveries and overpayments	14,263.363
6)	Non-Production of Records	1,097.720
7)	Others	68,879.865
	Total	578,401.314

Accounting Errors is a major irregularity pointed out by audit amounting to Rs.25.752 billion.

The audit reports pointed out that the ministries and divisions did not prepare and execute their budgets effectively. Funds were released without any identified schemes of expenditure by the recipients.

The audit of the Central Zakat Fund found serious lapses. Significant observations included non-reconciliation of Zakat collection, un-justified late release of Zakat funds, purchase of medicines by Health Welfare Committees without open bidding, and un-authorized issuance of medicines on doubtful prescriptions by doctors.

Following are the major irregularities pointed out by during the course of Audit by FAO Wing:-

- i. An amount of Rs.2, 245.081 million for 74,396 beneficiaries remained undrawn for the concerned two years which should have been deposited into the government treasury. The BISP management violated its own principles given in its payment manual. (Para-3.4.4 of AR on the accounts of Federal Government- Audit Year 2015-16)
- ii. M/o Ports and Shipping in violation of the contract paid an amount of Rs.4, 619 million to the contractors without imposing the delay damages after expiry of the contract period. The cases of delay damages should be decided and the imposed penalty may be recovered. (Para-25.4.4 of AR on the accounts of Federal Government- Audit Year 2015-16)
- iii. KPT had outstanding recoveries amounting to Rs.1, 282 million from 45 government departments and agencies. 84.09% dues pertained to WAPDA and the remaining dues pertained to other 44 departments and government agencies. (Para-25.4.6 of AR on the accounts of Federal Government- Audit Year 2015-16)
- iv. Pakistan High Commission (PAHIC) London awarded contract of Rs.143.594 million to M/s Gerry's for processing of visa applicants. The mission failed to provide the record relating to tendering process, copy of contract and integrity pact to audit. Award of contract without PPRA Rules is held unauthorized. (Para-1.4.18 of AR on the accounts of M/o Foreign Affairs – Audit Year 2014-15)
- v. Four Pakistani Missions Abroad paid rent amounting to Rs.22.742 million for vacant residences, which resulted in loss to the Government. The matter needs to be inquired for fixing responsibility and effecting recovery from the concerned where required. (Para-1.4.26 of AR on the accounts of M/o Foreign Affairs – Audit Year 2014-15)
- vi. ERRA did not intimate the closing balance of Rs.978.450 million in Annual Financial Statements to the Finance Division, which was violation of ERRA Financial Rules. Furthermore, an amount of Rs 292.312 million lying in

secondary accounts of PERRA and SERRA, which are lapsable was not transferred to ERRA Fund. (Para-1.1.1 of AR on the accounts of ERRA – Audit Year 2015-16)

- vii. After completion of construction work, assets amounting to Rs.34.299 million belonging to ERRA were not handed over by NHA to ERRA. Irregular retention of assets by NHA may result in loss of Rs.34.299 million to ERRA. (Para-2.4.17 of AR on the accounts of ERRA –Audit Year 2015-16)
- viii. ERRA made a payment of Rs.127.568 million to the contractor against fictitious measurement, which needs to be investigated to fix responsibility and to recover the illegal payment. (Para-3.2.24 of AR on the accounts of ERRA –Audit Year 2015-16)
- ix. Project Management Unit Bagh City Development Project (BCDP) deducted an Income Tax of Rs.278.638 million from the contractors during 2012-13 and 2014-15 but the amount deducted was not deposited in Government treasury, resulting in loss to the Government. (Para 4.2.27 of AR on the accounts of ERRA –Audit Year 2015-16)
- x. M/o Finance granted exemption of Zakat on regular Income Certificates, Pension benefit Accounts amounting to Rs.65.018 billion which was held as unjustified and doubtful. (Para 1.4.1 of AR on the accounts of Central Zakat Fund, ZCCA, ZCOs and Islamabad Zakat & Ushr Committee-Audit Year 2015-16)

2.6.2 Corporate Audit and Evaluation Wing

The Corporate Audit & Evaluation (CA&E) Wing is assigned the task to carry out the audit of entities under the Ministry of Water & Power, Pakistan Post offices, Ministry of Information Technology and all the State Enterprises falling under Federal Ministries and Provincial Governments.

The total reports issued by the Wing and total number of entities audited are given below:

Sr. No.	Description	No. of Reports
1)	Compliance with Authority Audits Reports	6
2)	Special Audit Reports	6
3)	Performance Audit Reports	4
4)	Other Audit Reports	31
5)	Total Reports	47

The details of total amount audited by the CA&E Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	2,633,658.707
2)	Recovery made at the instance of audit	43,197.24
3)	Amount placed under audit observation	5,919,090.899

**The amount of audit observations includes Rs. 4,190,216.59 million as balances of previous years in case of DG WAPDA Audit.*

The detailed breakup of the amounts placed under audit observations are given in the table below:

(Rs. in million)

Sr. No.	Description	Amount placed under audit observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity in public operations	1,865,164.069
2)	Accounting Errors	49,154.080
3)	Reported cases of fraud, theft, embezzlement and misuse of public resources	6,460.726
4)	Recoveries and overpayments	742,966.705
5)	Non-Production of Records	16,222.679
6)	Weaknesses of internal control	1,479,717.201
7)	Others	1,759,405.439
	Total	5,919,090.899

Violation of Rules and regulations is a major irregularity pointed out by audit. The recoverable amount pointed out is Rs.18.651 billion out of which recovery made at the instance of audit is Rs. 43,197.24 million.

The Corporate Audit & Evaluation Wing also undertook four Performance and Project Audit Reports:

2.6.3 Provincial Audit Wing

The Provincial Audit (PA) Wing has 7 field offices, each headed by a Director General in the four provinces. The Wing is responsible for auditing the expenditure and receipts of provinces. In addition to that, Directors General Audit Works (Provincial) is also part of this Wing.

The total reports issued by the Wing and total number of entities audited are given below:

Sr. No.	Description	No. of Reports
1)	Compliance with Authority Audit Reports	11
2)	Special Audit Reports	12
3)	Performance Audit Reports	6
4)	Other Reports	86
	Total Audit Reports	115

The details of total amount audited by the PA Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	1,899,775.798
2)	Recovery made at the instance of audit	4,146.74
3)	Amount placed under audit observations	425,574.369

The detailed breakup of amount placed under audit observations is given in the table below:

(Rs. in million)

Sr. No.	Description	Amount Placed Under Audit Observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity in public operations.	267,861.901
2)	Accounting Errors	14.204
3)	Reported cases of fraud, embezzlement, thefts and misuse of public resources	1,305.417
4)	Recoveries and overpayments	57,376.398
5)	Weaknesses of internal control	25,759.122
6)	Non-Production of Records	43,430.070
7)	Others	29,827.257
	Total	425,574.369

Violation of Rules and regulations is a major irregularity pointed out by audit. The recoverable amount pointed out is Rs.26.78 billion out of which recovery made at the instance of audit is Rs 4,146.74 million. Following are the major observations pointed out by the Provincial Audit Wing during the course of audit:-

- i. Irregular expenditure due to violation of tendering process Rs. 647.34 million.
- ii. Un-authorized payment of salary through manual bills Rs. 535.21 million.
- iii. Un-authorized and irregular purchase of plant & machinery and other assets Rs.726.73 million.
- iv. Irregular procurement of stock Rs. 4.106 billion.
- v. Non production of voucher accounts/record Rs. 3.947 billion.
- vi. Less/non realization of Rs. 212.25 million on account of usher and abiana from farmers.
- vii. Executing agency did not obtain the performance/additional performance security for Rs. 5552.25 million.
- viii. Amount of Rs. 535.48 million was paid to Land Acquisition collector to acquire land for work, out of which an amount of Rs. 241.70 million was misappropriated by the officials/officers LAC.
- ix. Misuse of the subsidized scheme of sale of tractors to the farmers/growers Rs. 7.5 million
- x. Amount of Rs. 32.881 million due from various contractors on account of Shoe Contract, Flower Contract, Car Parking, from sixteen units of Aukaf in Sindh.

2.6.4 District Audit Wing

District Audit (DA) Wing has the mandate to audit the expenditures of all District Governments in the country. There are five Directors General, four stationed in the provincial capitals and one at Multan.

During the audit year 2015-16, the DA Wing undertook the audit and produced following Audit Reports.

Sr. No.	Description	No. of Reports
1)	Compliance with Authority Audit Reports	161
2)	Special Audit Reports	4
3)	Performance Audit Reports	7
4)	Others	48
	Total Audit Reports	220

The details of total amount audited by the DA Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	319,613.057
2)	Recovery made at the instance of audit	1,790.14
3)	Amount placed under audit observations	182,038.028

The detailed breakup of the amounts placed under audit observations is given in the table that follows:

(Rs. in million)

Sr. No.	Description	Amount placed under audit observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity in public operations.	48,250.317
2)	Accounting Errors	29.018
3)	Reported cases of fraud, embezzlement, thefts and misuse of public resources	766.381
4)	Recoveries and overpayments	8,572.701
5)	Weaknesses of internal controls	99,497.125
6)	Non-Production of Records	23,327.727
7)	Others	1,594.759
	Total	182,038.028

Violation of Rules and regulations is a major irregularity pointed out by audit. The recoverable amount pointed out is Rs.4.825 billion out of which recovery made at the instance of audit is Rs. 1,790.14 million.

The district government authorities also did not provide record to the auditors resulting in objections involving Rs.2.332 billion.

Following are the major audit observations raised by District Audit Wing during the course of audit:-

- i. Non-recovery of outstanding Dues amounting to Rs.50, 317.729 million by Deputy Managing Director RRG KW&SB and Director Municipal.
- ii. Non-auctioning of Leasehold Rights for Recovery of Advertising Fees Rs.190.496 million by Senior Director Local Taxes KMC Karachi.

- iii. Unauthorized Maintenance of District Government Receipts Accounts Rs.1, 163.576 million by EDO F&P.
- iv. Non deduction of Price Variation on Account of Diesel and Bitumen Rs.22.859 million by DO Roads
- v. Execution of works without Job Mix Formula Rs.178.837 million by District Officers Buildings and District Officer Roads Faisalabad.
- vi. Irregular Expenditure in violation of PPRA rules Rs.18.824 million by different DDOs.
- vii. Expenditure without Technical Sanction Rs.79.109 million
- viii. Expenditure without maintaining measurement Books Rs.116.800 million
- ix. Land Acquisition Collector PDA earned bank profit of Rs.94.529 million and did not deposit into Government Treasury.
- x. CCO District Council Bannu failed to recover outstanding share/load from Municipal Committee Rs.40, 957.835 million.

2.6.5 Defense Services Audit Wing

Defense Audit has two Directors Generals, one stationed in Karachi and other in Rawalpindi. They audit the expenditures and receipts of the three Defense Services along with Defense Production, Inter-Services Organization, Military Accounts, Director-General Military Lands and Cantonment, and Federal Government Education institutions. During the year, the Wing undertook the audit of 2 entities. Following tables shows the audit reports issued by Defense Services Wing:-

Sr. No.	Description	No. of Reports
1)	Compliance with Authority Audit Reports	2
2)	Special Audit Reports	10
3)	Performance Audit Reports	3
4)	Other Reports	15
	Total Audit Reports	30

The details of total amount audited by the Defense Services Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	353,326.390
2)	Recovery made at the instance of audit	4,048.21
3)	Amount placed under audit observations	211,516.780

The detailed breakup of the amount placed under audit observations is given in the table below:

(Rs. in million)

Sr. No.	Description	Amount placed under audit observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity in public operations.	127,540.69
2)	Accounting Errors	297.00
3)	Reported cases of fraud, embezzlement, thefts and misuse of public resources	3,725.42
4)	Recoveries and overpayments	11,387.45
5)	Non-Production of Records	304.67
6)	Weaknesses of internal controls	59,680.16
7)	Others	8,581.39
	Total	211,516.780

Violation of rules and regulations is a major irregularity pointed out by audit. The recoverable amount pointed out is Rs.1.275 billion. The recovery made at the instance of Audit is Rs. 4,048.21 million.

Following are the major irregularities pointed out by DSA Wing during the course of audit:-

Capital Development Authority

- i. A commercial plot of a five star hotel near Convention Centre was auctioned by CDA at lesser value which resulted into a loss of Rs 7,492.78 million. (Para 2.4.5 AR)

Civil Aviation Authority

- i. CAA Management awarded work Package-III, Passenger Terminal Building (New Islamabad International Airport Project) to JV M/s China State Construction Engineering Corporation - FWO at cost of Rs 20,286.04 million. The lead partner of the JV was not registered under relevant specialization which was mandatory requirement of the award of work. Non-adherence to PEC Bye Laws caused irregular/unauthorized award of work to a non- specialized firm/JV for Rs 20,286.04 million. (Para 3.4.1 AR)
- ii. Authority released the Bank Guarantee of Rs 1,556.47 million to the contractor without compliance to the DAC directives regarding settlement of issues, recovery of losses and initiating disciplinary action against the responsible(s). (Para 3.4.2 AR)

National Highway Authority

- i. Additional Mobilization Advance amounting to Rs 1,571.72 million was paid to a contractor by NHA beyond the provision of contract agreement. (Paras 4.4.10, 4.4.11 AR)
- ii. Plant and machinery which were handed over to contractors of Islamabad-Peshawar Motorway (M-1) were not handed over to NHA after completion of work and cost of these items and rent for the period after completion of work up to 30th June, 2014 on current market rates as per contract clause has not been recovered from the contractors. This resulted in non-recovery of Rs 2,031.44 million. (Para 4.4.31 AR)

Pakistan Public Works Department

- i. Despite directives of Islamabad High Court, Pak PWD did not receive back the funds paid to M/s NLC against Mandra-Chakwal and Sohawa-Chakwal Roads, on the plea that the contractor filed intra court appeal in the Islamabad High Court against the said

decision in April 2013, whereas latest status of the intra court appeal with reference to its acceptance as well as further order was not forthcoming from the record. Moreover, the Employer also remained unable to adjust the work done of IPC-I & II amounting to Rs 612.61 million. This resulted into non-receiving of principal amount of Rs 2,300.91 million and interest accrued thereon amounting to Rs 641.07 million worked out on the basis of 10% interest rate per annum. (Para 5.4.1 AR)

DG Audit Defense Services.

- i. In 04 Naval units, A-1 land was let out for commercial entities. All revenue generated from these activities estimated at Rs. 468.93 million was deposited into shop's account instead of government treasury. (Para 1.16.2 page No 167,168,169 &170 of AR)
- ii. In MEO Quetta, an amount of Rs. 3,095.678 million was placed for acquisition of land. The payment of the same to the land lord could not be verified due to non-provision of acquaintance roll showing disbursement of compensation. Hence the expenditure considered as doubtful. (Para 1.10.5 Page No. 124&125 of AR)
- iii. Loss to cantonment fund due to non- recovery of hoarding charges from CSD-Rs. 13.382 Million (Para No 1.8.6 of AR)
- iv. Non receipt of deficient stores Rs.510.037 Million (Para No 1.13.1 of AR)

2.6.6 Revenue Receipt Audit Wing

The Revenue Receipt Wing has Directorates General at Karachi and Lahore which are responsible for conducting the audit of Direct and Indirect Taxes as well as Non Tax Receipts. The wing also carries out the audit of Pakistan Railways.

During the audit year 2015-16, the wing produced 5 Compliance with Authority Audit Reports based on the audit.

In this Audit Plan audit of Tax Expenditure has been included as a new area.

The table below presents data on the coverage of audit by the wing:

Sr. No.	Description	No. of Reports
1)	Compliance with Authority Audit Reports	5
	Total Audit Reports	5

The details of total amount audited by the Revenue Receipt Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below:

(Rs. in million)

Sr. No.	Description	Amount
1)	Total amount audited	3,744,401.690
2)	Recovery made at the instance of audit	26,489.09
3)	Amount placed under audit observations	839,549.960

The detailed breakup of the amount placed under audit observations is given in the table below:

(Rs. in million)

Sr. No.	Description	Amount placed under audit observations
1)	Violation of rules and regulations and Violation of principles of Propriety and probity in public operations.	433,885.620
2)	Accounting Errors	23,100.450
3)	Reported cases of fraud, embezzlement, thefts and misuse of public resources	21,162.000
4)	Recoveries and overpayments	125,869.030
5)	Non-Production of Records	86,457.300
6)	Weaknesses of Internal controls	147,252.970
7)	Others	1,822.590
	Total	839,549.960

Major observations pointed out during the course of audit by RRA Wing are as under:-

- i. Inadmissible Zero rating of goods resulting in non-realization of sales tax Rs.5,273.50 million
- ii. Short realization of sales tax due to inadmissible adjustment of input tax Rs.2, 888.88 million.
- iii. Loss of Revenue due to fraud Rs.20, 818.82 million.
- iv. Loss due to blockage of revenue Rs.4, 001.52 million.
- v. Loss due to non-recovery of adjudged revenue Rs.8,233.53 million
- vi. Loss due to excess payment of rebates Rs.1, 967.81 million.
- vii. Un lawful use of premises of export oriented units for other taxable activities not covered under license Rs.1, 691.58 million.
- viii. Non-short realization of ICT, Revenue Receipt etc. Rs.1,937.07 million
- ix. Title of 4147.85 acres land possessed by Railways in DG Khan and not transferred in the name of Pakistan Railways.
- x. Blockage of capital due to non-disposal of scrape and surplus material Rs.829.21 million.

Though the impact of such changes is difficult to measure at this stage, the benefits accruing to the society as a result of such changes are likely to far exceed the amount of recoveries affected at the pointation of audit.

CHAPTER - 3
PERFORMANCE REPORT ON INTERNATIONAL
ACTIVITIES

3 - Performance Report on International Activities

As an SAI, the AGP meets a range of international and professional obligations and frequently interacts with international audit fraternity. International activities of the SAI Pakistan keep it abreast of the latest developments in public auditing and help it identify and take advantage of learning opportunities through international cooperation. The AGP's International Relation and Coordination (IR&C) Wing is responsible for transacting business in this area.

3.1. International Cooperation

Department of the Auditor General of Pakistan is the highest auditing body in Pakistan and is the Supreme Audit Institution (SAI) of Pakistan. DAGP meets a range of international and professional obligations and frequently interacts with the international audit fraternity. International activities of DAGP keep it abreast of the latest developments in public auditing and help in identifying and benefiting from learning opportunities through international cooperation. The International Relations and Coordination (IR&C) Wing in the DAGP transacts business in these areas.

DAGP is an active member of a number of multilateral professional organizations including the International Organization of Supreme Audit Institutions (INTOSAI), the Asian Organization of Supreme Audit Institution (ASOSAI), Economic Cooperation Organization Supreme Audit Institutions (ECOSAI) and International Consortium on Governmental Financial Management (ICGFM). In his capacity as the head of the SAI Pakistan, the Auditor General of Pakistan is member of the Governing Board of the INTOSAI, ASOSAI and the permanent Secretary General of ECOSAI. The Department actively participates in the assemblies, seminars, workshops, conferences and symposia organized by these bodies.

3.1.1 International Organization of Supreme Audit Institution (INTOSAI)

DAGP is on the INTOSAI Governing Board for the period of six years from 2013-19.

A brief description of the activities of SAI Pakistan in relation to INTOSAI is listed below:-

- Auditor General of Pakistan accompanied by Mr. Muhammad Raza Shah, Director attended the SAI Top Management IDI-ASSOSAI meeting with SAI Management & Key Stakeholders from 9-11 December 2015 at Jakarta, Indonesia. During the meeting DAGP prioritized the eight capacity building programs offered by INTOSAI Development Initiative (IDI). The Auditor General of Pakistan assigned first priority to the IDI Programme of SAI's Fighting Corruption".
- DAGP is presently playing a very active role in various Committees and Working Groups of the INTOSAI. Liaison Officers have been appointed for six working groups and one committee of INTOSAI to contribute and participate in the activities of these forums.
- DAGP furnished comments on draft of INTOSAI GOV 9400 to SAI France which is chair of the INTOSAI Working Group on Programme Evaluation (EWG). These comments were acknowledged and made a part of the draft guidelines. Mr. Muhammad Raza Shah, Director participated in the EWG meeting scheduled on 20.06.2016 in France wherein the INTOSAI Gov 9400 was discussed and finalized by the members of the working group.
- Mr. Ali Farooq Gheba, Deputy Director participated in the INTOSAI Working group on IT Audit (WGITA) meeting and 8th performance auditing seminar scheduled from 26-27, April, 2016 and 28-29, April, 2016 respectively in Brazil. DAGP has been selected to lead the Project "Development of Roadmap for future ISSAIs in 5300 series". Besides, DAGP has also been selected as member of the project titles "Data Analytics (Area: IT Audit Techniques)". DAGP offered comments on Endorsement

Version of the new ISSAI 5300 Guidelines on IT Audit which were made part of the document by the Chair of the working group i.e. SAI India.

- INTOSAI Working Group on Key National Indicators (KNI), Secretariat provided a questionnaire on KNI system in Pakistan for filling the same. A filled in Questionnaire responding to questions on Key National Indicator system in Pakistan and audit of KNIs by DAGP was provided to INTOSAI Working Group on KNI chaired by SAI of Russian Federation.
- Rana Shakeel Asghar, Director has been nominated to attend the 17th meeting of INTOSAI WGEA meeting scheduled from 23-27 October, 2016 in Jakarta. DAGP has provided comments on exposure drafts of ISSAI 5100 series on Environmental Auditing to SAI Indonesia which is the Secretariat of INTOSAI Working Group of Environmental Auditing (WGEA).
- SAI Egypt was requested by DAGP for membership of “Working Group on the Fight against Corruption and Money Laundering”. SAI Egypt as Chair of the working group welcomed DAGP’s request for membership and extended the membership of the working group in the meeting held in Germany in October, 2016. Mr. Kamran Rashid Khan Director General represented SAI Pakistan in the meeting.
- A request was sent to SAI Mexico being Chair of the Working Group on Value and Benefits of SAI for seeking membership of Working Group. SAI Mexico responded positively and extended the membership of the working group to DAGP in September, 2016. As member of the working group the DAGP has become part of international effort to develop a framework and measurement tools for defining the value and benefits of SAIs.
- Mr. Shahid Nadeem, Director General (HRM) attended the annual meeting of INTOSAI Capacity Building Committee from 8-10 September 2015 at Stockholm, Sweden. Different initiatives for the capacity building of member SAIs were discussed during the meeting.

- Auditor General of Pakistan accompanied by Ms. Saima Sabah, Director (IR&C) attended the 67th INTOSAI Governing Board meeting from 10-11 November, 2015 at Abu Dhabi, UAE.
- INTOSAI Development Initiative (IDI) was approached by SAI Pakistan for getting a permanent place/assignment in the body. A formal letter has been sent to IDI in this regard and IDI is considering the proposal and will approach DAGP for participation in the selection process.
- A meeting to develop SAI's draft Audit Plans under IDI-ASOSAI Cooperative Audit Programme on Audit of Disaster Management was held from 7-5 April, 2016 in Malaysia. Mrs. Robina Faisal, Director General and Mr. Khalid Mahmood, Director participated in the meeting. Ms. Raheela Saad DG Audit (DM) and Ms. Bismah Farrukh Khan, Deputy Director, IR&C participated in the meeting as mentors.
- A preparatory meeting was held for discussion on regional theme papers for INCOSAI XXII from April 27-29, 2016 at the National Audit Academy, Malaysia. Mr. Javaid Jehangir Additional Auditor General-I attended the meeting on behalf of DAGP. During the meeting the regional theme papers on the topics of 'Sustainable Development Goals' and 'Professionalizing the INTOSAI' were discussed. DAGP provided feedback on what should be the format of draft through a filled in questionnaire followed by detailed information on how SAI Pakistan is approaching the issue of audit of Sustainable Development Goals.
- INTOSAI Capacity Building Committee (CBC) Secretariat invited SAI Pakistan to participate in the Annual meetings of the INTOSAI Capacity Building Committee and the INTOSAI – Donor Cooperation held from 3-6 October, 2016 at Cape Town in South Africa. Mr. Khurram Raza Qureshi Director General (IR&C) attended the meeting where issues related to capacity building, cooperative audits and peer reviews were discussed.
- XXII INCOSAI 2016 and 68th and 69th Governing Board Meetings of INTOSAI are scheduled to be held in Abu Dhabi, UAE in December, 2016. The Auditor General of Pakistan accompanied by Mr. Muhammad Raza Shah Director (INTOSAI) will attend

the events. The Auditor General of Pakistan will also sign a Memorandum (MoU) with Dr. Ho Duc Phoc, Auditor General of the State Audit Office of Vietnam in the side events of INCOSAI 2016.

- A team comprising Mr. Sajjad Hyder, Director General, Ms. Ayesha Siddique, Director, Mr. Muhammad Raza Shah, Director, Ms. Fizza Pervaiz, Director General and Ms. Bismah Farrukh Khan Deputy Director has been notified conduct the level 2 and 4 ISSAI Compliance Assessment Tools (ICATs) and prepare ISSAI Implementation strategy. The team is presently working on the ISSAI Compliance Assessment Report.

3.1.2 Asian Organization of Supreme Audit Institutions (ASOSAI)

The SAI Pakistan is a member of the Governing Board of the ASOSAI, which comprises the Supreme Audit Institutions (SAIs) of 46 Asian countries and provides a forum where developments in the fields of financial management, auditing and accounting are shared amongst the members. The SAI Pakistan has been an active member of the ASOSAI and presently has the privilege of representing ASOSAI on the INTOSAI Governing Board. The SAI Pakistan also remained the Chairman of ASOSAI for the period 2009-2012.



50th Governing Board of ASOSAI from 15-19th February 2016, at Chiang Mai, Thailand

The SAI Pakistan had remained actively associated with different ASOSAI research projects that include development of its findings on subjects such as “Audit Quality Management System” the 8th Research Project on developing “Guidelines for Environmental Auditing’ and the 9th Research Project on “Evaluation and improvement of Internal Audit system and the Relationship between the Internal Audit Unit and the SAI’s.

The SAI Pakistan delegations participated in the following ASOSAI programs:

- One member delegation participated in the ASOSAI-Sponsored Workshop on” Assessment of Internal Control” from October 5 to 16, 2015 at Kuala Lumpur Malaysia.
- One member delegation participated in ASOSAI sponsored seminar on SAI Management from 7-11 December, 2015 in India.
- Mr. Javaid Jehangir, Additional Auditor General-I accompanied by Mr. Khurram Raza Qureshi, Director General (IR&C) participated in the meetings of Capacity Development Committee and 50th Governing Board Meeting of ASOSAI from 14-16 February, 2016 and International Symposium on National Integrity System (NIS) on 18-19 February, 2016 in Chiang Mai, Thailand.

One of the main functions of ASOSAI is conducting research on issues of professional interest. ASOSAI Research Project, normally a three year venture, is the centerpiece of organization’s research efforts. ASOSAI has so far completed 10 research projects on current and emerging issues in public auditing and has produced valuable guidelines and good practices on selected themes. Currently the 11th ASOSAI Research Project on “Audit of Public Private Partnership Arrangements’ is under process. The SAI Pakistan is the Chair of the 11th ASOSAI Research Project and other members are SAIs China, India, Indonesia, Iraq, Kuwait, Malaysia, Philippines, and Vietnam.

3.1.3 Economic Cooperation Supreme Audit Institutions ECOSAI

The ECOSAI is a regional forum of Supreme Audit Institutions (SAIs) and Central Asian Countries, which are members of the Economic Cooperation Organization (ECO). The SAI Pakistan is the permanent Secretariat of the ECOSAI and the Auditor General of Pakistan is permanent Secretary General of ECOSAI. The ECOSAI Secretariat published the annual

ECOSAI Circular containing professional articles and news updates of the ECOSAI during the year 2015 and 2016 and circulated among the member countries.

The SAI Pakistan delegation participated in the following ECOSAI training programs:

- Two member delegation participated in the ECOSAI sponsored training course on Advance Performance Auditing from 10-20 May, 2015 at Tehran, Iran.
- The Auditor General of Pakistan along with DG (IR&C) participated in the 20th ECOSAI GBM and 15th Training Committee meeting from 21-22 September 2015 at Dushanbe, Tajikistan.
- Two members delegation participated in the ECOSAI sponsored workshop on Implementation of ISSAIs from 29 September to 8 October, 2015 at Ankara, Turkey.
- Five members delegation (three trainers and two participants) participated in the ECOSAI sponsored workshop on Advance course on Implementation of ISSAIs from 14-26 March, 2016 at Ankara, Turkey.
- Two members delegation participated in ECOSAI sponsored training course on Environmental Auditing from 09-19 May, 2016 at Tehran, Iran.

The ECOSAI Accounts for the period from 1st January 2013 to 31st December 2015 were audited by a two member team of ECOSAI Audit Committee comprising SAI's Kyrgyz Republic and Azerbaijan Republic and submitted Audit Report to the ECOSAI Secretariat. This Audit Report was presented in the 7th Assembly session of ECOSAI in October, 2016.

Mr. Khurram Raza Qureshi DG IR&C attended the meeting of Draft Strategic Plan 2016-2021 from 29 May to 01 June, 2016 at Ankara Turkey to finalize the strategic plan of ECOSAI. The committee comprising Mr. Morteza Asadi Deputy Director General SAI Iran, Mr. Ahmet Topkaya Principal Auditor SAI Turkey and Director General IR&C Pakistan have prepared and finalized the draft strategic plan after inviting comments from member of ECOSAI. The Strategic Plan was presented in the Governing Board Meeting of ECOSAI in October, 2016 for approval.

3.1.4 Participation in the World Bank Sponsored Program.

Mr. Jamal Abdul Nasir Usmani, Deputy Auditor General participated in World Bank sponsored seminar on Financial Reform for Economic Development FRED in Asia: Public Sector Forum 2016 held on May 17-18 2016 at Kuala Lumpur, Malaysia, Mr. Usmani participated as a panelist in this seminar.

3.1.5 International Consortium on Governmental Financial Management (ICGFM)

Rana Asad Amin, Auditor General of Pakistan accompanied by Mr. Khurram Raza Qureshi, DG IR&C attended 30th Annual International Training Conference of International Consortium on Governmental Financial Management ICGFM from May 15-20, 2016 at Miami, Florida USA. After the meeting, DAGP took up a case with the Government of Pakistan seeking approval to become member of the Board of Directors of ICGFM which was accorded. As member of the Board of Directors of ICGFM, DAGP will fully benefit from the capacity building initiatives of ICGFM and be a part of decision making in ICGFM future initiatives. SAI Pakistan has also applied for membership of ICGFM Adhoc Committees on Accounting Standards and Auditing Standards.

3.2 Bilateral and Regional Professional Engagements

SAI Pakistan actively participates in a host of bilateral and regional professional engagements. Some of them are briefly described;

3.2.1 Audit of the Accounts of South Asian Association for Regional Cooperation

The SAARC was established on December 8, 1985 with seven original members: Bangladesh, Bhutan India, Maldives, Nepal, Pakistan and Sri Lanka to promote mutual progress and development. Two officers of the office of the Auditor General of Pakistan conducted audit of SAARC Secretariat, SAARC Japan Special Fund and SAARC Regional Centers for the year 2015 from June 13 to July 16, 2016.

3.2.2 Audit of the Accounts of D-8 Secretariat

The establishment of D-8 was announced officially through the Istanbul Declaration of Summit of Head of State/Government on June 15, 1997 with Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey as members.

Mr. Ijaz Ahmad Mansoor Malik DG Audit Works Provincial Lahore and Mr. Hashim Raza Director IR&C conducted external audit of D-8 Secretariat's Budget for the period 2013-14 from Jan 18 to 19, 2016.

3.2.3 External Audit of International Organization

A request to Ministry of Foreign Affairs was sent in April 2016 for approaching relevant UN offices enabling the Auditor General of Pakistan to apply for selection as External Auditor of International Organizations. Ministry of Foreign Affairs has indicated that the term of external auditor of UNESCO is expiring soon for which a request has been made to MoFA to intimate about the relevant timelines to submit expression of interest and subsequently a formal bid.

3.2.4 International Training/Seminar

Two officers attended the Audit Seminar for SAIs along the Belt and Road Route from June 27 to July 06, 2016 at Nanjing, China.

Ms. Shagufta Khanum Additional Auditor General attended the 3rd seminar on Fight against Corruption held from Feb 22nd to 26th at Szarvas, Hungary.

Mr. Asif Ali, Controller General of Accounts attended the meeting of Inaugural Public Sector Standard Setters Forum from March 14-15, 2016 in Norwalk, Connecticut, USA.

Mr. Javed Iqbal Director and Mr. Muhammad Idrees Mian attended the seminar on IT Application to Audit from 19-21 April, 2016 at National Audit office of the People's Republic of China CNAO Nanjing, China.

3.2.5 Delivery of Training Courses by the officers of SAI Pakistan

A team of four officers comprising Mr. Khurram Raza Qureshi DG IR&C, Mr. Muhammad Salem Khan Director Administration, Mr. Muhammad Raza Shah Director INTOSAI and Ms.

Bismah Farukh Khan, Deputy Director IR&C delivered training course on ISSAIs from April 10-2, 2016 at the General Audit Bureau, Saudi Arabia.

A team of three officers Ms. Raheela Saad, DG, Mr. Amir Usman, Additional AGPR, Ms. Fissal Pervaiz Afzal, CMA (LC) delivered Advanced Training course in ISSAIs from March 12-26, 2016 at Turkey.

A sixteen member team of officers from SAI Nepal attended a course on Disaster Management Audit arranged by the Pakistan Audit and Accounts Academy, Lahore from 4-14 January, 2016. This course was conducted by trainers from SAI Pakistan.

3.2.6 Visit of delegation from Turkish Court of Accounts from 3-8 April 2016

A delegation of 8 high ranking officers of Turkish Court of Accounts (TCA) visited Pakistan from 3-8 April, 2016. The delegation visited Ministry of Finance and met Mr. Muhammad Ishaq Dar, Minister for Finance. The delegation also visited Auditor General's office, Public Accounts Committee Secretariat, office of Controller General of Accounts, AGPR Islamabad and AG Punjab. The delegation was briefed about working of the offices visited and they showed keen interest in the activities carried out.

3.2.7 Visit of the Chairman of the State Audit Board of the Republic of Indonesia

A six member delegation headed by Chairman of the State Audit Board of the Republic of Indonesia visited Pakistan from 20-22 April, 2016. The delegation visited Ministry of Finance and met Mr. Muhammad Ishaq Dar, Minister for Finance. The delegation also visited Public Accounts Committee Secretariat, offices of Controller General of Accounts and AGPR Islamabad etc.

3.3 Memorandum of understanding with other Supreme Audit Institutions

DAGP realizing the importance of increased bilateral cooperation between the ASOSAI and INTOSAI members and the possibility that the same will enhance Pakistan's image and

help in the capacity building took up a series of initiatives including initiating the process to sign MoUs with other SAIs. The details are as below:

The Memorandum of Understanding (MoU) on cooperation in Public Sector Auditing with the SAI Iran has been signed in July 2016 during the visit of the Auditor General of Pakistan to Iran. The office of the Auditor General has also signed an MoU with the Turkish Court of Accounts (TCA) in October, 2016, while MoU with State Audit Office of Socialist Republic of Viet Nam will be signed in December, 2016.

The Auditor General office has started the negotiation process of signing MoUs with SAIs of Tajikistan, Malaysia, China, Sri Lanka, Jordan, Thailand, Nepal, UAE and Indonesia.



Signing ceremony of MoU between SAI Pakistan and SAI Iran held at Iran on 18.07.2016

CHAPTER - 4
OUR HUMAN CAPITAL MANAGEMENT POLICY

4 Our Human Capital Management Policy and Achievements

4.1 Human Resource of SAI Pakistan

The SAI Pakistan has been mandated to conduct the audit of the accounts of various government institutions/bodies in accordance with the relevant financial rules/regulations, internationally Accepted Auditing Standards and the International Best Practices as adopted for the public sector by the INTOSAI.

The SAI Pakistan comprises of AGP office and 29 Field Audit Offices manned by professionally trained human resources. The SAI Pakistan has a large number of officers specializing in various disciplines such as Accounting & Finance, Public Policy, Business Administration and HRM from various universities in USA, UK and Australia.

More specifically, the SAI Pakistan has trained:

- 805 auditors in Master, MBA and MSc Accounting and Finance.
- 191 auditors in professional certificates
- 3847 auditors are PIPFA qualified.
- 1682 auditors trained in Intensive Training Program in Performance Auditing.
- 09 auditors in PhD Programs.

The SAI Pakistan has been playing its role in ensuring public accountability and transparency, and promoting good governance by adding value to national resources. To honor these responsibilities in a befitting manner, the DAGP has been striving to upgrade its capabilities. Various initiatives, from time to time, included the defining of Vision, Mission and Core Values of the DAGP; aligning of audit independence, legal mandate, organizational and financial independence with Lima and Mexico Declarations; upgrading the DAGP audit methodologies; and improving human resources.

4.2. Human Resource Development

The Auditor General of Pakistan has approved the DAGP Strategic Plan 2015-2019 on 5th November, 2015 which particularly focuses on the capacity building of its officers and

staff. Currently DAGP is engaged with development partners/donors such as USAID, World Bank, JICA and ADB to pursue assistance in different areas to meet this objective. Brief progress is highlighted below:

a) Recently USAID showed interest to support DAGP in capacity building of its human resource with a USD \$ 2 million portfolio under Technical Assistance “Training for Pakistan” with EAD assistance. Approximately, 307 officers of DAGP and CGA would benefit from these training facilities which will be conducted locally as well as at foreign premier institutions. Major training programs include:

- GAO Fellowship Program
- Certified Information System Auditors (CISA)
- Certified Fraud Examiner (CFE)
- Certified Information Security Management (CISM)
- PFM Reforms: Strategies and Implementation
- Risk Based Auditing
- Environmental Auditing
- Training for Trainers (ToT)
- Forensic Audit and Investigation- CIPFA International Certificate in Economic Crime Management
- ACL Certified Data Analyst (ACDA)
- Occupational Health and Safety Management System (OHSMS) 180001:2007 Lead Auditors
- Best Practice Financial Management System IPSAS and IFRS.

b) In addition World Bank has also conceived a Public Financial Management (PFM) reforms program, and has shown its interest to allocate USD \$20 million for strengthening the Accountability process in Pakistan. DAGP is a major stakeholder in this component.

c) Dialogue with JICA has also progressed over time which primarily focuses on Institutional Development of DAGP. A concept paper for upgrading the existing PAAA training facilities has been approved. This opens the doors of financial and technical assistance for institutional development of DAGP through JICA.

d) Asian Development Bank has also shown interest to expand the scope of its technical assistance (TA-8697) programme to assist DAGP in developing the Audit Methodology including Audit Manual for Foreign Funded Projects.

By virtue of these efforts SAI Pakistan focuses on imparting training in emerging areas such as Special Sectors Audits, Public Private Partnership and Performance Evaluation of Privatization, Energy Distribution, Gender Audit, IT/IS/E- Governance, Environment, Forensic, Debt Management, Project Audit, HR Audit and Youth Loans etc. It has also been planned to develop “Sector Audit Experts” which will be lead Audit Managers in respective areas.



**Opening Ceremony of 97th International Intensive Training Program (ITP) in Performance Auditing
Arranged by DAGP at Lahore 18-01-2016 to 12-02-2016**

The SAI Pakistan is also the co-sponsor of Pakistan Institute of Public Finance Accountants (PIPFA), which is a member of the International Federation of Chartered Accountants and is imparting professional training to the Public Sector auditors and accountants. PIPFA has collaborated with Chartered Institute of Public Finance and

Accountants (CIPFA) to facilitate the membership to DAGP officers holding membership of PIPFA. DAGP has also signed a MOU with Institute of Chartered Accountant of Pakistan (ICAP) to extend facility of attachment of trainees mutually.

Thus strategic vision of SAI Pakistan is to continue to develop professional competence of its human resource to meet the emerging challenges and serve the national cause by ensuring best utilization of its scarce economic resources.

CHAPTER - 5

OUR CHALLENGES AND RESPONSE

5 - Our Challenges and Response

5.1 Our Challenges

As a part of the changing world, we endeavour to constantly anticipate, recognize and respond to changes occurring in our environment. The following is a snapshot of the challenges the DAGP is responding to;

5.1.1 Responding to an increase in the expectation of stakeholders for transparency and accountability

Globalization and information technology revolution has increased flow of information to the general public. Moreover, media has become more assertive on issues of accountability. Empowered with information, the stakeholders, especially the citizens of Pakistan, now expect more from the DAGP. Consequently, the DAGP has to constantly diversify its product and services to meet this demand.

5.1.2 Ensuring timely accountability by the PACs

The AGP carries out audits and prepares the statutory audit reports annually. However, the accountability of those involved in fraud, waste and abuse of the public fund depends on the existence and effectiveness of the PACs. The present PAC of the National Assembly has effectively been able to reduce chronic delays in disposing of the audit reports. It has created a new precedent by completing the workload of three years within a span of ten months during the last year. The committee completed the scrutiny of the audit reports for the year 2005-06 by working for 37 days in seven sessions. Two sub-committees discussed and completed the audit reports for the years 1989-90 and 1991-92. The PAC and its sub-committees held meetings even when the National Assembly was in session, setting a new example of efficiency and keenness to perform effectively. However, accountability system needs to be strengthened further to ensure that those found involved in misuse of the public office are made to pay back.

Unfortunately, the constitution of the PAC has not been a priority item with governments in the provinces. As a result, there is a significant backlog of pending audit reports with the current PAC as indicated below:

PAC	Pendency
Punjab	10 Years
Sindh	18 Years
KPK	13 Years
Balochistan	23 Years

5.1.3 Coping with the increase in the use of information technology tools in Public Sector operations

The use of information technology tools has increased manifold in recent years. Audit must respond to this shift in the modus operandi of the public sector by changing the way it operates. Resultantly, the DAGP has formulated the guidelines for the procurement of hardware and software and also the Information System Audit Guidelines. These set of guidelines would ensure the better scrutiny of the IT related equipment as well as the Information System procedures. This entails creating a cadre of IS-auditors and moving away from the traditional auditing incrementally.

5.1.4 Handling the public-private partnership and NGOs in public service delivery

Increasingly, the governments worldwide are depending on the public-private partnership and the NGOs as an alternative to traditional delivery mechanism. Already, a Public Private Partnership Policy has been notified by the Federal Government. This is new area both for the government and the AGP and demands that the DAGP not only builds its capacity for audit of activities carried out through public-private partnerships but also guides the government in effective utilization of this arrangement for the improved service delivery.

5.1.5 Building partnership culture with auditees

The core values of DAGP put emphasis on building partnership culture with auditees. However, the AGP is yet to reach the stage where the auditors and the auditees can work as partners in improving government's operational effectiveness.

5.1.6 Institutionalizing performance benchmarking

The AGP has implemented the QMF and other measures to improve its performance. This represents significant progress at the policy level. However, when performance comes under closer scrutiny, it is bound to ignite resistance from the forces that support the status quo. The DAGP is countering this situation through various change management activities but a lot remains to be done.



5.1.7 Sustaining reforms under PIFRA

PIFRA has contributed a lot in the development of the public sector auditing in the

DAGP. It has undertaken a marathon of reforms and revision of the audit procedures in order to align them with the international best practices. Development of the FAM, sectoral guidelines, the QMF and the steps toward the acquisition of AMIS are part of the auditing reforms under PIFRA. The World Bank has extended the project closing date to December 2013. The progress made under PIFRA needs to be consolidated so that reforms momentum can be sustained even after the project comes to a close. Among other things, it calls for building capacity to carry out the audits as per FAM and other guidelines developed and circulated in FAOs. Frequently, audit reports do not mirror the effect of the guidelines and the manuals prepared under the auditing reforms. These guidelines and manuals are means to an end and not an end in them. The capacity building of officers is key to the sustainability of the auditing reforms under PIFRA.

5.1.8 Recruiting and Retaining the best

The DAGP is a knowledge-based organization. However, its best people are tempted to leave the organization for other public sector organizations and the private sector where they are offered much higher pay packages. The DAGP has invested significantly in its workforce over the years but its compensation structure does not support retention of its best workers. What is more, dwindling fiscal space has made it difficult that the AGP can get additional incentives for its workforce from the government.

5.1.9 Strengthening internal accountability and controls within government

While the DAGP points out instances of waste, fraud, and abuse of the resources, its work covers only a small fraction of the total government transactions. Thus, the government agencies need to have a strong internal accountability and control mechanism to prevent occurrence of irregularities in the operations and implementing directives of the AGP. The Government of Pakistan has introduced the scheme of the Chief Finance and Accounts Officers (CFAOs) to ensure professional management of the public resources. However, the CFAOs remain to be firmly and effectively embedded in the organizational hierarchy of the federal government.

5.2 Our Responses

The AGP is faced with diverse challenges. While some challenges arise due to the changes in the external environment on which the DAGP has limited or no control, there are other challenges that the AGP is facing through continuous vigilance and innovation. Following are the responses of the AGP to grapple with these challenges effectively:

5.2.1 Adopting INTOSAI Auditing Standards

We continue to develop new products and refine the processes in order to meet the expectations of the stakeholders, particularly the Parliament, in as much as these relate to the promotion of transparency, accountability and good governance in the public sector

operations. The DAGP has adopted the INTOSAI Auditing Standards and the Code of Ethics. Our audits are based upon our Financial Audit Manual (FAM) which is in line with the standards. The DAGP continues to update the audit methodologies with our sectoral guidelines, which are presently 20 in number. Taking a lead from the INTOSAI work, we also commissioned a Task Force to formulate the Guidelines for the Audit of Disaster Management in 2010.

5.2.2 Ensuring quality and timeliness of audit reports through benchmarks

We are committed to excellence in our work, providing quality reports to the legislature and creating value for the nation. The QMF system introduced in 2010 ensured that audit reports are not approved till they meet quality standards. Further, the FAOs are required to ensure that their audit reports of a financial year are signed within eight months after the closing of the financial year. The DAGP is in transition but this change is set to be firmly embedded in the system in a couple of years.

5.2.3 Refining the existing Performance Audit Methodology and Practices

Value for Money (VFM) audits have always been a priority area for the AGP. The guidelines for the performance auditors were prepared in the 1980s that are now being revised in the light of international best practices. Training interventions are being designed to help audits integrate the VFM audit results with their findings of the regulatory audits.

5.2.4 International exchanges for developing manuals and guidelines for environmental auditing and green accounting

The concern for environment has increased significantly after the streak of natural disasters attributed largely to the climatic changes. The AGP is actively involved in preparing the guidelines and manuals to carry out the environment audit.

5.2.5 Capacity Building

The AATIs have become active in training officials in the use of NAM, FAM, CAATs, ACL to respond to the concern that the development of the audit manuals and guidelines has

not made desired impact on the audit reports. Further, training interventions have been revamped to respond to the emerging requirement of the IS-Auditing. Six officials of the AGP are being trained as Master Trainers for the IS Audits in collaboration with the AATI, Lahore. Further, proposal is under consideration for the establishment of centre for preparing officials to take CISA exams.

5.2.6 Establishing the National Academy of Public Finance and Accountancy (NAPFA)

The DAGP has a network of the AATIs to design and deliver in-house training of the officials. Steps are not being taken to set up NIPFA as a centre of excellence to train the government officials including those of the AGP in the public finance and the accountancy. This is part of a broader national training strategy to establish specialist training facilities in the country.