

ANNUAL REPORT 2016-17



AUDITOR GENERAL OF PAKISTAN
Integrity, Quality, Partnership

Auditor – General of Pakistan



Annual Report 2016-17

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Vission

A Model Supreme Audit Institution
Adding Value to National Resources



Mission

Serving the Nation by promoting
Accountability, Transparency, Good
Governance and Parilamentary oversight,



Values

Integrity, Quality and Partnership

Compliance of professional standards in our work;
Providing Timely and Reliable Audit Reports and
working as partners: Helping clients achieve their
objectives economically, efficiently and effectively.





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Acronyms

AATI	Audit & Account Training Institute	ICMAP	Institute of Cost and Management Accountants of Pakistan
ACCA	Associate Chartered Certified Accountant	IDI	INTOSAI Development Initiative
AGP	Auditor General of Pakistan	IFAC	International Federation of Accountants
AMIS	Audit Management Information System	IMF	International Monetary Fund
APPM	Accounting Policies and Procedures Manual	INTOSAI	International Organization of Supreme Audit Institutions
AQMS	Audit Quality Management System	IT	Information Technology
ASOSAI	Asian Organization of Supreme Audit Institutions	IPSAS	International Public-Sector Accounting Standards
CA&E	Corporate Audit and Evaluation	ISAR	International Standards of Accounting and Reporting
CAP	Corporate Audit Plan	ISSAIs	International Standards of Supreme Audit Institutions
CFAO	Chief Finance and Accounts Officer	ITP	Intensive Training Programme
CGA	Controller General of Accounts	MOU	Memorandum of Understanding
CIA	Certified Internal Auditor	NAM	New Accounting Model
CIPFA	Chartered Institute of Public Finance and Accountancy	OPCW	Organization for Prohibition of Chemical Weapons
CISA	Certified Information System Auditor	PA	Provincial Audit
CoA	Chart of Accounts	PA&AS	Pakistan Audit & Accounts Service
DA	District Audit	PAC	Public Accounts Committee
DAC	Departmental Accounts Committee	PAO	Principal Accounting Officer
DAGP	Department of Auditor General of Pakistan	PIFRA	Project to Improve Financial Reporting and Auditing
DAG	Deputy Auditor General	PIPFA	Pakistan Institute of Public Financial Accountants
ECOSAI	Economic Coordination Organisation Supreme Audit Institution	PSDP	Public Sector Development Programme
ERP	Enterprise Resource Planning	QCC	Quality Control Committee
FAM	Financial Audit Manual	QMF	Quality Management Framework
FAO	Field Audit Office	RRA	Revenue Receipt Audit
FBR	Federal Board of Revenue	SAI	Supreme Audit Institution
FY	Financial year	SBA	System Based Approach
GOP	Government of Pakistan	SSA	Special Sector Audit
HRD	Human Resource Development	UNIDO	United Nations Industrial Development Organization
HRM	Human Resource Management		
ICGFM	International Consortium on Governmental Financial Management		



Mr Javid Jehangir
Auditor General of Pakistan

Message from Auditor General of Pakistan

Department of Auditor General of Pakistan (DAGP) has always endeavoured to augment the 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.

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, being fully cognizant of the need for efficient utilization of resources from the public exchequer. Conformity with international best audit practices will raise the level of reliability of our output with all the stakeholders that include the legislators, tax payers, public servants, media and the nation as a whole.

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 improvement has been achieved through an incremental process, for which we owe a lot to our predecessors.

This Annual Report 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.

Islamabad
December , 2017

(Javaid Jehangir)
Auditor General of Pakistan



Hon'ble Justice Mian Saqib Nisar, Chief Justice of Pakistan takes oath from Mr Javaid Jehangir as Auditor General of Pakistan on 17.8.2017



Auditor General of Pakistan after taking oath of his office, calls on President of Pakistan. on 30-8-2017



About Us

We Audit all Government Organizations and Public Sector Entities

- ☛ 5392 Employees
- ☛ 30 Field Audit Offices
- ☛ Budget of Rs 4.2 Bln.
- ☛ 8746 Formation audited during 2016-17
- ☛ Member of INTOSAI Governing Board
- ☛ Member ASOSAI Board
- ☛ Secretary General ECOSAI
- ☛ IDI Certified Auditors

Outcomes

For the FY 2015-16 Auditor General of Pakistan produced

- ☛ 1542 Audit Reports
- ☛ Certification Audit Reports of 152 Accounting Entities
- ☛ 1208 Compliance Audit Reports
- ☛ 56 Performance Audit Reports
- ☛ 79 Special Audit Reports
- ☛ 199 other Audit Reports (FAP and Environment) Audit Reports

Results

For the FY 2015-16 Auditor General of Pakistan produced

- ☛ Successful in completing and laying before Parliament the Annual Audit Report 2016-17 on target date of 28th February 2017
- ☛ 88.59 Billion Rs Recoveries pointed
- ☛ Timely discussion initiated in PAC on Audit Reports and current year audit Report under discussion
- ☛ Legacy of pendency of discussion finished

Section 1

PUBLIC ACCOUNTABILITY IN PAKISTAN

01

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.

The 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

Glimpses of 157 Years of Institution of Auditor General of Pakistan

- Sir Edmond Drummond 1st Comptroller & Auditor General of United India 1860
- Syed Yaqub Hussain Shah 1st Comptroller & Auditor General of Pakistan 14th August 1947
- Accounts Group created in 1973
- Present Auditor General is 20th AGP of Pakistan
- Audit and Accounts Separated w.e.f 1st July 2001

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



Mr. Justice Dr Muhammad Shamim Hon'ble Chief Judge of Gilgit Baltistan taking the oath from Mr. Javaid Jehangir as Auditor General of Gilgit on 25 Nov 2017



Mr. Justice Ch. Muhammad Ibrahim Zia Hon'ble Chief Justice of Azad Jammu & Kashmir taking the oath from Mr. Javaid Jehangir as Auditor General of AJK on 07 Dec 2017.



1.2 Constitutional Mandate

The mandate 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

Mandate of AGP according to Constitution of Pakistan

Article 168: Auditor General of Pakistan

"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: Functions and Powers of Auditor General

"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: Power of Auditor General to give directions as to accounts

- (1) The Accounts of the Federation and of the Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor General, may with the approval of the President, prescribe,
- (2) 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".

the Auditor 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.

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

Excerpts of Supreme Court Judgment CP No 102 /2012

Supreme Court of Pakistan in its judgment in constitutional petition CP No 102 Of 2012 notes that “The Constitution does not recognize any exception to the provisions of Article 170(2). In this view of the matter, the Consolidated Fund and Public Accounts cannot remain unaudited” (Para 11). Even before the introduction of Article 170(2) in 2010, the Auditor General’s (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001, made it “abundantly clear that where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or the Provinces, the same must be audited by the Auditor General without exception” (Order dated 07.05.2013, Para 11). Also in its Para 13, Supreme Court of Pakistan noted that: “sub-Article (2) of Article 170 of the Constitution was added by the 18th Amendment which amply empowers and directs the Auditor General to fulfill his constitutional obligations as watchdog of the people of Pakistan. It is only through audit that it can be ensured that the hard-earned income of citizens of this country is being spent for lawful purposes. Without the audit specified by the Constitution and the two statutes, referred to hereinabove, there can be little or no room for any transparency. Absence of audit by the Auditor General, apart from being in violation of the Constitution and law, is a sure and certain invitation to corruption and lack of accountability.”

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.

1.3 Functions

In terms of Article 170 & 171 of the constitution of Pakistan and AGP Ordinance 2001, 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

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.

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 performs the function of auditing in terms of Article 170 of constitution of Pakistan and AGP Ordinance 2001.
 - 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;
 - 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 anybody 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 of Pakistan also provides the AGP adequate powers to carry out these functions.

The mandate of the AGP, requires the organization of the AGP to

Targets/achievement for Strategic Plan

- *All the targets set for 2016-17 in DAGP Strategic Plan 2015-19 were met*
- *100% completion of audit certifications and report laid before parliament on due date*
- *New Human Resource strategy implemented*
- *Zero tolerance towards complaints regarding corruption and grievance redress mechanism in place*

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 Article 170(2) of Constitution of Pakistan. Additionally, FAOs conduct audit of foreign aided projects funded by the World Bank, Asian Development Bank, and other bilateral and multilateral donors.

1.4 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 regularly updated 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:

- Financial Attest focuses on audit opinion on the financial statements and the state of internal controls in the audited entities
- Compliance Audit encompasses observance of laws, rules, regulations, and prescribed procedures by the audited entities and leads to reports on their non-compliance
- 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.

1.5 Quality Control

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

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, efforts are in place for capturing the impact of audit in its design.

1.6 Creating a Partnership Culture with Clients

The AGP wants to create a partnership culture with clients to have maximum impact of its products and services on the system. Thus, FAOs are required to be in touch with audited entities during audit engagement at all stages in audit cycle. Audit engagement begins after intimation has been given to the entities. Further, preliminary reports are discussed and management views taken before these reports are issued. Subsequently, before the finalization of the audit reports, the Principal Accounting Officers (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 deals with the audit related functions usually

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

Policy Board Meeting decisions implementation

- PAC takes up 2016-17 audit report for discussion
- Process for uploading audit reports on Website initiated
- Work on Communication strategy for DAGP initiated
- MOU Signed between CIPFA and PIPFA
- Self Assessment of SAI Pakistan initiated under INTOSAI Performance Measurement Framework

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.

Policy Board

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 actions.

First meeting of the Policy Board of the Department of the Auditor General of Pakistan (DAGP) was held on August 01, 2016 in the office of the Auditor General of Pakistan Islamabad under the Chairmanship of the Auditor General of Pakistan. 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

- i. Most recent reports should be discussed in PAC first, however, the reports of previous years be given due importance.
- ii. Uploading of DAGP's audit reports on the official website was also recommended.
- iii. 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.
- iv. DAGP has enhanced collaboration and cooperation with other professional bodies including various international organizations.
- v. Members of the Policy Board agreed that DAGP should work on seeking membership of its officers in ICMAP on the

pattern of PIPFA memberships.

- vi. It was also decided to devise a proper mechanism for interacting with social sector and seeking information during the audit planning process.
- vii. 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.
- viii. 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.

1.7 The AGP's Organization

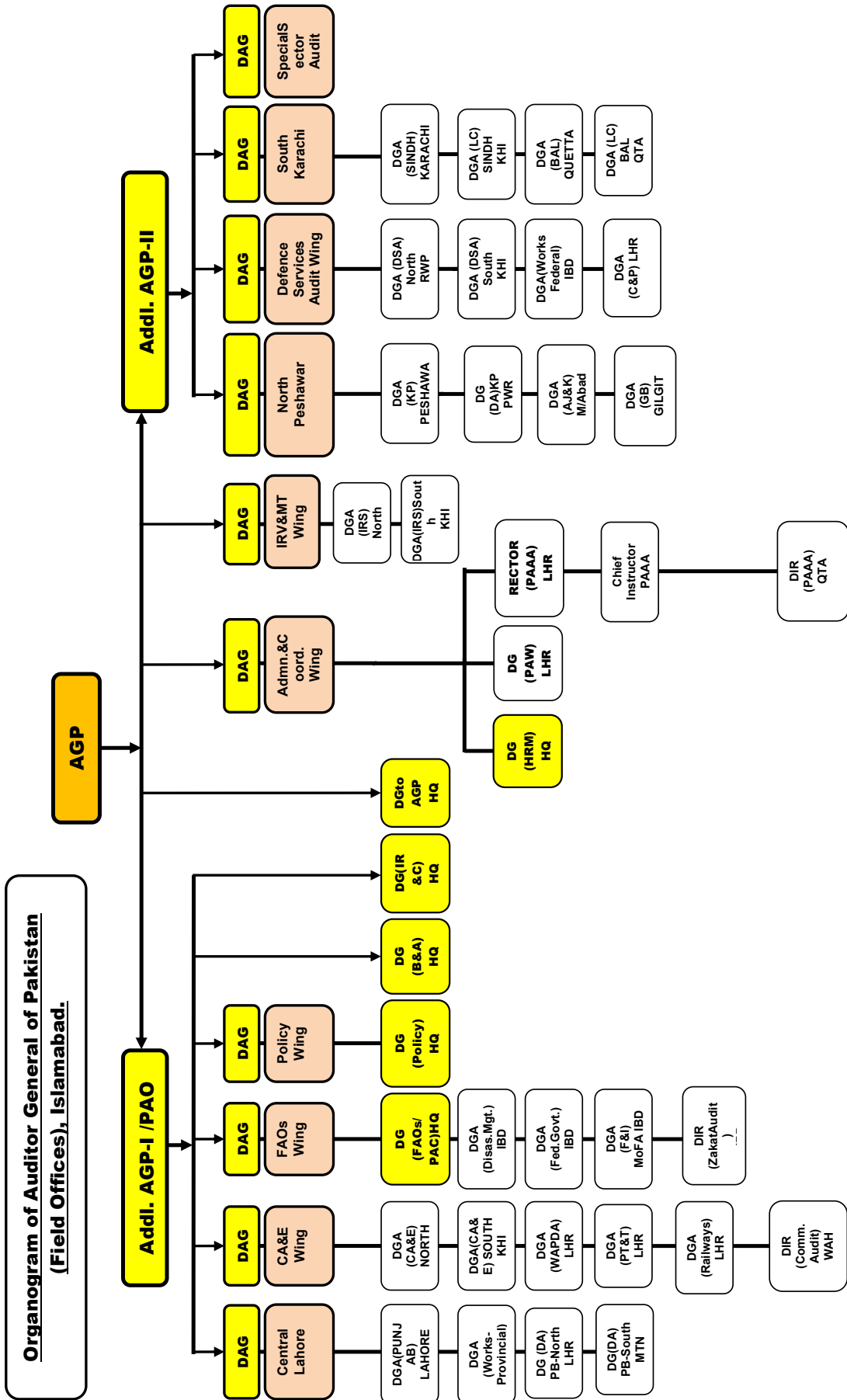
At the apex of the Department is the Auditor General who has a fixed term of four years, which is non-extendable. The AGP is assisted by two Additional Auditors Generals who oversee the work of Audit and other Wings. There are 30 Field Audit Offices (FAOs) with clearly delineated audit jurisdiction. These FAOs are organized under six Audit Wings. Each of the Audit and other Wings is headed by Deputy Auditor-General who report to the Additional Auditor-General. 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:

1.8 Strategic Plan

AGP's Strategic Plan is a great 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 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.



1.9 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:

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

1.10 Special Sectors Audit

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

- Creation of new Unit as (Banking / Financial Institutions Audit)
- Creation of a Special Audit Unit (SAU) for strengthening and institutionalization of Special Audits like Forensic Audit and Performance Audit
- 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 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 member/Director on

- Council of the Institute of Chartered Accountants of Pakistan.
- Pakistan Institute of Public Finance Accountants, which is an associate member of the IFAC.
- International Consortium on governmental Financial Management (ICGFM).
- Chairman of the Asian Organization of Supreme Audit Institutions (ASOSAI)
- Secretary General of the Economic Co-operation Organization's Supreme Audit Institutions (ECOSAI).
- Member of IDI working group

1.12 Personnel

The number of core professional officers of the AGP, also known as the Pakistan Audit and Account Service (PA&AS) is about 614, working against the sanction strength of 838. 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 3593 working against sanction strength of 4933.

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.

1.13 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

Department of the Auditor General of Pakistan has 30 field audit offices, with a sanctioned strength of 5392 employees as on June 30, 2017.



the AGP as per the approved plan. During the year 2016-17, 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 importance. 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.

1.14 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 2016-17, Rs.4.20 billion was provided to meet the expenditure of the Department. The following Table gives the budget out lay of the AGP for FY 2016-17:

(Rs. in millions)		
Sr. #	Description	Total
1	Employee related expenses	2,891.388
2	Operating expenses	994.068
3	Employee retirement benefits	119.735
4	Financial Assistance to Deceased Civil servants	135.473
5	Transfer (Entertainment & Gifts)	3.286
6	Physical Assets	31.446
7	Repair and Maintenance	34.242
Total		4,209.638

Section 2

PERFORMANCE
REPORT ON
AUDIT
ACTIVITIES

02

Performance Report on Audit Activities

2.1 Audit Reports

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:

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

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

audit findings uniformly.

Significant Achievements during audit

As a result of drastic audit reforms, there has been a substantial increase to the recoveries pointed out by the audit with a phenomenal increase in expenditure to recovery ratio in 2016-17.

Recoveries on recommendation of audit

Total recovery for the year 2016-17 was Rs.88.569 billion as compared to Rs.80.96 billion during 2015-16, showing an increase of more than 9%. In this year the expenditure to recovery ratio is 22:1 as compared to previous years 1:21. 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.21/- were recovered against one Rupee spent.

2.2 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

During the year 2016-17 the AGP certified the accounts of 152 entities of the Federal, Provincial and District governments.



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.

The following Table gives the results and extent of coverage during certification of appropriation and financial attest audit.

Table No I

Sr	Government	No. of Accounts Certified	Final Grant/ Appropriation Rs	Total Expenditure Rs.	Nature of Audit Certificate
1	Federal	2	14,128,402,591,000	13,953,816,385,711	Unqualified
2	Self-Accounting Entities	8	954,924,484,000	927,642,884,569	5 Unqualified, 3 Qualified
	Total Federal Government**	10	13,173,478,107,000	13,026,173,501,142	
3	Punjab (Provincial & All Districts)	75	1,598,176,807,000	1,351,658,658,197	Unqualified
4	Provincial- Sindh	3	843,795,064,510	802,245,046,690	Qualified
5	Khyber Pukhtunkhwa (Provincial & All Districts)	53	513,918,031,380	401,331,837,051	Unqualified
6	Provincial- Baluchistan	2	257,946,884,000	223,231,686,680	Unqualified
8	ERRA	1	7,256,795,000	4,169,474,000	Unqualified
9	AJ&K Council	2	21,843,027,000	14,133,032,672	Unqualified
10	AJ&K Government	2	86,735,489,400	82,055,928,646	Unqualified
11	Gilgit Baltistan Council	2	831,924,500	417,804,282	Unqualified
12	Gilgit Baltistan Government	2	40,068,548,824	38,939,477,753	Unqualified
Total		152			

** Total Federal Expenditure includes Self Accounting entities (Sr 3= Sr1-2), and all other figures are taken from Appropriation Accounts for the year and Schedule of Authorized expenditure of each Government/entity

2.3 Performance regarding Compliance and Performance Audit

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 2016-17, the FAOs working under the supervision and control of various audit wings of the AGP carried out the audit of 8746 formations of Federal and Provincial Governments along with 110 entities of districts. The audited outlays in table I representing revenue receipts, disbursements and expenditures.

Table-II 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.

Table II		(Rs. millions)
Sr. No.	Description	Total
1	Total amount audited	11,847,370.604
2	Recovery made at the instance of audit	88,569.193
3	Amount placed under audit observations	7,448,208.866

The Audit Wing wise detail of total audited amount is at table III

Table III				
Sr. No.	Description	Total amount Audited	Recovery made at the instance of audit	Amount placed under audit observations
1	DAG (FAO)	1,828,295.65	757.723	3,146,834.52
2	DAG (CA&E)	3,621,010.54	29,062.973	2,394,856.39
3	DAG (North)	501,283.55	1,044.99	96,226.88
4	DAG (South)	1,013,952.023	777.983	445,075.523
5	DAG (Defense Audit)	630,539.19	3,978.31 + 0.110 US\$	378,298.33
6	DAG (SSA & RRA)	3,276,391.00	38,797.63	478,752.00
7	DAG (Central)	975,898.651	2,594.584	508,165.223
		11,847,370.604	88,569.193	7,448,208.866

The Field Audit Offices produced 1542 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.88.56

billion.

Table IV & V provides nation-wide figures of audit reports issued in the audit year 2016-17:

Table IV

Sr. No.	Description	No. of Reports
1	Audit Reports	1208
2	Special Audit Reports	79
3	Performance Audit Reports	56
4	Other Audit Reports (Audits of foreign funded Projects, IT & Environment Audit etc.)	199
	Total Audit Reports	1542

The Audit Wing wise detail is as under:

Table V

Sr. No.	Description	Compliance with Authority Audit Reports	Special Audit Reports	Performance Audit Reports	Other Reports	Total Reports
1)	DAG (FAO)	30	15	03	53	101
2)	DAG (CA&E)	10	12	15	43	80
3)	DAG (North)	210	02	10	08	230



4)	DAG (South)	183	07	04	31	225
5)	DAG (DA)	03	08	04	18	33
6)	DAG (SSA & RRA)	03	05	00	00	08
7)	DAG (Central)	769	30	19	47	865
	Total	1208	79	55	200	1542

Performance of the six Audit Wings of the AGP for conducting Compliance and performance audit is covered in following section of this report.

Federal Audit Operations Wing

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 millions)		
S. #	Description	Total
1	Total amount audited	1,828,295.65
2	Recovery made at the instance of audit	757.723
3	Amount placed under audit observations	3,146,834.52

The detail breakup of the amounts placed under audit observations are given in the table that follows:

(Rs. in millions)		
Sr. #	Description	Total
1	Violation of rules and regulations and violation of principles of propriety and probity public operation	895,935.44
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	250.608
3	Accounting Errors	114.034
4	Weaknesses of internal controls	1,509,401.81
5	Recoveries and overpayments	732,202.15
6	Non-Production of Records	3,060.84
7	Others	5,879.64
	TOTAL	3,146,834.52

The wing issued 101 Compliance with Authority Audit Report along-with fifteen Special Audit Reports

Sr. #	Description	No. of Reports
1	Audit Reports	30
2	Special Audit Reports	15
3	Performance Audit Reports	03
4	Other Audit Reports (Audit of foreign funded projects, IT & Environment Audit, Studies etc.)	53
	Total Audit Reports	101

The wing completed following performance audit reports during the audit year

S. #	Name of the FAO	Title of the Performance Audit Report
1.	Directorate General Audit (Federal Govt.)	i) Performance Audit on Mid-Term Budgetary Framework.

2.	Directorate General Audit (Disaster Management)	i) Performance Audit Report on Relief Activities Carried Out by NDMA after the Earthquake of October 26, 2015. ii) Performance Audit Report on Relief Activities Carried Out By PDMA, KP after the Earthquake of October 26, 2015.
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Following are the major irregularities pointed out during the course of Audit by FAO Wing:

Sr.#	Major Findings
i)	Short collection by National Highway Authority (NHA) on account of fine imposed by the National Highway & Motor Police (NH&MP) on violators of traffic resulted in a loss of Rs.2028.809 million to the Government. (Para-7.4.1 of AR on the accounts of Federal Government- Audit Year 2016-17)
ii)	A huge amount of Rs.76.996 million, out of Zakat Funds of Rs.79.321 million allocated for the year 2015-16 was not disbursed among the mustahiqeen by the District Zakat Committee Islamabad, which deprived off a large number of mustahiqeen from financial assistance. (Para-.3.4.2 of AR on the accounts of Central Zakat Fund, ZCCAs/ZCOs and Islamabad Zakat & Ushr Committee - Audit Year 2016-17)
iii)	The sanctions of retention/transfer of Funds of Rs.7, 091.373 million from Central Account No.1 to different accounts of Public Sector Enterprises in State Bank of Pakistan without actual expenditure were endorsed by FA Wing of M/o Finance, which was irregular. (Para-14.4.2 of AR on the accounts of Federal Government- Audit Year 2016-17)
iv)	The adjustment Accounts and Monthly Progress Reports of amount of Rs.5,000.000 million paid by FATA Secretariat through its Rehabilitation & Reconstruction Unit to Temporary Displaced Persons (TDPs), Secretariat under Headquarters, 11Corps, Peshawar were not obtained in violation of rules. (Para-12.4.3 of AR on the accounts of Federal Government- Audit Year 2016-17)
v)	3% charges on the fees and charges levied by various Regulatory Authorities were not recovered by Competition Commission of Pakistan which resulted in loss of Rs.2,444.438 million to the Commission as well as Government. (Para-14.4.4 of AR on the accounts of Federal Government- Audit Year 2016-17)
vi)	National Testing Service (NTS) Pakistan incurred irregular and unauthorized expenditure of Rs.175.145 million on account of consultancy charges during the period 2011-16. (Para-16.4.60 of AR on the accounts of Federal Government- Audit Year 2016-17)
vii)	Underutilization of IPPs and GENCOs power plants resulted in loss of Rs.28, 183 million to the Government. (Para-33.4.1 of AR on the accounts of Federal Government- Audit Year 2016-17)
viii)	Non-generation of electricity from its own plants by Karachi Electric Supply Corporation resulted in loss and extra financial burden of Rs. 14,561 million to its consumers. (Para-33.4.2 of AR on the accounts of Federal Government- Audit Year 2016-17)
ix)	During the year 2012-15, Ministry of Foreign Affairs and its Missions Abroad purchased physical assets of Rs. 609.292 million without observing codal formalities, which was held irregular. (Para-1.4.3 of AR on the accounts of M/o Foreign Affairs - Audit Year 2015-16)
x)	An excess payment of Rs.229.569 million was made by M/o Foreign Affairs to contractors due to procurement over and above BOQ quantities for different construction works in High Security Blocks during 2013-15. (Para-4.2.2 of SAR on Construction of High Security Block- M/o Foreign Affairs - Audit Year 2015-16)
xi)	ERRA incurred an expenditure of Rs. 800.901 million over and above the budget release during the year 2015-16, which was held irregular. (Para-2.4.3 of AR on the accounts of Disaster Management Organizations (Federal) - Audit Year 2016-17)
xii)	An amount of Rs.218.996 million received by NDMA during FY 2015-16 on account of donations from national and international donors was not reported to the Finance Division. (Para-3.3.3 of AR on the accounts of Disaster Management Organizations (Federal) - Audit Year 2016-17)
xiii)	Zakat Collection Controlling Agencies/Zakat Collecting Offices did not produce the auditable record of Zakat assessed and collected/deducted amounting to Rs.86.817 million during the years 2012-16, therefore, the correct amount of Zakat assessment and deduction could not be verified. (Para-2.3.1 of AR on the accounts of Central Zakat Fund, ZCCAs/ZCOs and Islamabad Zakat & Ushr Committee - Audit Year 2016-17)



xiv)	40 Zakat Deducting Agencies granted exemption of Rs.228.566 million to individuals without obtaining the declaration on Form CZ-50 or on invalid declarations during 2011-16, which was irregular. (Para-2.3.2 of AR on the accounts of Central Zakat Fund, ZCCAs/ZCOs and Islamabad Zakat & Ushr Committee - Audit Year 2016-17)
xv)	ERRA deducted an amount of Rs. 1,308.606 million on account of Government Taxes and duties from the bills of contractors and suppliers during the year 2015-16 but the taxes deducted were not deposited into Government treasury, resulting in loss to the Government. (Para-1.1.5 of AR on the accounts of Disaster Management Organizations (Federal) - Audit Year 2016-17)

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

(Rs. in millions)

S. No	Description	Total
1	Total amount audited	3,621,010.54
2	Recovery made at the instance of audit	29,062.973
3	Amount placed under audit observations	2,394,856.39*

*The total amount of audit observations pertains to the audit year 2016-17 as well as previous years.

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

(Rs. in millions)

Sr. #	Description	Total
1	Violation of Rules and regulations as well as principle of propriety and probity in public operations.	823888.95
2	Reported cases of fraud, embezzlement, thefts and misuse of public resource.	11331.38
3	Accounting Errors	145577.08
4	Weaknesses of internal control systems.	540584.47
5	Recoveries and overpayments	
6	Non-production of record	304337.39
7	Others	959353.08
	Total	3714895.29

The total reports issued by the CA&E Wing and number of entities audited are

Sr.	Description	Total
1	Audit Reports	10
2	Special Audit Reports	12
3	Performance Audit Reports	15
4	Commercial Appendix to Appr. Accounts of Defence Services (Cert. Audit)	01
5	Other Audit Report (Audit of foreign funded Projects, IT & Environment Audit, studies etc.)	42
Total Audit Reports		80

Following is list of Performance Audits by Audit offices under CA&E Wing

Sr	Name of FAO	Title of Performance Audit Report
1	Director General Audit (Railways), Lahore	Performance Audit of Rehabilitation of 27 HGMU-30 D.E. Locomotives
2		Performance Audit of the project "Special Repair of 150 D.E. Locomotives"
3		Performance Audit of the Project "Strengthening/Rehabilitation of 159 weak bridges over the system of Pakistan Railways"
4	DG CA&E, Lahore	Performance Audit Report on PTV (Sales & Marketing)
5	Director General Audit WAPDA Lahore.	Khan Khawar Hydro Power Project
6		DuberKhawar Hydro Power Project
7		Rehabilitation of GENCO-I, II and III
8		Inventory Management of MEPCO
9		Neelum Jhelum Hydro Power Company Muzaffarabad
10		Mirani Dam Project
11		Right Bank Outfall Drainage-1 WAPDA Sukkur
12		Rainee Canal Project WapdaGuddu
13		747mw Combine Cycle Power Plant Guddu
14		AllaiKhawar Hydro Power Project Besham
15	Darawat Dam Project, Hyderabad	

Ministry of Railways

During the financial year 2015-16, budgeted amount for expenditure and revenue under the jurisdiction of DGAR was

Rs 105,654.097 million and Rs 32,000.00 million respectively covering one PAO and 232 formations.

Major Audit findings pertaining to Ministry of Railways are given below.

Sr	Major Findings
i)	There was encroachment of Railway land by individuals, Government department, FC, Rangers, Board of Revenue Punjab and Revenue Department Sindh etc. valuing Rs 68,071.37million. (Para 2.4.36, 2.4.41 & 2.4.42 of AR)
ii)	PSDP funds amounting to Rs 14,715.45 million were not utilized by Railway management. (Para 2.4.26 of AR)
iii)	There was recoverable amounting to Rs 3,887.11 million against private individuals, autonomous bodies and various Government departments such as Postal department, WAPDA, Pakistan Steel Mills, Food department, Education department, District/Provincial Governments etc. (Para 2.4.32 & 2.4.35 of AR)
iv)	Various financial irregularities valuing Rs 2,622.87 million were observed during audit of Project of Rehabilitation of Signaling System (LON-SDR). (Para 2.4.33, 2.4.38, 2.4.40 & 2.4.44 of AR)
v)	There was blockage of capital of Rs 1,241.95 million due to non-disposal of scrap.(Para 2.4.27 of AR)
vi)	An amount of Rs.480.08 million was recovered in short on account of electricity charges.(Para 2.4.34 of AR)
vii)	Material of wrong specifications or having defects worth Rs 423.91 million was not got replaced by Railway management. (Para 2.4.9 of AR)
viii)	An amount of Rs 302.49 million was paid as overtime allowance without any justification.(Para 2.4.10 of AR)
ix)	There was a loss on account of theft/deficiency of material worth Rs 132.72 million.(Para 2.4.1 & 2.4.2 of AR)
x)	PR sustained a loss of Rs 123.81 million on account of burning and damages of rolling stock due to negligence of management. (Para 2.4.39 of AR)



Ministry of Water and Power

Sr	Major Findings
i)	Loss due to embezzlement of cash - Rs.8.84 million (Para-1.4.1 of AR 2016-17)
ii)	Irregular award of contract to non-responsive bidder – Rs.38,792.14 million (Para-1.4.5 of AR 2016-17)
iii)	Cost escalation due to mismanagement - Rs.4,832.66 million(Para-1.4.10 of AR 2016-17)
iv)	Unjustified expenditure on hiring of financial consultant - Rs.5.76 million (Para-2.4.28 of AR 2016-17)
v)	Loss due to theft of electrical material and vehicles - Rs.174.15 million (Para-4.1.2 of AR 2016-17)
vi)	Loss due to damage of electrical equipment – Rs.1,857.76 million (Para-4.1.20 of AR 2016-17)
vii)	Undue favor to the consumers on account of non-regularization of unauthorized extension of load – Rs.1,579.96 million (Para-4.1.21 of AR 2016-17)
viii)	Non-recovery of cost of independent feeders from consumers –Rs.104.89 million (Para-4.1.31 of AR 2016-17)
ix)	Loss due to non-repair and maintenance of steam turbine – Rs.18,790.20 million (Para-6.4.1 of AR 2016-17)
x)	Loss due to fake payment and sub-standard execution of work - Rs.21.17 million (Para-20.4.2 of AR 2016-17)

Public Sector Enterprises at Karachi

Sr	Major Findings
i)	Irregular appointments and promotions due to defective Service Rules – Rs. 3,000.00 million. The service rules of PIA were approved by its Board of Directors in 1985. However, the same were neither approved by the Federal Government nor published in official gazette as required under Section 30 of Pakistan International Airlines Corporation Act, 1956. AR 2016-17 Aviation Division Para No 1.1.4.12
ii)	Irregular appointment of officers/officials on fake degrees – Rs. 79.600 million. In PIA, the management appointed 18 employees to various posts having fake degrees during different periods but no concrete action has so far being taken against such employees. AR 2016-17 Aviation Division Para No 1.1.4.17
iii)	Unjustified payment of service charges – Rs. 44.058 million. In PIA, the management acquired services of HR consultant at exorbitant rates for getting the services of qualified and experienced persons. However, the consultant failed to perform its prescribe duties and responsibilities AR 2016-17 Aviation Division Para No 1.1.4.19
iv)	Misappropriation of funds through Fake Claims – Rs. 78.211 million. In Pakistan Re-insurance Company Ltd. (PRCL), an insurance claim of Rs. 78.211 million was paid on fake/bogus documents. AR 2016-17 M/o Commerce Para No 3.2.4.1
v)	Loss due to grant of loan to Bank Islami at nominal rate – Rs 435.00 million. The State Bank of Pakistan extended loan of Rs. 15,000 million to Bank Islami at vary nominal rate. Thus, undue favor was extended to Bank Islami at the cost of public funds. AR 2016-17 Finance Division Para No 6.3.4.8
vi)	Irregular opening of bank account in TMFBL – Rs. 400 million. In EOBI, the management open a bank account in Tameer Micro Finance Bank Ltd. (TMFBL) in violation of its rules and without approval of its Board of Trustees. AR 2016-17 M/o Overseas and HR Division Para No 12.1.4.4
vii)	Irregular payment of legal fees - Rs. 8.438 million. In Pakistan Petroleum Ltd. (PPL), the management paid legal fee to contest the case of top management for alleged inside trading without approval of the Board/MD as required under the prescribe policy. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.2.4.4

viii)	Irregular payment of service charges – Rs. 422.870 million. PSO, hired services of a firm for providing human resource in 2001 and the same firm continue during the last 13 years without inviting fresh tenders. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.3.4.3
ix)	Irregular promotion to the post of DMD Finance – Rs. 35.709 million. In PSO, the management promoted an officer to the post of Deputy Managing Director in violation of its Recruitment & Promotion Policy. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.3.4.14
x)	Irregular procurement of Gold Medals – Rs. 192.982 million. Sui Southern Gas Company Ltd. (SSGCL) distributed gold medals to all those employees who retired on completion of services from 10 to 40 years. The expenditure was wastage of public money and imprudent decision on the part of the management for awarding gold medals to all the retired employees. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.5.4.4
xi)	Loss due to defective agreement – Rs. 18,005 million. Sui Southern Gas Company Ltd. (SSGCL) received a claim of Rs. 18,005 million due to the reason that the management entered into a defective agreement with a power generation company. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.5.4.6
xii)	Non-recovery from Habibullah Coastal Power Company – Rs. 4,257.984 million. In Sui Southern Gas Company Ltd. (SSGCL), the management failed to recover its dues despite lapse of considerable period. AR 2016-17 M/o Petroleum and Natural Resources Division Para No 13.5.4.8

Pakistan Post Office Department

Sr	Major Findings
i)	Frauds and Misappropriations – Rs 186.066 million (Para 3.1.1 of Audit Report)
ii)	Loss due to unlawful occupation of Government property Rs 90.441 million (Para 3.1.2 of Audit Report)
iii)	Irregular expenditure due to violation of PPRs Rs 11.998 million (Para 3.2.8 of Audit Report)
iv)	Unlawful drawl of cash on paper chits- Rs 5.986 million (Para 3.2.11 of Audit Report)
v)	Irregular expenditure on appointment of staff on bogus degrees- Rs 2.288 million (Para 3.2.14 of Audit Report)
vi)	Negligence of PPOD ownership of prime land – Rs 240 million (Para 3.3.3 of Audit Report)
vii)	Non-realization of Service Charges of PPOD – Rs 241.023 million (Para 3.4.1 of Audit Report)
viii)	Non-recovery of printing and establishment charges – Rs 237.902 million (Para 3.4.2 of Audit Report)
ix)	Non-recovery of Postal dues Rs 165.111 million (Para 3.4.3 of Audit Report)
x)	Non-production of record – Rs 19.567 million (Para 3.5.1 of Audit Report)

Telecom Sector

Sr	Major Findings
i)	Unauthorized advance payment of US\$ 148,155 and Euro 101,850 (Pak Rs 22.367 million) through TT by splitting (Para 1.3.1 of Audit Report)
ii)	Non-recovery of dues from the Ministry of Defense of Kingdom of Saudi Arabia US\$ 1,686,488 (Rs 175.395 million) (Para 1.4.2 of Audit Report)
iii)	Un-authorized revision of pay scales and payment made to FAB employees Rs 29.860 million (Para 2.3.1 of Audit Report)



iv)	Loss due to non-recovery of rent from PTCL – Rs 72.534 million (Para 4.6.1 of Audit Report)
v)	Irregular expenditure on engagement of consultants –Rs 19.259 million (Para 5.3.1 of Audit Report)
vi)	Un-authorized payment on account of gratuity- Rs 12.200 million (Para 5.3.2 of Audit Report)
vii)	Un-authorized payment on account of legal fee – Rs 3.983 million (Para 5.3.9 of Audit Report)
viii)	Less realization of revenue by PTA – Rs 748.219 million (Para 5.5.1 of Audit Report)
ix)	Non-recovery of outstanding dues on account of APC for USF – Rs 753.774 million (Para 5.5.4 of Audit Report)
x)	Non-recovery of outstanding dues from defaulters Rs 51.868 million (Para 6.5.1 of Audit Report)

Defense Audit Wing

The details of total amount audited by the wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below (Rs in Mns)

Sr. No.	Description	Total Amount
1	Total Amount Audited	630,539.19
2	Recovery Made at the Instance of Audit	3,978.31 + US \$ 0.110
3	Monetary Value of Audit Observations	378,298.33

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

Sr No.	Description	Total Amount
1	Violation of rules and regulations and violation of principles of propriety and probity public operation.	260,974.53
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	1.91
3	Accounting Errors	2,307.20
4	Weaknesses of internal controls	101,994.27
5	Recoveries and overpayments	6,352.25
6	Non-Production of Record	298.07
7	Others	6,352.10
	Total:-	378,298.33

The total reports issued by the Defense Audit Wing are as under

Sr. No.	Description	No. of Reports
1	Audit Reports	03
2	Special Audit Reports	08
3	Performance Audit Reports	04
4	Other Audit Reports (Audit of foreign funded Projects, IT & Environment Audit, Studies, etc.)	18
	Total Audit Reports:	33

Following is list of Performance Audits by Audit offices under CA&E Wing

Name of FAO	Title of Performance Audit Report
DG Audit Works (Federal), Islamabad.	<ul style="list-style-type: none"> • Performance Audit-Construction of Faisalabad-Khanewal Express (M-4). • Performance Audit of Improvement and widening of Kashmir Highway, Islamabad (CDA). • Performance Audit of construction of new secretariat Block (T,U&V) at construction Avenue, Islamabad (Pak PWD). • Performance Audit on construction of 3008 Flats (Labour Complex), Karachi-Sindh Workers Welfare Board, Karachi.

Major findings by audit formations under Defense Audit wing are highlighted as under

CDA, PHA and FGEHF

Sr	Major Findings
i)	Land use plan of a farming scheme in Zone-4 Islamabad measuring 2,660.13 kanals of land was approved by CDA without obtaining ownership documents in the name of society and fulfillment of other requirements. (Para 2.4.4)
ii)	CDA allowed change of use of allotted plot in violation of CDA Master Plan and terms and conditions of original allotment resulting into loss of Rs 3,339.512 million. (Para 2.4.5)
iii)	Revenue of Rs 11,418.860 million on account of lease money, building control/transfer fee, fine, license fee, toll collection, rent, etc. was not realized/recovered by CDA, CAA, NHA, Pak PWD, Estate Office, FGEHF and WWB. (Paras 2.4.34, 2.4.50, 2.4.54, 2.4.58)
iv)	Overpayments of Rs 1,310.882 million were made by CDA, CAA, NHA, Pak. PWD, HEC and WWBs due to price escalation/de-escalation and incorrect interpretation/ application of price adjustment clause of the respective contract agreements. A sum of Rs 663.643 million was made by NHA to a contractor on account of price adjustment irregularly due to non-calculation of due amount on the basis of respective monthly current rates of specified material. (Paras 2.4.77, 3.4.24, 4.4.67, 4.4.68, 4.4.69, 4.4.88,)
v)	Overpayments of Rs 5,600.244 million were made by CDA, CAA, NHA, Pak PWD, FGEHF, HEC, WWBs and PD&R due to higher rates, excessive measurements, separate payment of in-built component, non-adherence to specifications, non-adjustment/recoveries, etc. (Paras 2.4.74, 2.4.82, 2.4.89, 2.4.90, 2.4.91, 2.4.97)
vi)	Procurement of works/services valuing Rs 58,426.741 million was made by CDA, CAA, NHA, Pak PWD, FGEHF and WWBs without calling open tenders/in violation of Public Procurement Rules. (Paras 2.4.11, 2.4.16, 2.4.20,)

Ministry of Defense

Sr	Major Findings
i)	In Various Army units, amount was expended on purchase of store from suppliers/market, but the sales tax amounting to Rs. 32.302 million was either not deducted or less deducted, besides , no sales tax invoices were available on record.(Para 1.3.8)
ii)	An amount of Rs.178.174 million regarding non recovery of Cantonments taxes of five cantonments Boards of Karachi was outstanding. (Para 1.7.20)
iii)	In 36 cases in different units/formation of Pak Army and PAF Rs 754.858 Million and in two establishment of Defence Production at Kamra and Rawalpindi a sum of Rs. 93.630 million was incurred on procurement in violation of Public Procurement Rules. (Paras 1.5.1, 2.6.1).
iv)	In Mirage Rebuild Factory Kamra, store worth Rs. 36.529 Million against six contracts was found defective and rejected during inspection. Discrepancies were raised during 2013-15 but neither store was replaced by the firm nor 80% payment already made to firm on shipment documents against rejected store was recovered.(Para 2.4.1).

Provincial Audit Wing (Central)

Provincial Audit wing (Central) is headed by Deputy Auditor General (Central). This wing includes DG Audit Provincial Punjab, DG Audit District North Lahore And DG Audit District

South at Multan, Directorate General Audit Works (Provincial) Lahore. The details of total amount audited by the Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the table below

		(Rs. in millions)
Sr. #	Description	Amount
1	Total amount audited	975,898.65
2	Recovery made at the instance of audit	2594.584
3	Amount placed under audit observations	508,165.22



The detailed breakup of the amounts placed under audit observations is given in the table as under

(Rs. millions)

Sr. #	Description	Amount
1	Violation of rules and regulations and violation of principles of propriety and probity public operation	318926.22
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	136.339
3	Accounting Errors	621.754
4	Weaknesses of internal controls	63872.687
5	Recoveries and overpayments	36399
6	Non-Production of Records	75490.372
7	Others	12718.848
	TOTAL	508165.22

The total reports issued by the Provincial Audit (Central) Wing are as under

Sr. No.	Description	No. of Reports
1	Audit Reports	769
2	Special Audit Reports	30
3	Performance Audit Reports	19
4	Other Audit Reports (Audit of foreign funded Projects, IT & Environment Audit, Studies, etc.)	47
	Total Audit Reports:	865

Performance Audit Reports

S.	Name of the FAO	Title of the Performance Audit Report
1.	Directorate General Audit District Governments Punjab (South) Multan	Punjab Millennium Development Goals Program (PMDGP) District Vehari
2.		Punjab Millennium Development Goals Program (PMDGP) District TT Singh
3		Punjab Accelerated Functional Literacy & Non Formal Basic Education Project District Dera Ghazi Khan
4		Punjab Irrigated Agriculture Productivity Improvement Project (PIPIP) District Rahim Yar Khan
5	Directorate General Audit Works (Provincial)	One window Operations of LDA
6	Lahore	Punjab Power Development Board
7		Effectiveness and operational Status of completed water / sewerage schemes in Rural areas of Punjab
8	Directorate General Audit Punjab (Expenditure Side) Lahore	Punjab Food Authority.
		Punjab Economic Opportunities Program.
		Effectiveness of Director Punjab Instructions (Schools) Punjab Functions.
		Punjab Education Sector Reform Program-II (PESRP)

9	Director General Audit Punjab, Lahore (Revenue Side) Lahore	Evaluation of system of determination of road worthiness of vehicles
10	Directorate General Audit District Governments Punjab (North) Lahore	Performance Audits of DHQ Hospital Sheikhpura
11		Performance Audits of DHQ Hospital Bhakkar
12		Performance Audits of Punjab Cities Governance Improvement Project Lahore
13		Performance Audits of Punjab Cities Governance Improvement Project Gujranwala
14		Performance Audits of Support Services for Livestock Farmers District Rawalpindi
15		Performance Audits of Sasta Ramzan Bazaar Gujranwala
16		Performance Audits of Sasta Ramzan Bazaar Rawalpindi

DG Audit Distt. Govt. South Punjab, Multan

Sr	Major Findings
i)	Irregular payment of non-schedule items Rs.78.816 million District Faisalabad Para No 1.2.1.1
ii)	Overpayment on account of house rent and conveyance allowances- Rs 11.827 million Dera Ghazi Khan Para No 1.2.3.10
iii)	Non-auction of outlets in katchehry Compound – Rs 5.528 million Vehari Para No 1.2.3.3
iv)	Non-recovery of conversion fee – Rs 97.369 million Multan Para No 1.2.2.2
v)	Irregular expenditure on purchase of medicine on through rate contract – Rs 25.382 million Bahawalpur Para No1.2.2.4
vi)	Defective supply of equipment – Rs 3.130 million Khanewal Para No 1.2.3.2
vii)	Unjustified payment of earthwork – Rs 19.211million Pak Pattan Para No 1.2.2.4
viii)	Irregular execution of works – Rs 342.37 million Sahiwal Para No 1.2.2.1
ix)	Unauthorized opening of tenders by incomplete Tender Board – Rs 535.601 million Rahim Yar Khan Para No 1.2.3.2
x)	Irregular utilization of bricks without ensuring standard specifications and testing – Rs 18.878 million Jhang Para No 1.2.2.5

Key audit findings of the report DG Audit Works (Provincial) Lahore.

Sr	Major Findings
i)	Non-production of record in respect of development expenditure Rs 284.19 million in three cases.
ii)	Non-getting the scheme's land transferred in the revenue record for mutation in the name of allottees –Rs.17,128.39 million in one case.
iii)	Non-recovery of trunk sewer charges fee from the developers of the private housing schemes-Rs.14,166.47 million in one case.
iv)	Unjustified payment due to use of local bitumen – Rs.2,369.06 million in one case.
v)	Under financial benefit due to non-obtaining/revalidation of performance/additional performance securities- Rs.2,505.92 million in seven cases.
vi)	Non-recovery on account of price variation/de-escalation- Rs.813.89 million in eight cases.
vii)	Non-recovery of risk and cost from the defaulting contractors Rs.688.96 million in two cases.
ix)	Overpayment due to application of higher/incorrect rate – Rs.430.92 million in eighteen cases.
x)	Unjustified payment without obtaining JMF - Rs.325.66 million in three cases.



Agriculture department, Punjab

During Audit Year 2016-17, 33 formations with a budget of Rs. 153,961.34 million were audited. Major findings were as under

Sr	Major Findings
i)	Non production of record/vouched accounts-Rs.8.15 million
ii)	Irregular appointments- Rs.29.40 million
iii)	Loss to government due to illegal occupation of land- Rs.549.33 million

Finance department, Punjab

During Audit Year 2016-17, a budget of Rs.10,242.97 million was audited

Sr	Major Findings
i)	Irregular direct transfer of funds to the State Bank of Pakistan-Rs.8.66 billion
ii)	Irregular expenditure on account of security charges-Rs.3.76 million
iii)	Inefficient budgetary/financial management-Rs. 287.02 billion
iv)	Loss to public exchequer due to conversion of load into equity-Rs.200.00 million
v)	Non-recovery of electricity charges from autonomous bodies etc. – Rs.5.47 billion
vi)	Excess payment of electricity charges on late replacement of defective meters- Rs.937.00 million
vii)	Excess payment of domestic loans- Rs.332.06 million

Food department, Punjab

During Audit Year 2016-17, 40 formations with a budget of Rs.287,956.44 million were audited

Sr	Major Findings
i)	Misappropriation of empty jute bags, wheat filled bags and various store articles-Rs.15.20 million
ii)	Irregular expenditure due to violation of tendering process- Rs.17.41 million
iii)	Non-deduction of taxes from the contractors-Rs.103.47 million
iv)	Non recovery of government dues-Rs.526.21 million

Forestry, Wildlife and Fisheries Department, Punjab

During Audit Year 2016-17, 51 formations with a Budget of Rs.3,371.76 million were audited

Sr	Major Findings
i)	Non-production of record- Rs.68.78 million
ii)	Irregular payment of salary through manual bills-Rs.422.16 million
iii)	Non-Clearance of amounts lying under the Head P-Deposits-Rs.224.65 million
iv)	Non-recovery of government dues-Rs.1,250.50 million
v)	Non-deduction of Income Tax and Punjab Sales Tax-Rs.19.90 million
vi)	Illegal occupation of 5,728 acres of land

Health Department, Punjab

During Audit Year 2016-17, Health formations with a Budget of Rs.63,783.53 million were audited

Sr	Major Findings
i)	Embezzlement of government funds-Rs.9.31 million
ii)	Non production of record-Rs.10,206.81 million

iii)	Irregular expenditure incurred beyond competency- Rs.4,307.16 million
iv)	Irregular receipt of user charges-Rs.1,281.70 million
v)	Mis-procurement of goods and services-Rs.1,284.78
vi)	Irregular procurements made in violation of Punjab Procurement Rules-Rs.1,136.34 million
vii)	Undue retention of government money-Rs.630.83 million
viii)	Non/less deduction of income tax-Rs.111.49
ix)	Non deduction of Punjab sales Tax-Rs.63.83 million
x)	Consumption of medicine without DTL reports- Rs.217.07 million

Higher Education Department, Punjab

During Audit Year 2016-17, 151 formations with a Budget of Rs.71,303.67 million were audited

Sr	Major Findings
i)	Non production of vouched account/record-Rs.3,164.03 million
ii)	Irregular investment of surplus funds without obtaining competitive rates and approval of Syndicate/Finance Department- Rs.2,829.91 million
iii)	Irregular payment of allowances without approval of the Chancellor/Controlling authority- Rs.449.47 million.
iv)	Irregular expenditure due to violation of tendering process- Rs.357.41 million
v)	Irregular expenditure on compilation of result/purchase of cover sheets, and extension in the contract- Rs.188.83 million
vi)	Investment of surplus funds-Rs.139.83 million
vii)	Non recovery of income tax-Rs.17.64 million
viii)	Non deduction of PST-Rs.32.90 million

Home Department, Punjab

During Audit Year 2016-17, 116 formations with a Budget of Rs.80,155.08 million were audited

Sr	Major Findings
i)	Non production of vouched account- Rs.522.28 million
ii)	Irregular expenditure due to violation of tendering process- Rs.633.27 million
iii)	Irregular expenditure without calling tender- Rs.643.41 million
iv)	Irregular purchases beyond competency- Rs.152.35 million
v)	Irregular expenditure on cost of investigation-Rs.104.01 million
vi)	Non recovery of police guard charges-Rs.213.331 million
vii)	Non deposit of government receipts into Treasury-Rs.73.37 million
viii)	Unauthorized Payment of allowances during Training period Rs.98.99 million
ix)	Non/less deduction of taxes and payment of stamp duty-Rs.67.48 million
x)	Undue retention of government money Rs.138.96 million

Excise and Taxation Department, Punjab

During Audit Year 2016-17, 49 formations with a Budget of Rs.15,486.90 million were audited

Sr	Major Findings
i)	Non realization of excise duty from distilleries – Rs.1,549.926 million
ii)	Non realization of luxury house tax – Rs.133.646 million
iii)	Non/short realization of arrears of property tax- Rs.110.110 million



iv)	Non realization of income tax on commercial vehicles- Rs.64.431 million
v)	Non recovery of property tax from state owned organization- Rs.52.738 million
vi)	Non realization of token tax from motor vehicle owners- Rs.50.651 million
vii)	Non realization of property tax due to inadmissible exemptions-Rs.27.116 million
viii)	Loss of revenue due to non-realization of professional tax-Rs.13.262 million

Board of Revenue Department, Punjab

During Audit Year 2016-17, 40 formations with a Budget of Rs.17,080.15 million were audited

Sr	Major Findings
i)	Non production of auditable record
ii)	Non/short-recovery of tawan of abiana- RS.101.616 million
iii)	Non/short-recovery of arrears of abiana – Rs.76.457 million
iv)	Non-realization of withholding tax on purchase/transfer of immoveable property- Rs.72.854 million
v)	Non-recovery of lease rent of state land allotted under temporary cultivation schemes-Rs.48.441 million
vi)	Non-recovery of agricultural income tax on income tax base-Rs.34.898 million
vii)	Loss of stamp duty, registration fee and capital value tax due to under valuation of urban land – Rs.32.596 million
viii)	Non/short recovery of capital value tax on transfer of urban immoveable properties – Rs.27.925 million
ix)	Loss due to non-payment of mutation fee on oral sale of rural land – Rs.26.861 million

Irrigation Department, Punjab

During Audit Year 2016-17, a budget of Rs.14.85 million was audited.

Sr	Major Findings
i)	Loss of Government revenue due to non-recovery of water charges for non-irrigation purposes- Rs.8.2 million
ii)	Blockage of government revenue due to non-disposal of cases of special charges Rs.12.823 million
iii)	Blockage of Government dues due to issuance of stay orders by the civil courts- Rs.21.656 million
iv)	Non-recovery of drainage charges for effluent discharge- Rs.3.274 million

Punjab Revenue Authority

During Audit Year 2016-17, a budget of Rs.61,336.25 million was audited

Sr	Major Findings
i)	Blockage of government revenue due to stay orders - Rs.2,918 million
ii)	Non-realization of sales tax (withholding tax) - Rs.1283 million
iii)	Non-recovery of Punjab sales tax assessed from tax defaulter –Rs.79.702 million
iv)	Non imposition of penalty on failure to file return- Rs.43.37 million

Special Sectors and Revenue Receipt Audit Wing

Special Sectors and Revenue Receipt Audit wing is headed by Deputy Auditor General (SSA& RRA). This wing includes DG

Audit Inland Revenue North, DG Audit Inland Revenue South, DG Customs & Petroleum Audit. The details of total amount audited by the Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the tables below

(Rs. in millions)

S. No.	Description	Total
1	Total amount Audited	3,276,391.00
2	Recovery made at the instance of audit	38,797.63
3	Amount placed under audit observations	478,752.00

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

(Rs. million)

S. No.	Description	Total
1	Violation of rules and regulations and violation of principles of propriety and probity public operation	353,710.87
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	2,407.71
3	Weakness of internal controls	11,534.51
4	Recoveries and overpayments	101,217.91
5	Non-Production of records	9,881
	TOTAL	478,752.00

The total reports issued by the SSA & RRA Wing are as under

S. No.	Description	Total
1	Audit Reports	3
2	Special Audit Reports	5
	Total Audit Reports	8

Federal Board of Revenue

Sr	Major Findings
i)	Audit contributed towards broadening of tax base for the economy and pointed out revenue implication of Rs.1615.80 million during the FY 2-15-16. On recommendation by Audit the department initiated registration of 166 Tax Payers to bring them into the Sales Tax Regime.
ii)	Loss of revenue due to non-deduction of withholding tax on contractual receipts- Rs.1306.82 million.
iii)	Non production of auditable record/data/documents to Audit.
iv)	Non recovery of adjudged dues/arrears of Rs.55,733.73 million.
v)	Loss due to no implementation of statutory provisions/SROs resulting in inadmissible adjustment of Input Tax Rs.4119.85.
vi)	Non realization of Sales Tax from Retailers – Rs.2336.44 million.
vii)	Inadmissible adjustment of Input Tax against exempt supplies of Rs.2180.00 million.
viii)	Non/short realization of the Federal Excise Duty on Royalty, Technical Service Fee and Franchise Fee Rs.2577.51 million.



ix)	Non levy of minimum tax on the income amounting Rs.1446.37 million
x)	Non levy of tax on concealment of income or assets amounting Rs.16,092.53 million.
xi)	Short levy of Super Tax for rehabilitation of tempo9rarily displaced persons Rs.6243.50 million.
xii)	Non deduction/realization of withholding Sales Tax on purchase from registered/unregistered person's amount to Rs.1120.98 million.
xiii)	Irregular expenditure due to non-observance of PPRA and General Financial Rules amounting Rs.25.75 million.
xiv)	Excess and inadmissible expenditure Rs.18.554 million.

Major Audit Findings of Special Audit Reports of FBR Audit Year 2016-17

1) Special Audit Report on "Broadening of Tax Basis (BTB)" FBR for Audit Year 2016-17

Sr	Major Findings
i)	Non registration of 3798 persons having industrial electricity/gas connections liable to be compulsory registered under the Sales Tax and Income Tax Law.
ii)	Non registration/filing of returns by 744 persons who owned motor vehicles having engine capacity beyond 1500CC.
iii)	Non initiation of legal proceedings causing non levy of tax of Rs.26.094 million on unexplained investment.
iv)	Loss of potential revenue of Rs.35.212 million due to irregular conclusion of legal proceedings.
v)	Loss of revenue of Rs.40.830 million due to concealment of investment.
vi)	Loss revenue of Rs.15.367 million due to misstatement /alteration of facts.
vii)	Non initiation of legal proceedings in cases involving economic value of Rs.61.384 million booked on complaint basis by FBR.
viii)	Loss of revenue of Rs.4.131 million due to non-invoking the provisions of Section 111 read with Section 122 C(9) of the Income Tax Ordinance 2001.

2) Special Audit Report on "Handling of Legal cases" FBR for year 2013-14 to 2015-16

Sr	Major Findings
i)	Non pursuance of appeals / subjudice case due to absence of departmental representatives.
ii)	Revenue loss due to time barred proceedings/decisions.
iii)	Loss of revenue due to issuance of wrong clarifications.
iv)	Revenue loss due to application of incorrect law in assessment orders.
v)	Finalization of cases without issuance/service of mandatory show case notices.
vi)	Delayed filing of representations/appeals by the Department.
vii)	Assessment orders annulled being issued by officers beyond jurisdiction.

3) Special Audit Report on "Tax Expenditure)" FBR for Audit Year 2016-17

Sr	Major Findings
i)	Potential loss of revenue due to non-invoking the provisions of Rules 213-217 of Income Tax rules 2002, Rs.49.65 million.
ii)	Potential loss of revenue due to non-invoking the provisions of Rule 213(2) (e) of the Income Tax rules 2002, Rs.41.68 million.
iii)	Un-lawful issuance of exemption of Rs.64.60 million.
iv)	Non levy of minimum tax in exempt case causing Potential loss Rs. 40.55 million.
v)	Short levy of tax on other income in case of IPPs Rs.266.61 million.

4) Special audit Report on "Sugar Sector "FBR for the year 2013-14 & 2014-15

Sr	Major Findings
i)	Loss of revenue due to non-apportionment of expenses between final and normal tax regimes Rs.4274/99 million.
ii)	Short-realization of Income Tax due to concealment of Sales Tax Rs.2154.64 million.
iii)	Non realization of Income Tax on exports Rs.48.88 million
iv)	Loss due to non-taxation of income from other sources Rs.41.04 million
v)	Excess determination of Income Tax refund due to miscalculation Rs.40.07million
vi)	Inadmissible application of concessionary rate of FED against exports to Afghanistan resulting in short realization of FED Rs.253.22 million.
vii)	Inadmissible adjustment of input tax on goods not used in taxable supplies Rs.168.44million.
viii)	Short realization of FED due to concealment of Sales/income Taxes Rs.189.68 million

5) Special audit Report on "Refunds "FBR for the year 2010-11 to 2014-15

Sr	Major Findings
i)	Unlawful grant of compensation against delayed issuance of refund Rs.12,992.109 million .
ii)	Irregular/unlawful Issuance of Refund amounting to Rs.54,365.016 million.
iii)	Non imposition of penalty on rejected refund claims Rs.16,495.249 million.
iv)	Unverified deposit of deducted amount from refund Rs.21,330.640 million.
v)	Irregular payment time barred refund claims Rs.9,937.282 million.

6) Special audit Report on "Withholding Tax "FBR for the year 2013-15

Sr	Major Findings
i)	Short deduction of Withholding Tax due to non-invoking the provision of Section 161/205- Loss of Rs.144.829 million.
ii)	Inadmissible adjustment of withholding Income Tax of Rs.92.922 million.
iii)	No recovery of arrears demand – Rs.6,173.041million.
iv)	Non verification of withholding income tax of Rs.1,573.408 million.
v)	Non realization of Withholding Sales Tax of Rs, 218.778 million.
vi)	Non realization of 4/5 th amount of Sales Tax from CMAs supplier Rs.114.868 million.
vii)	Non realization of 4/5 th amount of Sales Tax from government supplier Rs.43.601 million.

DG Audit C&P**Major Audit Findings of Audit Report of FBR 2016-17 (Customs) FBR**

Sr	Major Findings
i)	Inadmissible exemptions and concession Rs.9,986.09million
ii)	Blockage of revenue – Rs.33,928.58million.
iii)	Non/short realization of duty and taxes – Rs.9,425.45 million.
iv)	Under valuation and misclassification of imported goods – Rs.5,013.89 million.
v)	Poor performance/ weak internal control like clearance of banned items, non-conduction post-exportation audit and non-collection of reconciliation statements from DTRE users- Rs.4,736.65 million .
vi)	Non recovery of adjudged revenue – Rs.1206.10 million
vii)	Irregular expenditure on POL and repair of vehicle – Rs.149.83million
viii)	Non/short realization of revenue – Rs.328.95 million for ICT



Major Audit Findings of Audit Report of M/o P&NR 2016-17

Sr	Major Findings
i)	Non Production of record relating to GDS – Rs.9,880.86 million.
ii)	Non/short realization of GIDS/GDS- Rs.24,225.18 million.
iii)	Non/short realization of Royalty from E&P Companies – Rs.2,834.07 million.
iv)	Non realization of Petroleum Levy on direct and indirect sale – Rs.1,296.24 million.
v)	Non realization of discount retained on Crude Oil and Windfall Levy- Rs.623.20million
vi)	Non/short realization of License and Lease Rent – Rs.368.76million.
vii)	Non-encashment of Bank guarantee/postdate cheques and non-realization of financial obligations- Rs.11,928.79 million
viii)	Non realization of US\$ 10.14 million / mis-utilization of Rs.606.59million of training fund and variation of Rs0.101 million relating to expenditure between cash book and Bank statement.

Provincial Audit Wing South

Provincial Audit Wing (South) is headed by Deputy Auditor General (South). This wing includes four DGs namely, DG Audit Provincial Sindh and Baluchistan and DG Local Council

Sindh and Baluchistan. The details of total amount audited by the Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the tables below

(Rs. in millions)

S.#	Description	Total
1	Total amount audited	1,013,952.023
2	Recovery made at the instance of audit	777.983
3	Amount placed under audit observations	445,075.523

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

(Rs. in millions)

Sr. #	Description	Total
1	Violation of rules and regulations and violation of principles of propriety and probity public operation	99,230.34
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources	1,698.49
3	Accounting Errors	93.65
4	Weaknesses of internal controls	104,903.75
5	Recoveries and overpayments	27,245.89
6	Non-Production of Records	130,265.92
7	Others	41,969.66
	TOTAL	405,407.70

The total reports issued by the Provincial Audit Wing South are as under

S. #	Description	Total
1	Audit Reports	183
2	Special Audit Reports	7
3	Performance Audit Reports	4
4	Other Audit Reports (Audit of foreign funded projects, IT & Environment Audit, Studies etc.)	31
	Total Audit Reports	225

The total performance audit reports issued by the Provincial Audit Wing South are as under

S. No.	Name of FAO	Title of Performance Audit Report
01	Director General Audit , Sindh	Purpose of creation, achievements, Role of Field Offices, collection of Abiana, Self-sufficiency of Farmers Organization, ownership of FOs. Training and capacity building of employees, development of infrastructure, Lining of canals to conserve irrigation water. Sindh Irrigation & Drainage Authority (SIDA), Irrigation Department, Government of Sindh
02	Director General Audit , Local Council, Sindh	Car Parking Structure Lines Area, Karachi.
03	Director General Audit , Balochistan	Director of Food Balochistan Quetta water supply and sanitation authority.

Director General Audit Local Councils, Balochistan, Quetta

During the year 2016-17, 489 formations with budget of Rs.10,576 million falling under the control of Local Councils

and Local Government Department in Balochistan Quetta were audited for the Financial Year 2015-16.

Major audit findings pertaining to Local Councils and Government offices of Government of Balochistan are given below:-

Sr	Major Findings
i)	Quetta Development Authority allotted 4 commercial plots on extra piece of land worth Rs 8.064 million to adjacent allottees of old Truck Adda at Satellite Town, Quetta. (Para1.1.5 of AR)
ii)	Quetta Development Authority failed to recover Capital Value Tax of Rs.40.730 million from the allottees of the following Commercial and Residential Housing Schemes for a long time. (Para1.1.7 of AR)
iii)	Quetta Development Authority failed to collect the late payment surcharge on unpaid balance of Rs. 58.112 million from the allottees of the following Commercial and Residential plots. (Para1.1.8 of AR)
iv)	Quetta Development Authority failed to collect the outstanding amount of Rs.558.203 million against the allottees of the following Commercial and Residential plots for a long time. (Para1.1.9 of AR)
v)	Quetta Métropolitain Corporation did not provide record of different branches involving expenditure of Rs72.836 million for Audit verification. (Para2.1.1 of AR)
vi)	Quetta Métropolitain Corporation incurred an expenditure of Rs7.433 million on minor works without preparing tender documents and constituting Procurement Committee. (Para2.1.4 of AR)
vii)	Quetta Métropolitain Corporation awarded contract of Rs. 1.913 million to M/s Abdul Rahim & Company for Cleaning of Drains/Nalla & Lifting of Garbage from different wards whereas the said firm did not participate in tendering process therefore the contract stands unauthorized. (Para2.1.7 of AR)
viii)	Quetta Métropolitain Corporation authorities did not produce record of amounting to Rs.32.391 million collected as revenue and expenses there from generated from Baldia Plaza and Bus Stand Project since issuance of above quoted notification. Neither, financial data is compiled and reflected in the QMC budget nor accounts are got audited since 1988. (Para2.1.8 of AR)
ix)	Quetta Métropolitain Corporation granted and paid an amount of Rs. 6.109 million to employees on account of HBA and medical advances several times to the same employee in the same year and Rs.500 p.m is deducted against each advance. (Para2.1.12 of AR)
x)	Municipal Corporations in Balochistan incurred an expenditure of Rs 145.197 million on development schemes without physical inspection of the schemes by the authorized officers of the Government. (Para3.1.2 of AR)
xi)	Municipal Corporations did not recover rent of Rs18.257 million from the tenants of various shops and occupants of MCs owned residential quarters. (Para3.1.6 of AR)
xii)	Municipal Corporation Chaman did not collect the outstanding dues from defaulters amounting to Rs.14,058,000. (Para3.1.9 of AR)



xiii)	Municipal Committees in Balochistan incurred an expenditure of Rs 12.590 million on purchase of miscellaneous items, on removal of rubbish and on development schemes by splitting the work order to avoid the open tendering process through BPPRA (Para 4.1.7 of AR)
xiv)	Municipal Committees in Balochistan awarded and executed different schemes at the cost of Rs 9.808 million on NSR basis without preparing detailed analysis of the items and getting its approval from the competent authority. (Para 4.1.12 of AR)
xv)	Municipal Committees in Balochistan failed to recover rent of shops amounting to Rs 4.842 million from the tenants. (Para 4.1.14 of AR)
xvi)	District Council, Khuzdar did not provide the record of the expenditure of Rs 9.800 million for Audit verification. (Para 5.1.1 AR)
xvii)	District Council, Kalat incurred an expenditure of Rs 80.000 million on development schemes without calling for open tenders to get economical rates through BPPRA. (Para 5.1.11 AR)
xviii)	District Councils in Balochistan did not recover rent of Rs 4.212 million during the financial year 2015-16 from the tenants of various shops/quarters/residences. (Para 5.1.12 AR)
xix)	Assistant Directors Local Government in Balochistan incurred an expenditure of Rs 199.058 million on development schemes without physical inspection of the schemes by the authorized officer of the Local Government. (Para 7.1.2 AR)
xx)	Assistant Director Local Government, Quetta incurred an expenditure of Rs 75.000 million on development schemes but 10% performance bond amounting to Rs 7.500 million was not obtained from the contractors concerned. (Para 7.1.8 AR)

Provincial Audit Wing North

Provincial Audit Wing (North) is headed by Deputy Auditor General (North). This wing includes four DGs namely, DG Audit Provincial KP, DG District Audit KP, DGA Gilgit Baltistan, DGA Azad Jammu & Kashmir. The details of total amount audited by the Wing, recoveries made at the instance of audit and total amount placed under audit observations have been given in the tables below

(Expenditure)

(Rs millions)

Sr. #	Description	Total
1	Total amount audited	501,283.55
2	Recovery made at the instance of audit.	1,044.99
3	Amount placed under audit observation	96,226.88

(Income)

(Rs millions)

Sr. #	Description	Total
1	Total amount audited	14545.39
2	Recovery made at the instance of audit.	15.352
3	Amount placed under audit observation	78208.76

The breakup of the amounts placed under audit observations are given in the table that follows:-

(Expenditure)

(Rs millions)

Sr. #	Description	Total
1	Violation of rules and regulations and violation of principles of propriety and probity public operation.	25,436.02
2	Reported cases of fraud, embezzlement, thefts and mis-use of public resources	2,188.04
3	Accounting Errors	0.00

4	Weaknesses of internal controls	29,487.10
5	Recoveries and overpayments	16,289.24
6	Non production of records	9,751.55
7	Others	4,715.25

(Income)		(Rs in millions)
Sr.	Description	Total
5	Recoveries and overpayments	78118.98
6	Non production of records	89.78
	Total	78208.76

Total Audit Reports by Provincial Audit Wing North at Peshawar are as under

S.	Description	Total
1	Audit Reports	210
2	Special Audit Reports	2
3	Performance Audit Reports	10
4	Other Audit Reports (Audits of Foreign Funded Projects, IT & Environment Audit, Studies etc.)	8
	Total Audit Reports	230

The total performance audit reports issued by the Provincial Audit Wing North are as under

No	Name of FAO	Title of the Performance Audit Report	
1	DG Audit Distt Govt KP	i. Tax Collection Performance, A Comparative Study of TMA Town-IV, Peshawar.	
		ii. Tax Collection Performance, A Comparative Study of TMA, Abbottabad.	
		iii. Tax Collection Performance, A Comparative Study of TMA Bannu	
		iv. Tax Collection Performance, A Comparative Study of TMA D.I.Khan	
		v. Tax Collection Performance, A Comparative Study of TMA Kohat	
		vi. Tax Collection Performance, A Comparative Study of TMA Mardan	
		vii. Tax Collection Performance, A Comparative Study of TMA Swat	
		Title of Special Studies	
		i. Use of IT System in Selected district Governments of Khyber Pakhtunkhwa	
ii. Works Contract Management in Selected TMAs			
2	DG Audit GB	i. Laying of maintenance in Hunza Greater Water Supply	



Major audit findings of DG Audit K. P.

Sr	Major Findings
1.	Misappropriation on account of wheat seed/ loading un-loading charges, registration & share fee and food insecticides in Agriculture Department – Rs.518.802 million (Para 2.4.2, 2.4.3 & 2.4.4 of AR)
2.	Non-production of record for expenditure in Administration Department – Rs.203.200 million (Para 3.4.1 of AR)
3.	Un-authorized expenditure in excess of the contract cost in Communication & Works Department – Rs.390.070 million (Para 4.4.9 of AR)
4.	Misappropriation due to delay in deposit of funds and profit on investment in Education Department – Rs.491.081 million (Para 5.4.3 of AR)
5.	Loss due to irregular purchase of pirated and substandard books in Education Department – Rs.93.306 million (Para 5.4.11 of AR)
6.	Unauthorized and wasteful expenditure on construction of Power House in Education Department – Rs. 305.604 million (Para 5.4.38 of AR)
7.	Loss due to non finalization of Power Purchase Agreement in Energy & Power Department – Rs. 5,025.00 million (Para 6.4.1 of AR)
8.	Misappropriation due to not showing 78,084 cft timbers on stock in Environment Department – Rs. 82.390 million (Para 7.4.1 of AR)
9.	Loss due to non disposal/ non auction of 103 confiscated vehicles in Excise & Taxation Department – Rs. 51.500 million (Para 8.4.1 of AR)
	Misappropriation on account of repair of vehicles, vehicles for Polio campaigns, purchase of POL and purchase of Mobil oil in Home & Tribal Affairs – Rs.39.039 million (Para 11.4.2, 11.4.3, 11.4.4 and 11.4.5 of AR)

Major audit findings of DG Audit Distt Govt: K. P.

Sr	Major Findings
i)	XEN, PHE Division Peshawar Irregular payment due to execution of substandard work - Rs 23.471 million Para No. 1.2.2.3. (Audit Report on accounts of District Government Peshawar)
ii)	XEN, PHE Division Peshawar failed to recover water user charges-Rs 91.114 million Para No. 1.2.2.5. (Audit Report on accounts of District Government Peshawar).
iii)	XEN, C&W, Road Division, Nowshera irregularly awarded a contract - Rs 200.647 million Para No. 1.2.2.28. (Audit Report on accounts of District Government Nowshera).
iv)	XEN, C&W, Road Division, Nowshera Irregularity an execution of contract agreement worth Rs. 333.907 million was deducted. Para No. 1.2.2.39. (Audit Report on accounts of District Government Nowshera).
v)	XEN, C&W, Charsadda, Fraudulent payment worth Rs. 19.582 million was deducted Para No. 1.2.1.1. (Audit Report on accounts of District Government Charsadda).
vi)	XEN, C&W, Charsadda, Fraudulent payment worth Rs. 198.250 million was deducted Para No. 1.2.1.2. (Audit Report on accounts of District Government Charsadda).
vii)	XEN, C&W, Charsadda, Embezzlement of Rs. 15.6 million was deducted Para No. 1.2.1.4. (Audit Report on accounts of District Government Charsadda).
viii)	XEN C&W Lakki Marwat, irregular payment of Rs.73.392 million Para No. 1.2.3.3. (Audit Report on accounts of District Government Lakki Marwat).
ix)	District Health Officer Swat irregularly released and did not retain 10% performance guarantee on accounts of purchase of medicine Rs. 28.072 million Para No. 1.2.2.14. (Audit Report on accounts of District Government Swat).
x)	XEN PHE Division Swat failed to recover water charges Rs. 19.208 million Para No. 1.2.3.2. (Audit Report on accounts of District Government Swat)

Selected audit findings of DG Audit A.J. &K.

i)	Over and above payments than rates /quantities Rs 745.148 Million
ii)	Over and above payments than work order Rs 598.472 Million
iii)	Non recovery of bitumen price Rs 423.481 Million
iv)	Non recovery of Govt. Dues GST, Income Tax, Education Cess, TQT etc. Rs 172.240 Million
v)	Loss to Government due to line losses Rs 1673.225 Million
vi)	Non recovery of Govt. Dues GST, Income Tax, Education Cess, TQT etc. Rs 191.147 Millions None recovery of Electricity Dues against the consumers Rs 955.804 Millions
vii)	Non recovery of royalty from AKLASC Rs 666.307 Millions
viii)	Less deposit price of sales of wood Rs 260.515 Millions
ix)	Loss of Government due to none recovery of arrear of sales tax Rs 73743.618 Millions
x)	Loss of Government due to inadmissible / unauthorized adjustment of Sales Tax Rs 700.894 Millions
xi)	Non deduction of advance tax and education cess Rs 118.941 Millions

Selected audit findings of DG Audit Gilgit Baltistan	
i.	Non recovery of electricity Charges Rs 10.043 Million
ii.	Recovery of overpayment on account of application of higher rate Rs 3.379 Million
iii.	Non recovery of premium on account of non issuance of Rs 29.894 Million
iv.	Irregular award of work beyond PC-I provision Rs 1.976 Million
v.	Payment of land acquired without documentary evidence Rs 116.475 Million
vi.	Unauthorized expenditure due to deviations from approved drawing and design Rs 3.229 Million
Vii.	Issuance of Medicine without laboratory test Rs 43.216 Million
viii.	Non recording of detail measurement of work done Rs 26.339 Million
IX	Undue payment beyond the completed scope of development scheme Rs 98.025 Million
X	Non achievement of objectives of the project Rs 60.439 Million

Section 3

PERFORMANCE
REPORT ON
INTERNATIONAL
ACTIVITIES

03

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

International Linkages

- Member of INTOSAI Governing Board
 - Chairman of ASOSAI (2009-2012)
 - Member of ASOSAI Governing Board
 - Secretary General of ECOSAI
 - Certified trainers in Performance Audits and ECOSAI courses
 - IDI certified auditors
- AGP remained the External Auditor for :
- UN 1961-1976
 - PCOPCW 1993-1997
 - OPCW 2003-2008
 - UNIDO 2008-2013

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.

3.2 International Organization of Supreme Audit Institution (INTOSAI)

DAGP is on the INTOSAI Governing Board for the period of six years from 2013-2019. A brief description of the activities of SAI Pakistan in relation to INTOSAI is listed below:

- DAGP is presently playing a very active role in various Committees and Working Groups of the INTOSAI. Six (09) Liaison Officers have been nominated for seven working groups and two committees of INTOSAI to participate in the activities of these working groups and committees.



70th meeting of the INTOSAI Governing Board 6th-7th November 2017



List of International Working Group Meetings/Workshops participated by DAGP

Dates	Venue	Description
22-23 May 2017	South Korea	Participation at 26 th INTOSAI Working Group on IT Audit (WGITA) and presented progress report on the WGITA project "Development of Roadmap for future ISSAIs in 5300 series"
9-10 th May 2017	Washington DC, USA	Participation at 4 th meeting of Working Group on Financial Modernization and Regulatory Reforms
4-5 Jul 2017	Lisbon Portugal	Participation at 1 st meeting of Working Group on Public Procurement Audit
25-28 Apr 2017	Brazil	Participation at 10 th INTOSAI Working Group on Key National Indicators (KNI) meeting
17-19 Apr 2017	China	Participation at 1 st Working Group meeting on Big Data
5-11 Dec 2016	Abu Dhabi	Participation at XXII INCOSAI 2016 meeting and 68 th GBM from 5-11 December, 2016 in Abu Dhabi
3-6 Oct 2016	Cape Town South Africa	Participation at INTOSAI Capacity Building Committee and the INTOSAI- Donor Cooperation
A team of DAGP, carried out the level 2 & 4 ISSAI Compliance Assessment for the SAI Pakistan using ICATs Tools and prepared ISSAI Implementation strategy Report.		

3.3 Asian Organization of Supreme Audit Institutions (ASOSAI)

The Asian Organization of Supreme Audit Institutions (ASOSAI) comprises the Supreme Audit Institutions (SAIs) of 46 Asian countries and provides a forum where developments in the fields of financial management, audit and accounting are shared among the member states. The Auditor-General of Pakistan is member of the ASOSAI Governing Board and also represents the ASOSAI on the INTOSAI Governing Board. The SAI Pakistan had remained actively associated with

different ASOSAI research projects that included development of its finding 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 System and the Relationship between the Internal Audit Unit and the SAI's", 10th Research Project on the "Audit to detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering." Currently, the SAI Pakistan is a Chairman of the 11th ASOSAI Research Project on "Audit of Public-Private Partnership Arrangements".

The SAI Pakistan participated in the following activities of the ASOSAI:

Dates	Venue	Description
22-26 Aug 2017	Paro, Bhutan	ASOSAI Seminar on "ISSAI Implementation – Experience and Strategy"
17-19 Oct 2017	Jaipur India	6 th Seminar on Environmental Auditing and 5 th Working Meeting of ASOSAI WGEA
14-25 Nov 2017	Nanjing China	ASOSAI Workshop on "Performance Audit"
12-15 Feb 2017	Bali Kuta Indonesia	Capacity Development Committee and 51 st Governing Board meetings of ASOSAI held from 12 - 15 February, 2017 at Sheraton Bali Kuta Resort, in Bali, Indonesia

The Board of Audit and Inspection (BAI), Korea which is also the Secretariat of ASOSAI organized a Seminar on "How to Ensure Efficient Auditing and Effectiveness of Audit Results" from October 17-21, 2016 at Seoul, Korea. The BAI seminar provides a useful forum for ASOSAI member countries to share their knowledge in public auditing and their actual audit experiences and techniques used. This year the seminar

had three sub-themes based on the audit process: Planning, Fieldwork, and Reporting and Follow-up. The participants of seminar participated in a discussion on how to improve the efficiency and effectiveness of each auditing procedure. SAI Pakistan represented at workshop titled "How to Ensure Efficient Auditing and Effectiveness of Audit Results" from October 17-21, 2016 at Seoul, Korea.

3.4 Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI):

The Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI) is a regional forum of Supreme Audit Institutions of South and Central Asian Countries, which are members of the Economic Cooperation Organization (ECO).

The Department of the Auditor General of Pakistan (DAGP) is the permanent secretariat of ECOSAI and the Auditor General of Pakistan is Secretary General of ECOSAI. Presently the



President of the Turkish Court of Accounts, Turkey is the President of ECOSAI.

The objectives of ECOSAI are achieved through its organs namely Assembly, Governing Board and Secretariat. The ECOSAI Assembly meeting is a triennial event and meetings of the ECOSAI Training Committee and the ECOSAI Governing Board are held annually. A Symposium is also organized alongside the ECOSAI Assembly where member SAIs presents their country papers. All these meetings and events are organized and coordinated by DAGP being the ECOSAI Secretariat in consultation with host countries.

Following International activities workshops/meetings were coordinated by SAI Pakistan at the ECOSAI forum



Dates	Venue	Description
17-19 Oct 2016	Ankara, Turkey	7 th ECOSAI Assembly, 21 st ECOSAI GBM, 16 th ECOSAI TCM and 7 th Symposium
5-16 Dec 2016	Lahore, Pakistan	Hosted ECOSAI course on "Performance Audit" at Lahore, Pakistan in December 05-16, 2016 Participants from the SAIs of Afghanistan, Islamic Republic of Iran, Tajikistan, Turkey, Turkish Republic of Northern Cyprus (TRNC) and Pakistan attended the course

3.5 South Asian Association for Regional Cooperation (SAARC):

The South Asian Association for Regional Cooperation (SAARC) is the regional intergovernmental organization and geopolitical union of nations in South Asia. Its member states include Afghanistan, Bangladesh, Bhutan, India, Nepal, the Maldives, Pakistan and Sri Lanka. SAARC. SAARC was founded on 8th December, 1985. Its secretariat is based in Kathmandu, Nepal. The organization promotes development of economic and regional integration. It launched the South Asian Free Trade Area in 2006. SAARC maintains permanent diplomatic relations at the United Nations as an observer and has developed links with multilateral entities, including the European Union.

Upon request of Ministry of Foreign Affairs, Islamabad Syed Sajjad Hyder, Director General, Audit, Defence Services (South), Karachi and Mr. Samiullah Khan, Chief Cost and Accounts Officer, Pakistan Ordinance Factory (POF), Wah Cantt nominated for audit of the Accounts of the SAARC Secretariat, SAARC- Japan Special Fund and the SAARC Regional Centres for the year 2016 in February 2016.

3.6 Bilateral Affairs:

Under the MoU signed with SAI Turkey, a delegation from Turkish Court of Accounts visited SAI Pakistan on a study tour from February 20-23, 2017 and the areas for implementation of MoU and the mechanism of implementation was discussed.



A two member delegation from DAGP paid a reciprocal visit to Turkey at Turkish court of Accounts (TCA) from 17-7-2017 to 19-7-2017. During the meeting, it has been decided that DAGP's officer will train officers from TCA regarding Peer review and will conduct peer review of TCA so that they will also get training on it.

Joint Audit will also be carried out for which DAGP will send documents to Turkish Court of Account for audit purposes. All correspondence will be made through e-mail and video conferencing. DG Federal Audit will supervise the audit team. Under capacity building measures, it has been decided DAGP will arrange training for TCA before May 2018.

International Networking Activities/ Meetings of Auditor General of Pakistan



Mr. Terry Bisson Mission Director USAID Pakistan calls on AGP



Networking Meeting with Mr. Gene L. Dodaro Comptroller General Government Accountability Office USA



Meeting with Ms. Hu Zejun Auditor General of PR China



Meeting with Commissioner Audit Japan



Meeting with Mr. Thembekile Kimi Makwetu Auditor General of South Africa



Meeting with Dr Harib Al Amimi President SAI UAE

Section 4

OUR HUMAN
CAPITAL
MANAGEMENT
POLICY

04

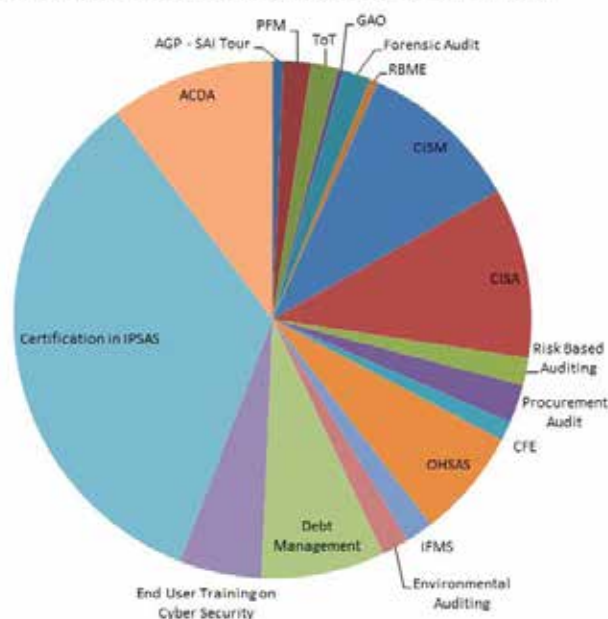
Our Human Capital Management Policy and Achievement

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 30 Field Audit Offices manned by professionally trained human resources.

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

Capacity Development areas funded by USAID



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:

- 798 auditors in Master, MBA and MSc Accounting and Finance.
- 191 auditors in professional certificates
- 3289 auditors are PIPFA qualified.
- 1599 auditors trained in Intensive Training Program in Performance Auditing.
- 08 auditors in Ph D Programmes.

The SAI Pakistan has been playing its role in ensuring

methodologies; and improving human resources.

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, and ADB to pursue assistance in different areas to meet this objective.

- a) In pursuance of above, USAID allocated USD \$ 2 million for Capacity Development of DAGP officers under Technical Assistance "Training for Pakistan" till May 2018. Approximately, 585 officers of DAGP and CGA would benefit from these training facilities which is being conducted locally or at foreign premier institutions. Major areas included 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; Certification on IPSAS; Leading teams for emerging Leaders Course at USA; Result Based Monitoring and Evaluation at USA. Graphical presentation in terms of number of participants for all the USAID funded Courses is as under

- b) In addition World Bank has also conceived a Public Financial Management (PFM) reforms program, and has shown its commitment to allocate USD \$20 million for strengthening the Accountability process in Pakistan. DAGP is a major stakeholder in this component.
- c) A concept paper for setting up National Academy of Public Finance Accountants (NAPFA) was submitted to planning commission, which has been approved. This opens the doors of financial and technical assistance for institutional development of DAGP.
- 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 lead Audit Managers in respective areas.

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. During the period 2016-17 the following training opportunities were availed by the employees of DAGP:

- Professional Certifications (CIA, CISA, CFE, & CGAP) 21
- British Chevening Program 01
- CNAO China/ Chinese Government 02
- Australian Awards Scholarship Program 02
- GAO Fellowship, USA 02
- Short Training Courses 02
- ACL Certified Data Analyst (ACDA) 04

Thus strategic vision of SAI Pakistan is continuing 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.

Following is the detail of courses and trainings conducted during the year by Pakistan Audit and Accounts Academy.

Pakistan Audit & Accounts Academy, Lahore					
Detail Report of Short Course for the year 2016-17					
Sr. No.	PAAA	Station	No. of Courses	No. of Participants	No. of Days
1	Lahore		50	999	129
2	Islamabad		21	246	82
3	Karachi		27	244	99
4	Peshawar		25	335	70
5	Quetta		23	498	166
	Total		146	2322	546

Following is the detail of mid career management courses and National Management Course attended by officers of Pakistan Audit and Accounts Service during the year.

Sr. No.	Training / Courses	2017
1	MCMC	7
2	SMC	10
3	NMC	10
4	NDU	1
	Total	28

Auditor General of Pakistan visits PAAA Lahore



Section 5

Snapshot of the
Challenges

05

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 faces.

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.

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.

Status of Work Load and Audit Reports under Discussion by Federal PAC

Sr. No	Financial Year	Pending Paras	Number of Highlighted Paras
1	2002-03	412	126
2	2009-10	1035	443
3	2010-11	1089	583
4	2011-12	2415	1543
5	2012-13	2933	1954
6	2013-14	1306	798
7	2014-15	2773	2067
8	2015-16	2345	1783
9	2016-17	2826	2379
Total		17134	11667

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.

Liaison and Coordination between Auditor General's Office and Public Accounts Committee has been very effective and during last two years PAC and subcommittee held huge number of meetings to complete the huge backlog. Following is the detail of meetings held

Sr No	PAC Meetings/Sub Committee Meetings for the Pending Year	No of Days
1	Main PAC for the Years 2010-11 & 2013-14	78
2	Sub Committee # I for the Years 1998-99	20
3	Sub Committee #II for the Years 2002-03 and 2003-04	29
4	Sub Committee #III for the Years 2007-08 and 2009-10	22
5	Sub Committee #II on M&I	19
6	Sub Committee on Paras involving amounts upto Rs 50 Million and above for Year 2013-14	08
7	Sub Committee on CDA	11
	Total	187



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.

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

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.

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.

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.

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.

Sustaining reforms after PIFRA

PIFRA has contributed a lot in the development of the public sector auditing in the OAGP. 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. The progress made under PIFRA is being consolidated so that reforms momentum can be sustained after the project closure. Among other things, DAGP is building capacity to carry out the audits as per FAM and other guidelines developed and circulated in FAOs. The capacity building of officers is key to the sustainability of the auditing reforms initiated under PIFRA.

Recruiting and retaining the best Practices

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.

Strengthening internal accountability and controls within government

While the OAGP 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.

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:

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.

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.

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.

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.

Capacity Building

The PAAA 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 PAAA, Lahore. Further, proposal is under consideration for the establishment of centre for preparing officials to take CISA exams.

Establishing the National Institute of Public Finance and Accountancy (NIPFA)

The DAGP has a network of the AATIs to design and deliver in-house training of the officials. Steps are being taken to set up for making 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.



Annual Report 2016-17 is edited and compiled on the basis of data collected from all wing and field audit offices. The report cover all the audit activites and achivement of DAGP from audit year 2016-17 while auditing financial year 2015-16. The suggestion's and ideas to further improve the document are highly welcomed at email: dgp@agp.gov.pk

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