DEPARTMENT OF
THE AUDITOR - GENERAL OF PAKISTAN

GUIDELINES FOR THE AUDIT OF MINISTRY OF FOREIGN AFFAIRS AND PAKISTAN'S MISSIONS ABROAD

TO BE USED BY

DIRECTORATE GENERAL AUDIT (FOREIGN AND INTERNATIONAL)



VISION

A Model Supreme Audit Institution Adding Value to National Resources



MISSION

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

Core Values

- **Integrity** — Our way of life
- **Quality** — Our way of doing business
- **Partnership** — Our way of interaction

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PREFACE TO REVISED EDITION

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

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 As a result, the FAOs continued to rely on their old and outdated codes and manuals for conducting audit.

On the basis of lessons learnt from the implementation of FAM and its Sectoral Guidelines, it was decided to revise and update these Guidelines. This has been done with the help of consultants engaged by PIFRA for different FAOs, and in close coordination with the experienced auditors in the field. The results of these efforts are contained in these Guidelines. Though the document, as a whole has been revised, the section on the Audit Execution phase, in which detailed audit steps have been added is a significant addition.

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

(Tanwir Ali Agha)
Auditor-General of Pakistan

Dated: March, 2010

PREFACE TO FIRST EDITION

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

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

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

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

(Muhammad Younis Khan)
Auditor General of Pakistan

Dated: March, 2006



Chapter 1

INTRODUCTION TO AUDIT GUIDELINES

1.1 Purpose of the Guidelines

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

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

1.2 Guiding Principles

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

1.3 Auditors' Responsibility

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

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

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

1.4 Practical Tools

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

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

1.5 Continuous Improvement

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

1.6 Using the Standard Audit Working Papers

The audit process generally follows a standard Audit Cycle comprising the following phases:

- General audit planning
- Detailed activity and resource planning
- Fieldwork
- Evaluation

- Reporting
- Follow-up

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

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

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

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

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

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

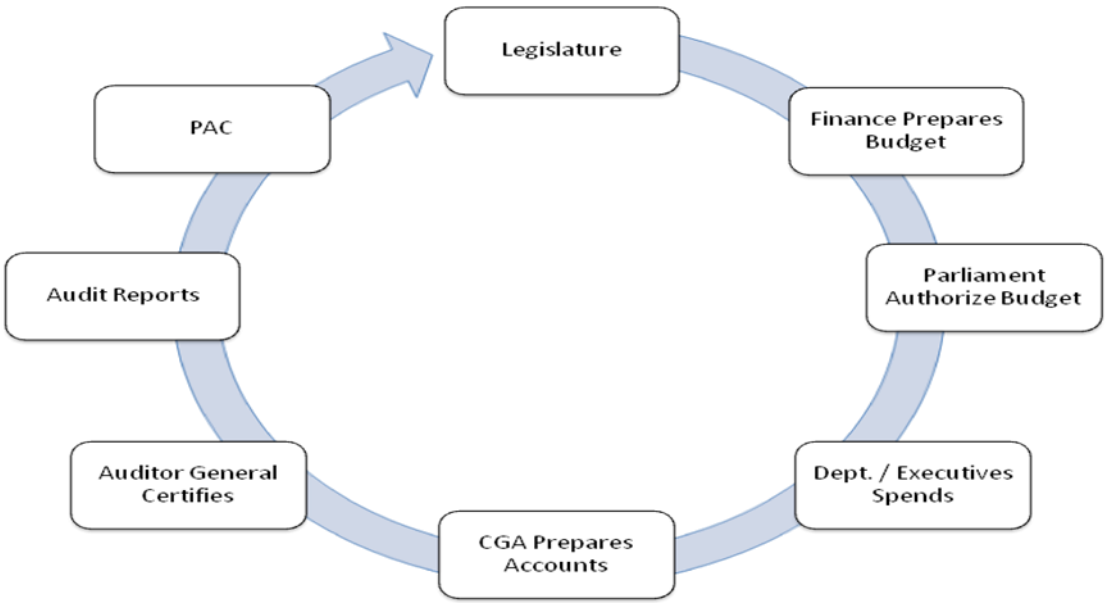
These Guidelines do not repeat the instructions for each form. This purpose is to provide additional guidance specific to the type of audit being planned or conducted. Forms and schedules given in the Audit Working Papers Kit essentially meet the requirements of Certification Audit. However, some of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

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

1.7 The Accountability Cycle

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

1. Each year, Ministry of Finance receives budget estimates from government agencies.
2. Based on the resources available and priorities of the government the annual budget is prepared.
3. The Parliament approves the budget.
4. Principal Accounting Officers (PAOs) sanction the expenditure.
5. Controller General of Accounts is responsible for the preparation of annual Financial Statements. This task is accomplished through Chief Accounts Office of Ministry of Foreign Affairs who has the primary responsibility for disbursements, keeping a record of transactions and preparation of annual Financial Statements of the Ministry.
6. Each year, the Auditor-General of Pakistan certifies the Financial Statements of Ministry of Foreign Affairs.
7. Audited Financial Statements and Audit Reports are laid before the National Assembly. These reports are then discussed in the Public Accounts Committee (PAC) who then reports back to the National Assembly.



Chapter 2

OVERVIEW OF THE DIRECTORATE GENERAL AUDIT (FOREIGN AND INTERNATIONAL)

2.1 Overview of the Office

The Directorate of Foreign and United Nations Audit was established in 1964. Its responsibilities included the audit of United Nations offices at various stations as well as Pakistan's Missions abroad. Pakistan ceased to be the UN auditor with effect from 1st July, 1976 and the office was therefore renamed as Directorate of Foreign Audit. This office has been upgraded to the level of DG Audit (Foreign and International) with effect from 8th May, 2008.

Directorate General, Audit (Foreign and International) conducts the audit of the Ministry of Foreign Affairs (MOFA), Pakistan's Missions Abroad, allied offices of other Ministries in other countries, PIA sales offices abroad and the Directorate General Hajj, Jeddah.

DG Audit (Foreign and International) also performs the statutory audit of the Ministry of Foreign Affairs (MOFA), which is a Self Accounting Entity. Its accounts were departmentalised with effect from 1st October, 1977, when an assignment account was opened in favour of Secretary, Ministry of Foreign Affairs and is being operated by the CAO on his behalf.

The office is headed by a Director General (BPS 20). The Directorate has been divided into the following sections:

- Administration
- Embassy Audit
- Audit Report
- Central Audit

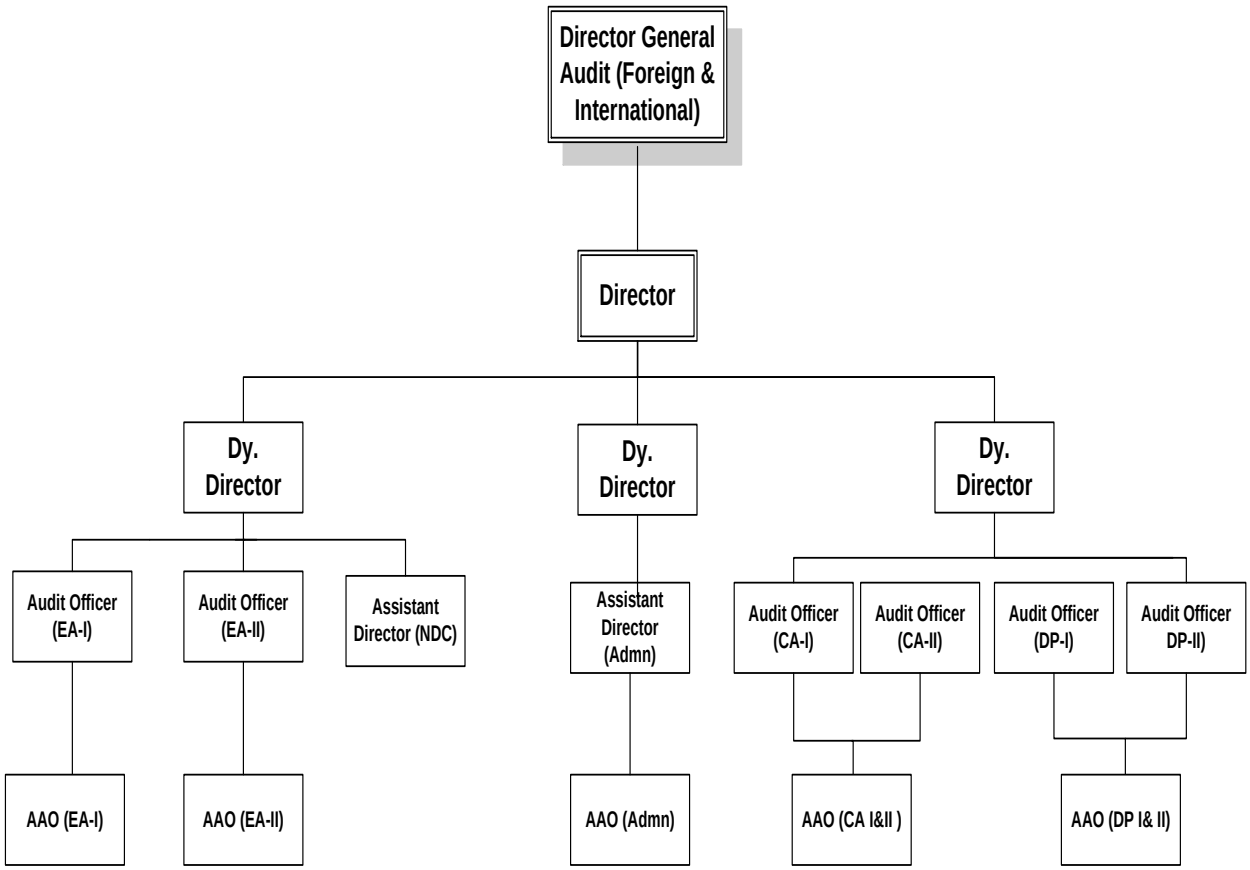
2.2 Jurisdiction

Following is a list of formations/audit entities under the jurisdiction of Directorate General Audit, (Foreign and International):

1. Ministry of Foreign Affairs, Islamabad (MOFA) and Pakistan's Missions Abroad
2. Deputy Chief of Protocol Offices at provincial headquarters

3. Chief Accounts Officer
4. State Guest Houses (SGH), Karachi and Lahore
5. Foreign Office Hostel (FOH)
6. Ghazi Illam Din Shaheed Hostel
7. Foreign Service Academy (FSA)
8. Institute of Strategic Studies, Islamabad (ISSI)
9. Export Marketing Development Fund (EMDF)
10. Foreign Defence Contracts
11. Pakistan International Airlines Corporation (PIAC) Stations Abroad

2.3 Organogram of DG Audit (FOREIGN and INTERNATIONAL)





Chapter 3

SCOPE OF AUDIT

3. SCOPE OF AUDIT

3.1 Types of Audits[1]

Directorate General Audit (FOREIGN and INTERNATIONAL) conducts the following types of audit:

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

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

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

3.2 Definition of Government Audit

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

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

[1] This guideline provides guidance on both the Certification and Compliance with Authority audit.

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

Performance audit[2] is concerned with the audit of economy, efficiency and effectiveness and embraces:

1. Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;
2. Audit of the efficiency of utilizing of human, financial and other resources, including the examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
3. Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

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

3.3 Certification Audit

Objectives:

To express an opinion on the Financial Statements to the effect that:

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

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

- Financial Statements are evaluated for adequacy against "Presentation and Disclosure" requirements;
- Significant line items of Financial Statements are tested for the following audit assertions:
    a. Existence and Occurrence

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

b. Completeness
c. Measurement
d. Regularity (compliance with applicable laws and regulations)

Methodology:

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

3.4 Compliance with Authority Audit

Objective:

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

Methodology:

- Updating the understanding of the business processes with respect to control structure.

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

3.5 Important Audit Components of Foreign and International Audit

There are three major types of activities in the auditee departments being audited by the Directorate General Audit (FOREIGN and INTERNATIONAL):

a. The Audit of Ministry of Foreign Affairs and its allied offices within Pakistan and abroad
b. Foreign Defence Contracts
c. PIA stations abroad

These activities are multifarious in nature and widely dispersed across the country. A significant challenge for the audit team is to decide on appropriate and judicious use of audit effort and resources. It is not possible to visit all major missions each year to check the documentation on file at the missions. The audit of the Ministry as a whole, therefore, needs to rely on information collected during audits carried out at other times.

In deciding what Pakistan's Missions to audit, the Directorate General Audit (FOREIGN and INTERNATIONAL) carries out detailed risk assessment exercise for the selection of missions. The Directorate General of Audit (FOREIGN and INTERNATIONAL) will include in the selection of those missions which have substantial expenditure and receipt. This office will also follow up, with the approval of the AGP, any mission selected for special audit.

Pakistan's missions are the operational division of the Ministry of Foreign affairs. A sound knowledge of operations at missions will help the auditor to identify potential problem areas. For example, if money was spent in the previous year on fixing a problem and then in the current year, there are additional expenditures, the auditor may decide to investigate the justification for the further expenditures.

The following table highlights the major auditable areas along with their risks and audit steps to mitigate these risks:

Auditable Area	Risks	Audit steps to mitigate the risks
Appropriations (grants)	• Use of unauthorized Purposes	• Compliance with rules
Foreign Receipts at Missions/Consular Receipts	• Collections of Fees may not be according to prescribed rates • Daily reconciliation of receipts may not be reconciled	• Compliance with rates prescribed by DG passport & Immigration • Check the reconciliation of daily collection receipts with consular assistant
PCW & EF and FIGOB	• Collections according to prescribed rules • Operating common Bank account	• Compliance with rules • Separate Saving Bank account should be opened
Employee related expenditure	• Unauthorized payment of salary • Non-adjustment of advances • Incorrect deduction from employee's salary	• Check proper personal file • Check that Employee's record should be reconciled with concerned Quarter • Compliance with Government rules & regulations

Auditable Area	Risks	Audit steps to mitigate the risks
Operating Expenditure	• Over payment • Expenditure may be made without being properly allowed by sanctioning Authority • Expenditure may be reflected in the Books of accounts incorrectly, inaccurately	• To check proper documentation and rules • Follow Government rules & regulations • Proper procedure prescribed by the Government should be followed
Transfers payments and Gifts	• Hotel Payments may be made on improper invoices • Gifts are purchased in violation of list received from Ministry • Gifts may be purchased for any tour for which not allowed • Payment of Tips may not be according to prescribed criteria • Tips may be made to Missions or PIA staff abroad • Donations may be made without following approved procedure • Donations may be made without any formal sanction	• Check proper documentations/invoices • Check gifts should be purchased for notified tours and also obtained approved list of gifts • Check that tips should be made according to prescribed criteria • Check the allowed recipient as per rules & regulations. • Check the proper tendering procedure • Check the sanction of Cabinet Division
Procurement	• Unnecessary purchase may be made • All expenditure may be not properly recorded • Purchase orders may be split up to avoid need for sanction from Higher Authority	• Check policy for purchases to require proper justification for the acquisition and also see tendering process. • Procedure for recording expenditure • Check the compliance of Procurement Rules 2004

Auditable Area	Risks	Audit steps to mitigate the risks
	• Rates of Income Tax and Sales Tax may be incorrectly applied	• Check the compliance of Income Tax Ordinance ,2001 & Sales Tax Act ,1990

Chapter 4
PERMANENT FILE OF AUDITEE DEPARTMENTS

4.1 Introduction

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

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

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

The Permanent File includes information that will be of continuing importance to audit. This may include:

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

- Summary of accounting policies used by the auditee departments.
- Special remuneration, if any, for senior officers.
- Environmental laws and regulations
- Others as appropriate

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

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

4.2 The Audit Team's Responsibility

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

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

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

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

4.3 Documentation in Permanent File

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

- Update Control Sheet (PF)
- Status of the Entity (PF-I)
- Background Information (PF-II)
- List of Auditable Locations (PF-III)
- List of Bank Accounts (PF-IV)
- List of Authorized Signatories (PF-V)

- External Factors (PF-VI)
- Accounting Records and Accounting System (PF-VII)
- Key Controls (PF-VIII)
- Significant Audit Areas (PF-IX)
- Significant Accounting Policies (PF-X)

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

4.4 Update Control Sheet - PF

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

4.5 Status of Entity – Form PF-I.

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

4.6 Background Information – Form PF-II.

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

The main functions of the auditee departments generally are:

- Relation and dealing with other countries.
- Matters(other than those handled by other Divisions)relating to
    a) international organizations and bodies and their decision; and
    b) agreements and treaty with other countries.
- Diplomatic, consular, trade and other representation abroad.
- Offences against the laws of nations.
- Foreign and extra-territorial jurisdiction.
- Negotiations for settlement of Kashmir dispute and implementations of agreements reached.
- Administration of Foreign Service Group.
- Visit of the Heads of States and foreign dignitaries to Pakistan and the Head of the Govt. of Pakistan to foreign countries.

- Protocol and matters relating to foreign representatives in Pakistan.
- Policy regarding extradition to and from other countries.
- Foreign awards to Pakistanis.
- Co-ordination of all work pertaining to Regional Cooperation for Development (RCD) amongst Iran, Pakistan and Turkey.
  (Source Rules of Business*)*

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

4.7 List of Auditable Locations – Form PF-III.

The auditor should document the addresses of all locations including:

- Headquarter;
- Field Offices

4.8 List of Bank Accounts – Form PF-IV.

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

4.9 List of Authorized Signatories – Form PF-V.

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

4.10 External Factors – Form PF-VI.

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

- Economic and political trends and conditions
- Variations in budgets
- Changes in rules and regulations of the host country

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

This form has two requirements:

a. List the accounting records maintained by the auditee departments for the collection, recording, processing and reporting of financial information of all the formations at Headquarter and Missions abroad.

b. Document a brief description of the accounting system (the means, including staff and equipment, by which an organisation produces its accounting information) used by the auditee department.

The major accounting records maintained by the auditee departments include:

Head quarter

1. Cash book
2. Expenditure control registers/ appropriation registers.
3. Cash vouchers with reference to acquaintance rolls / pay rolls / pay bills
4. Contingent charges register
5. Log Books of officials cars.
6. Car movement registers.
7. Dead Stock Register and inventories.
8. Annual inventory report / Annual physical verification report.
9. Service books and leave accounts.
10. Register of advances.
11. Verification of recoverable amounts shown in the L.P.C.
12. GP Fund Advance register

Mission Abroad

1. Cash book
2. Bank Reconciliation Statement.
3. Files / record relating to remittances made by C.A.O's office, as accounted for by the Mission along with the loss and gain in exchange.
4. Expenditure control registers/ appropriation registers.
5. Register of receipt books-cheques books.
6. Counterfoils of receipt/cheque books.
7. Visa and consular fees account register.
8. Stamps Register (Visa and Consular)
9. Numerical Register.
10. Contingent charges register
11. Dead Stock Register and inventories.
12. Annual inventory report / Annual physical verification report submitted to the Ministry of Foreign Affairs.
13. Medical charges bills / Authorization slips.
14. Register of authorities received from the Chief Accounts Officer (for payment of pension and payment of TA/DA etc by the Missions to officers on behalf of other Ministries / Departments.)
15. Service books and leave accounts of Pakistan based staff.
16. Checking and posting of outfit allowance in the service books of non-gazetted staff.
17. Service books and leave accounts of locally recruited staff.

18. Pay scales and other fringe benefits allowed to locally recruited staff with reference to the rules framed by the local government.
19. Leave rules of locally recruited staff with reference to local government leave rules applicable to the corresponding category of staff.
20. Rent register of hired building and its posting from time to time.
21. Lease deeds in respect of hired buildings.
22. Expenditure incurred on repairs of hired buildings with reference to the provisions in the lease deeds and on government owned buildings according to the prescribed limits.
23. Verification of scale of accommodation and furniture supplied to the officers and staff at government expense.
24. Verification of recovery of charges on account of heating, lighting, water, gas, telephone and other services and utilities from the officer and staff in respect of residential accommodation provided to them.
25. Payment of (joining time DA) daily allowance in lieu of house rent and foreign allowance.
26. Expenditure out of entertainment fund account and sumptuary allowance in accordance with the instructions issued by the Ministry of Foreign Affairs.
27. Expenditure out of Pakistan Community Welfare and Education Fund Funds for Improvement of Govt. Owned Building.
28. Register of refunds of advances.
29. Audit of conclusion/ operation of contracts for different purchases available with Defence Attaches.
30. Payments of accreditation allowance with reference to T.A. bills.
31. Income Tax Statements.
32. Cases of grant of home passage to officers/officials and their children.
33. Export Marketing Development Fund (EMDF).
34. Cash books of FIGOB,PCW&EF, Entertainment and Sumptuary Allowance

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

Accounting Manuals and Codes:

- General Financial Rules
- Federal Treasury Rules
- Revised System of Financial Control and Budgeting
- Esta Code
- FR & SR
- Accounts Code
- Financial Management at Missions Abroad (Volume I and II)
- Central Public Works Account (CPWA Code)
- Central Public Works Department (CPWD Code)
- Public Procurement Rules, 2004

- Schedule of Rates
- Rules and regulations pertaining to Defence Foreign Contracts and PIA
- Rules and regulations pertaining to FSA and ISSI.
- Accounting Policies and Procedures Manual - APPM

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

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

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

4.12 Key Contacts – Form PF-VIII.

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

4.13 Significant Audit Areas – Form PF IX.

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

he auditor should list critical audit areas/significant components (including individually significant transactions and events), and their impact on the Appropriation Accounts. This will help the auditor to plan his/her audit for specific Financial Audit and related Compliance with Authority Audit objectives.

In order to determine the significant components of the audited formation's Appropriation Accounts, the whole activity of the auditee department should be divided into manageable parts, for example

- Object element [Employee related (A01), civil works (A012), repair & maintenance (A013). etc].

For certification audit, the most logical way of dividing up the financial statement is to consider each line item in the Appropriation Accounts to be a separate component. The line item would be each amount reported in the financial statement, including the amount disclosed in the Notes thereto.
Sometimes the financial statement includes several different groupings of the same total amount. For example, in the Appropriation Accounts of auditee department, financial data/expenditure may be grouped by:

- Object element [civil works (A012), repair & maintenance (A013) etc].

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

1. **Income**
   - Appropriations (grants)
   - Receipts at foreign missions(Consular Receipts)
   - Pakistan Community Welfare &Education Fund (PCW&EF) and Fund for Improvement of Government Owned Buildings (FIGOB)

2. **Expenditures/Costs**
   - Employee related expenditure
   - Operating Expenditure
   - Transfers and Gifts
   - Procurement
   - Major capital projects
   - Export Market Development Fund
   - Foreign Defence Contract
   - Pakistan International Airlines Corporation

4.14 Significant Accounting Policies – Form PF-X.

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

Significant policies may include:

- Accounting for Contracts
- Accounting for foreign currency transaction
- Accounting for staff retirement benefits
- Accounting for expenses

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

- Organization chart
- Accounting policies

- Chart of accounts
- Entity's charter
- Applicable financial rules & regulations, and service rules
- Environmental laws and regulations
- Long term contracts and leases
- Extracts of minutes of meetings
- Previous years' audited appropriation accounts
- Other as appropriate

Note: A sample of the permanent file prepared for the Ministry of Foreign Affairs has been annexed as Appendix – A.

Chapter 5
AUDIT PLANNING PHASE

5.1 Introduction

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

Individual audits must be planned to ensure that:

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

The planning phase involves the following:

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

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

5.2 The Audit Team's Responsibility in Planning Phase

The activities performed during the preparation of the Planning File are complex and varied. Each member of the audit team should check that they have a good understanding

of the activities that have been assigned to them. For details, please refer to Chapter 7 of the FAM.

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

It should also be noted that the INTOSAI Auditing Standards require that "Auditors should adequately document the audit evidence in working papers, including the basis and extent of planning, work performed and the findings of the audit". Therefore, the audit team leader is responsible to check that the Planning File is complete and provides evidence of the basis and extent of planning work performed by the audit team.

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

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

5.3 Documentation in Planning Phase

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

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

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

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

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

5.4 Audit Objectives and Scope

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

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

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

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

5.5 Points for Attention at Next Audit (From Last Year)

The purpose of this form is to highlight matters that should be taken into account when Planning the following year's audit. The auditor should record expected developments in the entity's activities that may require changes in the audit planning. This form can also be

used to document practical suggestions for changes to the next year's audit. All audit staff are encouraged to suggest improvements in the audit plan and procedures.

5.6 Entity Communication Letter

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

5.7 Audit Planning Memorandum

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

The actual contents of the audit planning memorandum will depend on specific circumstances of the audit. It should include any changes in the nature of entity's business, structure of business, accounting policies or systems, internal controls or operational environment that will affect the planned audit. It should also explain and establish an audit strategy, time tables and overall budget together with any significant changes made from the previous year.

5.8 Memorandum on Post-Planning Changes

As the execution, evaluation and reporting phases of the audit proceed, it may be necessary to amend the planned scope of the audit work. This may result from gaining a better understanding of the entity's activities, from unexpected external developments, or from determining a better
means of achieving the audit objectives as the audit progresses.

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

5.9 Important Dates

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

5.10 Tour Programme

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

5.11 Information Requested From Entity Officials

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

5.12 Materiality Assessment Form

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

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

Note: For a comprehensive discussion on Materiality, see section 7.3.l and Appendix D of FAM.

5.13 Expected Aggregate Error and Planned Precision Form

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

5.14 Audit Risk Assessment Form

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

5.15 Inherent Risk Assessment Form

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

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

5.16 Internal Control - Questionnaire-Controls for Overall Environment

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

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

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

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

5.17 Internal Control Questionnaire – General Computer Controls

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

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

5.18 Internal Control Questionnaire – Application Controls

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

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

5.19 Control Risk Assessment Forms

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

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

5.20 Analytical Procedures Assurance Form

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

Detailed instructions are provided with the form.

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

5.21 Source of Audit Assurance Form

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

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

5.22 List of Applicable Laws and Regulations

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

5.23 Sample Selection Checklist

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

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

Sampling

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

Sampling risk

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

Statistical sampling

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

Non-statistical sampling

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

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

Monetary unit sampling (MUS) for substantive tests of details

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

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

Methods of sample selection

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

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

1. Random selection

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

2. Fixed interval (systematic) selection

This method involves selecting a random start and then every *n*th item.

3. Cell (random interval) selection

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

4. Stratified random selection

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

Selecting the sample – statistical sampling

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

Selecting the sample – non-statistical sampling

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

For detailed guidance please refer to Appendix B of FAM.

5.24 High Value Item Selection Form

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

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

5.25 Key Item Selection Form

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

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

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

5.26 Sample Sizing for Tests of Internal Control

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

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

5.27 Sample Sizing For Substantive Tests of Details

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

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

5.28 Checklist of Accounting Estimates to Be Reviewed

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

5.29 Points for Attention at Next Audit

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

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

5.30 Audit Planning Checklist

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

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

5.31 Centrally Led Audit

These are audits where a central team is responsible for the overall planning, performance, evaluation, reporting and follow up. With a centrally led audit, there will be a division of responsibilities between the central team and the field audit teams of the same Directorate or of other Directorates contributing to the centrally led audit.

An example of such an audit is the annual audit of the Financial Statements of the Federal Government. Directorate General Audit (Federal Government) has the prime responsibility to form a consolidated opinion on the Financial Statements of the Federal Government. The Directorate General Audit (FOREIGN and INTERNATIONAL) conducts the Certification Audit of the Appropriation Accounts of Ministry of Foreign Affairs, whose results are ultimately incorporated in the Financial Statements of the Federal Government, which are certified by DG Audit (Federal Government) Central Team.

Para 6.4.2 of FAM gives guidance about a centrally led audit, there will be a division of responsibilities between the central team and other Directorates contributing to the centrally led audit. The central team is responsible for:

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

- Determining the optimum mix of tests of internal controls, analytical procedures and substantive tests of details for each component and for each specific financial audit objective and related compliance with authority objective and error condition;
- Performing the overall error evaluation; and
- Reporting the results of the audit.

The field audit teams of the same or other Directorates are, in turn, responsible for:

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

Chapter 6

AUDIT EXECUTION PHASE

6.1 Introduction

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

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

The Audit Working Papers Kit provides:

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

6.2 The Audit Team's Responsibility in Execution Phase

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

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

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

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

a. Appropriation Accounts
b. Expenditure statement
c. Any inter-governmental accounts for elimination.
d. Supporting documents (important agreements, bills, vouchers other documents that are important for the audit record)
e. In addition, the audit team should maintain detailed minutes of all meetings with entity representatives, which should be placed in the Audit Working Papers file.

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

6.3 Forms and Schedules for Audit Execution Phase

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

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

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

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

6.4 Summary of Analytical Review Procedures Performed

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

6.5 Details of Analytical Review Procedures Performed

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

6.6 Completed Internal Control Questionnaires

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

The key ICQs to be considered for Foreign and International audit are as follows:

- Employee related expenditure
- Operating Expenses
- Transfers, payments and Gifts
- Procurement
- Major Assets
- Contract Awarding
- Contract Implementations
- Contract Completion
- Receipts at Foreign Missions Abroad (Consular Receipts)
- PCW & EF and FIGOB
- Export Market Development Fund
- Foreign Defence Contracts
- Pakistan International Airlines Stations Abroad

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

6.7 Internal Control Deviations Form

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

Where the operations of the auditee organisation are decentralized, it is important to assess which weaknesses are due to scattered nature of department/policy weaknesses and which

are due to the inadequate application of these internal control systems and policies within the decentralized sites being audited.

6.8 Internal Control Deviations Summary

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

6.9 Compliance Summary

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

6.10 Substantive Tests of Accounting Estimates

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

6.11 Errors in Accounting Estimates

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

6.12 Substantive Test Sample Summary for each Audit Programme

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

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

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

Audit Objectives:

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

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

The key Audit Programmes for this purpose are given under section 6.16.

6.13 Substantive Test of High Value/Key Items – Summary

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

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

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

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

6.15 Exit Interviews

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

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

6.16 Audit Programmes

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

- Employee related expenses
- Operating expenses
- Transfer payments and Gifts
- Procurement
- Major Assets
- Planning and Contract Awarding
- Contract Implementation / Execution
- Contract Completion
- Receipts at Foreign Missions(Consular Receipts)
- Generation of Funds (Pakistan Community Welfare & Education Fund(PCW & EF) and Fund for Improvement of Government Owned Buildings(FIGOB)
- Export Market Development Fund (EMDF)
- Foreign Defence Contracts
- PIA stations abroad

- Accounting and Financial Management

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

6.17 Audit Programme - Employee Related Expenses

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

Audit procedure	Done By	WP Ref
Head Quarter • Check that proper particulars are entered in Audit Register for Gazetted Officer and in Scale Audit Register for Non Gazetted Officer. • Check that Office order or Establishment order for new appointment is issued by concerned head of department and amount is paid according to said order and entitlement. • Check that acknowledgement of payment to employees is received from employees / Drawing and disbursement officer (DDO). • Check that DDO has certified the payment to Non Gazetted Officer. • Check that Payroll Officer prepares Monthly Schedule of Employees latest by 26 of each month and approved by Supervising Payroll Officer for MOFA headquarter only. • Check that relevant officer enters all the cheques payments in to Register and prepares Payroll Advice Note (PAN) for bank in case of Cheque payment and Payroll Credit Advice (PCA) for direct bank transfer for MOFA headquarters only. • Check that payment to employees is reconciled with concerned department.(between CAO/Ministry) • From the sample of transactions check that: employee is identified in Audit/Scale Audit Register; and that payment was made to correct payee. • Check that proper personal files of all the officers with all		

Audit procedure	Done By	WP Ref
necessary particulars. • Check Service Book maintained for Non Gazetted Officer and certified by DDO. • Conduct a reconciliation (and/or check a batch of transactions) between {Direct Credit Advice / Payroll Advice / DDO monthly statement} and Monthly Schedule of Employees' Salaries and Compilation Sheet for MOFA head quarters only. • Check that the deductions are correct (according to the GP Fund / the income Tax Ordinance, 2001 and as modified from time to time / other deductions in accordance with rules and regulations governing deductions such as rent deductions, loans and advances / etc.). • For employees recently joining the office, the amount of the first payment was correct according to the start date and according to their Payroll Register. • For employees who recently left the office, the amount of the last payment was correct according to the date of last day of employment in section and according to their Payroll Register – compare pay slips with Last Pay slip Certificate issued. • Check that payroll payments are correctly identified in the Compilation Sheet under Payroll Object and correctly coded according to the Chart of Accounts by checking for the sample of transactions that the net pay and deductions have been correctly coded according to the Chart of Accounts codes. • For a sample of months, check that the total pay (gross, net and deductions) are correctly presented in the Compilation Sheet by making the necessary calculations. **Joiners:** • Check that the job was properly requisitioned by the relevant department and all process including advertisement was completed in a transparent manner in accordance with relevant rules and regulations. • Check that the salary and grade for the employee has been fixed according to the relevant HR rules and regulations. • Check that a Medical Certificate acknowledging the fitness of the employee has been issued by the Medical Officer **(FR-10)** • Check that the appointment letter of the employee has been signed by the relevant authority. • Check that the personal file of the employee contains the following; o Application and CV of the employee o ID Card		

Audit procedure	Done By	WP Ref
○ Experience Certificate (if any) ○ Appointment letter ○ Joining report ○ Medical certificate ○ Interview score sheets ○ Leave applications (if any) • In case the age of appointee is more than 60 years check that the appointment has been made in accordance to finance rules for appointment after superannuation age. **Promotions & Increments:** • Check that an Annual Performance Report is maintained by the Administration Department for the employee • Check that the promotion of the employee has been approved by the relevant authority. • Check that the employee has received the annual increment as per the increment order, and his salary does not exceed the maximum basic scale limit. • Check that the first annual increment of existing employees in basic pay scales, in which their pay is fixed on 01-07-2007, shall accrue on 1st December, 2007. **(Finance Division O.M. No. FD.PC-2-1/2007, dated 23rd July, 2007)** **Contract Renewal & Regularization:** • Check that the contract of the employee is renewed after the approval from the relevant authority. • Check that the contract employee has been made regular after the approval of the relevant authority. **Resignations& Terminations:** • Check that all resignations/terminations have been approved by the relevant authority after complying with all the rules and regulations applicable. • Check that the employee after the date of termination/resignation doesn't appears in the monthly salary sheet. **Adhoc Relief (Wage Type: 1831)** • Check that employees whose date of joining was 30-6-2005 was paid adhoc relief allowance as per revised pay scale 2005. **(Ref: para-6 of Finance department Letter # FD.PC.2-1/2005)** • Check that the adhoc relief allowance shall continue to be		

Audit procedure	Done By	WP Ref
admissible at frozen level on existing conditions. **(Ref: Office memorandum # FD.PC-2-1/2007 Dated: July 23, 2007)** • Check that the allowance is admissible to the employees transferred from one post to another taking effect after 01-07-2005, provided they were previously in receipt of such benefits. **(Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)** • Check that this allowance was also admissible on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL for MOFA headquarters only. **(Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)** **Special Additional Allowance** • Check that this allowance was not paid to new employees who joined after 1-12-2001 and only paid to previous employees at frozen level who were entitled to and in respect of the benefits immediately before their appointment promotions/transfers/absorptions However it is inadmissible to those fresh appointees who have not been entitled recipients immediately before such appointments for MOFA headquarter only. **(Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)** **Special Allowance (Wage Type: 1550)** • Check that this allowance has been discontinued by finance division with effect from December 04, 2001. Whereas an increase @ 15 % on initial of the pay shall be allowed to the contractual appointees as special allowance who are in receipt of pay package slightly higher than the standard pay package prescribed under the contract appointment policy dated: 29-12-2004 for MOFA headquarter only.**(Ref: letter# FD.PC-2-1/2007 Dated: 23rd July, 2007)** **Special Relief Allowance** • Check that employees whose date of joining was 30-6-2005 onwards was paid special relief allowance @ 15 % of basic pay per month to a civil servant in BPS-1 to 22 as per revised pay scale 2005. This allowance continues to be admissible at frozen level on existing conditions. **(Ref: para-6 of Finance department Letter # FD.PC.2-**		

Audit procedure	Done By	WP Ref
1/2005) **(Ref: letter # No. FD.PC-2-1/2003)** **(Ref: Office memorandum # FD.PC-2-1/2007 Dated: July 23, 2007)** • Check that the allowance is admissible to the employees transferred from one post to another taking effect after 01-07-2005, provided they were previously in receipt of such benefits. **(Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)** • Check that this allowance was also admissible on extra ordinary leaves as soon as they resume duties, at the frozen level which would have been admissible to them had they not proceeded on EOL for MOFA headquarter only. **(Ref: letter # FD.PC-2-2/99 Dated: July, 21, 2007)** **Superannuation age** • Superannuation pension is granted to a Government servant on completion of age. Check those Government officials who have attained the age of superannuation but are still in government job. **Annual Increments** • Check that the first annual increment of existing employees in basic pay scales, in which their pay is fixed on 01-07-2007 shall accrue on 1st December, 2007. **(Ref: letter# FD.PC-2-1/2007 Dated: 23rd July, 2007)** **Dearness Allowance (Wage type: 1864)** • Check that the dearness allowance @ 15 % sanctioned w.e.f. 1.07.2006 shall stand frozen at the level of its admissibility as on 30.06.2007 and the amount shall continue to be admissible to the entitled recipients until further orders but it will not be admissible to new entrants joining Govt. service on or after 01.07.2007 for MOFA headquarter only. **(Ref: letter# FD.PC-2-1/2007 Dated: 23rd July, 2007)** **Entertainment Allowance (Wage type 1518)** • Check that this allowance is admissible to the Grade 19 and above at headquarters and Third Secretary Up to Ambassador (BPS-22)		

Audit procedure	Done By	WP Ref
at foreign missions. **Foreign Allowance (Mission Abroad)** • Check that the post was sanctioned in the mission. • Pay and allowances being paid are duly authorized by chief accounts office. • Check that foreign allowance is being paid according to the prescribed rates agreed by the finance division for the specific post and station. • Check that whether foreign allowance is paid in local currency and approval of the Finance Division is available or not. **Entertainment Allowance (Mission Abroad)** • Check that the entertainment allowance is properly utilized to enable the officer to cultivate relationship with appropriate local persons and other foreigners. **(4.1 rules of FMMA)** • Check that separate bank account and cash book is maintained for the entertainment allowance. • Check that 85 % of entertainment allowance at Pakistan's Missions Abroad has been credited into separate bank account. • Check that expenditure incurred according to the procedure prescribed by the Ministry and restricted up to entitlement only. • Check that at the end of the year the unspent balance under the fund will be credited to the Government fund under the receipt voucher. • Check that any amount over spent in a particular year should in no case be carried forwards for adjustment to next financial year. • Check that limit laid down for each officer should be observed by HOM. • Check that heads of non diplomatic and technical wings are treated as heads of their divisions are entitled full Foreign Allowance and entertainment allowance as admissible to diplomatic officer of corresponding rank. • Check that officers belong to other Ministries / Divisions who are not heads of divisions will receive Entertainment allowance @ 50% of normal rate. **Sumptuary allowance (Mission Abroad)** • Check that Separate bank account has been maintained or not. • Check that the amount prescribed by the Ministry for each mission is transferred from imprest to the bank account each month. • Check that the request for utilization of fund is sanctioned by the head of mission. • Check that gifts from sumptuary allowance has been reimbursed		

Audit procedure	Done By	WP Ref
after sanction of the head of mission and according to approved rates. • Check that expenditure has been reimbursed after its actual incurrence and no advance should be withdrawn from the fund. • Check that whether any designated officer of the mission has maintained all these statements / vouchers in a separate file and recorded the expenditure on monthly basis in a separate cash book. • Check that alcoholic drinks should not be served at official parties given by the Mission abroad and consular posts in Muslim countries and India. • Check that at the end of the year the unspent balance under the fund will be credited to the Government fund under the receipt voucher. **Charge allowance (Mission Abroad)** • Check that an officer who acts as charge d' affairs in the absence of head of mission (whether on leave or duty), if exceeding four weeks (28 days). • Check that 20% charge allowance and foreign allowance of Charge d' Affairs should not exceed the foreign allowance of the ambassador. **(5.17rules of FMMA)** • Check that charge allowance was not allowed to Charge d' Affairs (Cd'A). • Check that charge allowance was not a part of pay for the purpose of deduction of GP fund, benevolent fund, and insurance subscriptions. • Check that Income tax was not deducted from Charge allowance.		

6.18 Audit Programme – Operating Expenses

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

Audit Procedure	Done By	WP Ref
Telephone and trunk calls Check that: • The phone was installed at the premises of entitled person. • Telephone bills were within the entitlement prescribed by Government from time to time. • Mobile phones were used by entitled persons.		

Audit Procedure	Done By	WP Ref
Utilities Check that: • Prescribed share of utilities were paid by the government and the remaining part is paid by the entitled officer. • Following categories of officers were paid a flat percentage i.e. 25 percent of all utility charge. This concession is not admissible for staying in hotel.**(8.20 rule of FMMA)** 1. Head of Mission and independent consular posts abroad; 2. Permanent Charge d'Affairs 3. Officers who act as charge d' Affairs in the absence of head of Mission for a period beyond three months provided no separate residence is maintained for the head of Mission. • Utilities were included in the monthly rent, whether 2 % of rent for each (water, electricity and gas) has been recovered from the occupant. **(8.23 rule of FMMA)** **Rent** Check that: • Proper agreement has been entered into with the landlord and payment was made accordingly. • Whether furnished accommodation was available if not, furniture may be hired as per entitlement for staff. **(8.1 rule of FMMA).** • Where garage or porch is not provided with the house, it may hire a separate garage, check that total rent does not exceed the ceiling.**(8.2 rule of FMMA)** • Prior approval of the Ministry will be necessary for renting of residential accommodation and chanceries.**(8.3 rule of FMMA)** • Rent has been paid according to approved ceiling of the officer. • Proper sanction of the Ministry was obtained for the expenditure. • Proper procedure prescribed by the Ministry of Works for hiring of residential accommodation was followed at headquarters. • Income tax where applicable, has been deducted from payments made to the landlord. • The accommodation was de hired after posting of the official at any mission abroad. **Travelling allowance (TA / DA)** Check that: • Tour program was approved by the competent authority		

Audit Procedure	Done By	WP Ref
• Advance was properly sanctioned. • Check the purpose of the journey. • Adjustment has been submitted within the prescribed time. • Travelling was made in the prescribed class **(11.6 rule of FMMA)** • DA has been claimed according to approved rates. • Payment of incidental charges/terminal charges to the officer are in accordance with the entitled limit during posting abroad. **(10.38 rule of FMMA)** • Hotel charges are claimed according to the entitlement • For claiming the hotel charges, the request is supported by proper receipts (hotels are registers for sales tax purposes within Pakistan). **POL charges** Check that: • Vehicles are used only by the authorized officers. • POL register has been maintained for each vehicle. • POL is issued according to their entitlement. • Movement register of the vehicles are properly maintained and signed by the concerned officer. **(Staff Car Rules 1980)** **Repairs and Maintenance** Check that: • Request has been obtained for repair from the user of the asset mentioning the defect of fault. • Quotations have been received from suppliers. • Job assigned according to the quotations received. • Certificate received from the user that the fault has been removed. • Tax deduction made before making payments to the vendors. • Log book has been maintained for the vehicles. (**Staff Car Rules 1980 & PPR 2004 amended 2009)**		

6.19 Audit Programme – Transfer payments and Gifts

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

Audit procedure	Done By	WP Ref
President / Prime Minister Visits Check that: • Special remittances have been received by the mission from the CAO. • Accounts thereof have been submitted by the mission to the Ministry. • Hotel payments have been made on proper invoices. • Transport hired for the delegation was according to the requirement under the agreement. **Gifts** Check that: • Intimation of the tour of the President / Prime Minister has been received by the Ministry. • List of gifts (description and quantity) to be purchased has been received by the Ministry. • Tender was called where applicable • Stock entry of the items purchased has been made. • Tax was withheld from the payments from the suppliers. • List of dignitaries to whom gifts were presented has been received by the Ministry. • List of gifts received from the host Governments has been prepared and gifts are deposited in the tosha khana. • Gifts were only purchased for notified tours. (**Ministry Circular No. DG(M&F)-25/2004 dated 03-08-2004**) **Tips** Check that: • Payment of tips was made according to the prescribed criteria. • Tips are made on the recommendation of the ambassador by the chief of protocol. • List of the recipient is duly signed by the Ambassador / Chief of Protocol and has been submitted to the Foreign Secretary		

after completion of the tour. • No tips are paid to mission as well as PIA staff abroad. (**Ministry Circular No. DG(M&F)-25/2004 dated 03-08-2004**) **Donations** Check that: • Donations in kind were made according to the sanction of the Cabinet Division. • Proper tendering procedure was followed for the acquisition of items to be donated. • Verification of the items received was carried out to ensure that items received are according to the requirement. • Proper arrangements were made for the delivery to the destination. **Advances to local organizations** Check that: • Advances were properly sanctioned by the competent authority. • Vouched accounts (Statement supported with invoices) were obtained from the concerned department. **(Para-237 of GFR)** **Foreign Delegation in Pakistan** Check that: • Approval of the Prime Minister for treatment of a dignitary as state guest has been received before making payments of accommodation and transportation.		

6.20 Audit Programme - Procurement

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

Audit procedure	Done By	WP Ref
I. Existence and occurrence • Select a sample of transactions (as required for certification requirements / for purposes of testing controls / for additional substantive compliance testing) – if possible, this sample		

Audit procedure	Done By	WP Ref
should focus on large transactions and a representative sample of the rest; and include a sample of transactions close to year end • For this sample of transactions, collect all related documentation (purchase order / purchase authorization / invoice / delivery receipt / any receiving documentation / payment) and check entry in Inventory Register and in general ledger **(Para 148 of GFR- Vol-1).** • Check payments for product/service have been entered into ledger for the financial year. **(Para 66 of GFR- Vol-1)**. • Confirm that the payment was made to the correct payee by comparing information on cheque register with invoice and delivery information. **(Rule 205 of FTR Vol-1)**. • Check also that whether any "identical" transactions have been resulted from a practice of "order splitting", i.e. purchase orders split to avoid need for sanction from a higher authority. **(Rule 9 of PPR 2004).** • At least for large transactions and transactions close to year end, conduct physical check on existence of goods and services (if these are distant from site where conducting audit, may seek confirmation in writing from DDO or independent party) **(Para 159 of GFR Vol-I)**		
II. Completeness • Reconcile total expenditures on product/material with the amount recorded in the ledger. **(Para 89 (viii) of GFR Vol-1)** • Check that all material recorded as acquired in the year are charged against that year. **(Para 66 of GFR- Vol-1)**		
III. Measurements • Follow up on any shot fall/substitution/missing items/multiple deliveries to ensure that only what was received was paid for. • Check that the invoice and payments have applied proper prices/include any negotiated prices or other arrangements/reflect correct freight charges if applicable. • Check also that any payment advances have been reflected in the invoice and correspondingly deducted from payment. • Check arithmetical accuracy. **(Rule 183 FTR Vol-1)** • Check inclusion of applicable guarantees, service support. • Check that no payments were made for maintenance/replacement parts that should have been covered by warranties. • Check in case of late delivery, whether any penalties apply		

Audit procedure	Done By	WP Ref
under contract and if so, whether payment was adjusted accordingly.		
IV. Regularity • For procurements over Rs. 2,000,000, advertisement was published on the Public Procurement Authority's (PPRA) website as well as in other prints media or newspapers having wide circulation have been made. **(Rule 12(1) of PPR 2004).** • For procurements between Rs. 100,000 up to Rs. 2,000,000, advertisement was published on the Public Procurement Authority's (PPRA) website in the manner and format specified by the Authority from time to time and may also be advertised in print media, if deemed necessary by the procuring agency. **(Rule 12(1) of PPR 2004).** • For procurements between Rs. 25,000 up to Rs. 100,000 check that request for quotations are available **(42 (b)(i) PPR 2004).** • For Procurements up to Rs. 25,000, check that the procurement process should be conducted in a fair and transparent manner **(42 (a) PPR 2004)** • Check that under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice. **(Rule 13(1) of PPR 2004)** • Also ensure that NTN and Sales Tax Reg. No. are present on quotations. • Ensure that the supplier is amongst the List of Approved Contractors/ Registered Suppliers. **(Rule 15 of PPR 2004)** • Ensure that approval of rates of the lowest bidder on Comparative Statement by the Board has been obtained. If the purchase is not made from the lowest bidder, ensure reasons are specified. **(Rule 38 of PPR 2004)** • Acceptance letter is issued to Contractor on approval of Quotation. • Check that the Contract is in the prescribed format and is duly endorsed by both parties. • Ensure that LPO (Local Purchase Order) is raised in the name of the selected supplier based on Comparative Statement. • Supplier's bill/ invoice is in the prescribed format and duly signed by the Contractor/ Supplier. Supplier's Bill details matches with the LPO, the Bill is stamped at the receiving unit.		

Audit procedure	Done By	WP Ref
• Where purchase is not made by the central store/ procuring unit, ensure that "Not Available Certificate" is obtained. • Convoy Note (in case of Hiring of Mechanical Transport) is acknowledged by the receiving authority. • Supply order is in conformity with the Approved Quotation/ Contract. Further ensure that the details of supply order match with the LPO. • Ensure that the supply has been made within the delivery date mentioned on the LPO, so that no Liquidation Damages (LD) charges are applicable • Contingent bill is duly raised by the respective C.O. and is in line with the supplier's bill • Contract number should be mentioned on the contingent bill, where applicable • Compare rates specified in the bill with Contract/ Approved Quotation/ Comparative Statement, the LPO and the supplier's invoice • Check rates of Income Tax and Sales Tax and ensure proper withholding & deposit in Government treasury **(Income tax Ordinance, 2001 & Sales Tax Act, 1990)** • Cheque issued as per instructions from the suppliers, the particulars mentioned in the Contract and ensure that the budget limit was available. • Check that bill submitted for payment is for the current period and is not paid before. • Ensure that cheque is signed by designated officer.		
V. Monitoring and Maintenance • Examine the facilities for handling of equipments and conclude whether appropriate: • whether the equipments placed in suitable places • check that storage is free of hazards are dangerous situation • Note whether the handling equipment is in good handling order • whether there are adequate periodic checks over the usage of equipments • check whether there are adequate physical control over the equipments to ensure that are properly safeguarded • Conclude whether the maintenance of equipments record are sufficient to safeguarded the inventory: • records are maintained up to date • access to record control so difficult to change to cover up theft		

Audit procedure	Done By	WP Ref
• regular reconciliation of actual equipments with inventory records and accounting records thereof		

6.21 Audit Programme – Major Assets

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

Audit Procedure	Done By	WP Ref
Fixed Asset Register • Check that the department has maintained fixed asset register in accordance with the provision **of APPM (Form 13A).** • For a sample selected out of the Fixed Assets Register that the assets physically exist and that they comply with the information in the Register regarding location, asset identification number, description, classification, and other relevant information. • For the sample of assets, check that they are correctly identified in the Fixed Assets Register under the correct Object and correctly coded according to the Chart of Accounts by checking for the sample of transactions that the payments have been correctly coded according to the **Chart of Accounts**. • Check that the all the additions (purchase / transfer in) and deletions (sale of fixed assets have been properly incorporated in Fixed Asset Register. **(Para 154 to 163 of GFR Vol-1)**		
Physical Verification • Check for a sample selected out of the Fixed Assets Register that the assets physically exist and that they comply with the information in the Register regarding location, asset identification number, description, classification, and other relevant information.**(Rule 159 of GFR Vol-1)** • Check from physical inspection of a sample of assets on site that they are entered into the Register and that the information about them is accurate. **(Rule 160 of GFR Vol-1)** • Check for a sample of expenditures that they have been recorded correctly in the Fixed Assets Register and that they are on site, according to location and that they are operational and being used. **(Rule 148 of GFR Vol-1)** • For any items still in storage, or non-commissioned,		

Audit Procedure	Done By	WP Ref
determine their reasons for non-functional state. **(Rule 162 of GFR Vol-1)** • For any assets not delivered, determine why payment was made before delivery. **(Rule 11 & 12 of GFR Vol-1)**		
Fixed Assets Addition **Purchases** • Budget was approved for the particular purchase. **(Rule 11 & 12 of GFR Vol-1)** • Purchase Indent is approved by the competent authority. • Tendering process was done in accordance with **(Rule 20 to 27 of PPR 2004).** • Purchase Order generated in favour of selected/approved supplier. • For the sample of purchased items during period audited, check that the cost listed in the Fixed Assets Register is the same as the purchase price (including cost of installation & commissioning) and check against supporting documentation. **Transfer in** • For items transferred in, check whether any transfer payments were made and if so whether for an appropriate amount. • Ensue that any donation/gift of fixed asset received, met the requirements of the Accounting Policies and Procedures Manual- **APPM (13.4.3 - Donations/gifts of fixed assets).** **Subsequent Capitalization** • Review any expenditure on improvements to assets and check that these have been identified as capital expenditures.		
Fixed Assets Deletion (Disposal) • Whether proper authority was obtained to dispose of the asset. • That an appropriate price was obtained (either by a competitive bid process or by benchmarking the value of the asset before determining the price). • Where possible, compare prices obtained for similar assets and investigate any assets apparently sold below value. • For any revenue, check that this was properly recorded in the General Ledger, or other account.		

Audit Procedure	Done By	WP Ref
(Para 166 to 168 of GFR Vol-I) **Transfer out** • For items transferred out, check whether any transfer receipts were obtained and if so whether for an appropriate amount. • Check that any income earned on the transfer out of fixed assets was correctly recorded. • Confirm that assets were received by the organizations to which they were transferred. **(Para 150 &166 to 168 of GFR Vol-I)**		
Ownership of Fixed Assets • For assets examined, check, where appropriate, that the government has clear ownership and title to the asset. {This check is more likely to be important for any used items acquired (equipment, buildings, etc.) or for any construction on lands where the government may not have clear ownership of the land – particularly in the case of new road construction.}**(Para 148 of GFR Vol-I)**		
Reporting • Check that the quarterly report on Fixed Assets Register as required **by 2.2.7 of the FRM** is produced in a timely manner.		

6.22 Audit Programme - Planning and Contract Awarding

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

Audit procedure	Done By	WP Ref
Award of contract without availability of land/site of work • Check that land was acquired / available prior to awarding of contract **{Para-2.85 of B&R Code and 2.92 of PWD Code}** **Award of contract without approval of Drawing/Design & Specifications**. • Check that drawing & design was approved by the competent authority prior to awarding of contract. **{Para-2.22(4) of B&R Code}** **Award of contract without administrative approval/technical sanctioned estimate** • Check that administrative approval was accorded by the competent authority after project approval from competent		

Audit procedure	Done By	WP Ref
authority i.e. ECNEC/PDWD/DDC etc as per delegation of financial powers. {**Para-2.22(2) and 2.6 of B&R Code}** • Check technical sanctioned estimate accorded Up to 10% above AA cost and 10% cushion enjoyed for change in quantities and not for premium / rates • Check that revised administrative approval was accorded on the basis of sound/genuine reasons and from the same competent authority that accorded original administrative approval. {**Para-2.12 of B&R Code}** • Work plan for M&R of road / buildings got approved from competent authority **{Para- 2.43 of B&R Code, 2.48 PWD Code}** • Check that Revised Technical sanction of estimate was accorded on the basis of sound/genuine reasons and by the same competent authority. **{Para-2.12 of B&R Code}** • Check the TSE for M&R of road and buildings works accorded as per yard sticks and without provision of contingencies. **{Para-2.43 of B&R Code, 2.48 PWD Code}** **Application of incorrect Schedule Rates (SR) in TSE and without preparation and approval of Non -standardized items.** • Check that rough cost estimate for administrative approval / revised administrative approval was based on SR. • Check that detailed estimate for technical sanctioned estimate /revised technical sanctioned estimate was based on SR • Check that correct rates were taken in the Admn. Approval/ technical sanctioned estimate • Check that approved rates were depicted in technical sanctioned estimate of non standardized items. **{FD No. RO(TECH)FD 2-3/2004 dated 02.08.2004}**		
Tendering • Check that rates provided in DNIT were based on rates as per TSE/AA and was got approved before calling of tender. • Check that the AA and estimate were got sanctioned before the calling of tenders.**{FD No. RO(TECH) FD/18-23 dated 21.09.2004 and FD No. FD (FR)II-2/89 dated 24.06.1996}** • Check that the tenders were advertised through vides publicity No. & Date was mentioned in the advertisement. **{Para-2.61 of B&R Code}** • Check that earnest money/call deposit was obtained from the bidders well in time. **{Para-2.64 of B&R Code}** • Check tenders were opened in the presence of bidders and members of the committee. **{Para-2.62 of B&R Code}**		

Audit procedure	Done By	WP Ref
• Check that quoted rates were written in figures as well as in words and entered in the tender Register. **{Para-9 of General Directions to tenders}.** • Prequalification was done as per laid down procedure. {**FD No. F(D-II)3-4/83 19.10.2005}** • Check that blank tender form entry exists in Tender Form Issue Register and fee @ 02% of tender cost recovered and deposited into treasury. **{Para-6.31 of B&R Manual of Orders}**		
Bid Evaluation. • Check that no interpolations and corrections were made in the tender, documents after opening of tender. • In case of rejected tender, check the basis. • Check the correctness arithmetical correction of calculation of the figures provided in the tender. • Check approval of competent authority in case tender other than lowest accepted. • Check that the comparative statement was prepared on the basis of quoted rates and technical sanctioned estimate excluding contingency and signed by tender opening committee/ approving authority. • Check that all post bidding amendments were got approved by the competent authority. **{General Directions to tenderer as per contract agreement}** • Check that the calculations in comparative statement were made correctly. • Check that work was allotted within the permissible limit (4.5%) against technical sanctioned estimate available on the date of tender opening and comparison not made with revised technical sanctioned estimate accorded after calling tender. **{FD No. RO(TECH) 2-3/85 dated 07.01.1992}** • Check that the work was allotted after the approval of the tenders by the competent authority. • Check that the work was allotted within the tender validity period. • Check that signed contract provision did not vary with DNIT stipulations. • Check that tender for M&R works were accepted within the technical sanctioned estimate cost. • Check that cushion of 4.5% was not applied for M&R work as same is not acceptable as per delegation of financial powers Rules. • Check that the rates incorporated in acceptance letter were as		

Audit procedure	Done By	WP Ref
per bid/comparative statement and any subsequent undertaking and other provision made in accordance with approved DNIT.		
Non-transparency in tendering of works and appointment of consultancy charges • Check that the tender advertised publicly in accordance with the laid down procedure **{Para-2.61 of B&R code, 2.67 of PWD Code}** • Check envelops were attached with all the bidding applications. • Compare the content of tender with the estimates. • Check that the cost of administrative approval and technical sanctioned estimate was recorded in the tender register • Check that no interpolations and corrections were made in the tender documents after opening of tender. • Check that the competent authority had approved all the changes. • Check that the entire bid received was entered I the tender opening register. • In case of rejected tender, check the basis of correctness of arithmetical calculation of the figures provided in the tender. • Check the attendance sheet of potential bidders to check participation of all the bidders.		

6.23 Audit Programme - Contract Implementation/Execution

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

Audit Procedure	Done By	WP Ref
Execution • Check that work was started within the time mentioned in acceptance letter. **(Clause 35 of Standard Contract Agreement)** • Check that performance bonds were obtained within time period. **(Clause 07 of Standard Contract Agreement)** • Check that work schedule was submitted by the contractor. **(Clause 08 of Standard Contract Agreement)** • Check that the work was executed as per scope of approved		

Audit Procedure	Done By	WP Ref
work by the competent authority as provided in administrative approval/TSE. **(Clause 10 of Standard Contract Agreement)** • Check that the work was executed according to the specifications. **(Para 2.82 of B&R Code)** • Check that items/quantities of work done are as per agreement. **(Para 2.86 of B&R Code)**		
Variation /change orders in original contract/work orders • Check that the variations/deviation from approved scope was made as per requirements. **(Clause 41 of Standard Contract Agreement)** • Check variation was recommended by the engineer (nominated consultant) of the contract**(Clause 42 of Standard Contract Agreement)** • Check that the variation order is approved by the competent authority. **(Para 2.86 of B&R Code)** • Check that the cost of variation order was prepared in accordance with the terms and conditions of the contract agreement or prevailing market rates.		
Measurement of works • Check the measurement book and Check that the measurements were recorded in chronological order. **(Para 4.5 of B&R Code)** • Check the arithmetic accuracy of the calculations booked in the measurement book and Check the aggregate measurements do not exceed estimated quantities as mentioned in the Bill of Quantities (BOQ). **(Para 4.5 of B&R Code)** • Identify the cases of excess measurement from the measurement book and Check proper action has been taken against the responsible officers/officials. **(Para 2.88 of B&R Code)** • Check that detail measurements were recorded in the M.B **(Para 4.5 of B&R Code)**. • Check that material tested in authorized/approved laboratory.		
Extra financial assistance to the contractors • Check contract agreement and compare it with measurements recorded in the measurement book and payment vouchers through which payment was made to the contractors. **(Para 2.82 & 4.5 of B&R Code)** • In case of any deviation from the contract agreement, record the instances and probe into the matter.		

Audit Procedure	Done By	WP Ref
Escalation claim of the contractors • Check escalation provisions of the contract agreement/instructions of FD and compare with the payment escalation. **(Clause 55 of Standard Contract Agreement)** • Check the current rate/base rates of materials provided in the agreement for escalation purpose. **(Clause 55 of Standard Contract Agreement)** • Check the source of material mentioned in the agreement. If change of source of material, probe into the matter. **(Clause 55 of Standard Contract Agreement)** • Check that payment of escalation has made within the provision of TS estimate/contingencies. **(Clause 55 of Standard Contract Agreement)** • Check that price variation worked out correctly and arithmetical calculations are correct.		
Payments • Check vouchers passed/payment made by Project director was pre-audited by CAO. • Check that necessary deductions were made from the contractor's payments**. (Clause 46 & 48 of Standard Contract Agreement** • Check that paid voucher amount or its part, in case placed in suspense head Misc. P.W. advances as recoverable from departmental officials was as per rules and its adjustment/recovery made within financial years as per budget manual. **(Article 54 of Account Code Volume-III)** • Check that paid voucher for release of security deposit was prepared after the maturity period or amount released against bank guarantee as per agreement clause. Equal amount in deposit was available in P.W. Deposit. **(Clause 50 of Standard Contract Agreement)** • Deposit was available with the Ministry of Foreign Affairs. • Check that expenditure was within the budgetary allocations/ funds released. • Check that paid vouchers entered in the cash book • Payments made were acknowledged by the contractors. • Check that price variation worked out correctly and arithmetical calculations were correct. • Check that paid vouchers for mobilization advances were against irrevocable bank guarantees issued by local scheduled banks and forfeited in case of defaulter contractors. • Check secured advance payment against indenture bond, on		

Audit Procedure	Done By	WP Ref
the certificate of Project Director / consultant and recovered with interest in case of contractors default. • Check voucher for advance payment of work done but not measured as per laid down instructions • Check rates / quantity in vouchers correctly paid i.e. as per contract/ Market Rate System / Schedule of Rates. • Check muster roll/Casual labour rolls against proper appointment and against provision in TSE. • Check that financial statement on RTSE/Final or last bill prepared and recovery of imbalance rates made. • Check recovery of minus final/running bill made. • Check that payment charged to proper head of account. • Check that entries of temporary advance/imprest and their adjustment were correctly made.		
Violation of contract specification/design • Check the provision of contract specification/design and actual execution of work. • Identify the instances of violation, probe into the matter and worked out the financial impact of the violation. **(Para-2.86 of B&R Code)**		
Non imposition of liquidated damages due to delay in completion of works • Check the work schedule with actual progress of work. • In case of delay in execution of contract, ensure liquidated damages (LD) have been imposed/recovered. **(Clause 39 of Standard Contract Agreement)**		
Failure and termination of contracts • Check the civil works execution in accordance with the contractual provisions • In case of non compliance with the terms and condition of the contract ensure the contractor was penalized in accordance with the provisions of the contract. **(Clause 60 & 61 of Standard Contract Agreement)**		
Payment of advances, Mobilization advance, Secured advance • Check the contractual provisions towards the payment of advances, Mobilization advance and Secured advance. • Check the authenticity of bank guarantees/debenture bonds submitted by the contractors/suppliers against Mobilization advance /Secured advance was paid. • Check the material brought at site against which Secured advance was paid **(Para-2.98 of B&R Code)** **(Clause 45 of Standard Contract Agreement)**		

Audit Procedure	Done By	WP Ref
Non recovery/adjustment of loans and advances to contractors/suppliers/departments • Check loans and advances issued to the contractors /suppliers were in accordance with the terms & conditions of the contract • Check the loans and advances given were approved by the competent authority. • .Check accurate booking of all loans and advances in the accounts. • Check the progress report contracts and ensure the loans and advances were recovered in accordance with the terms and conditions of the agreement. **(Para-2.98 of B&R Code)** **(Clause 45 of Standard Contract Agreement)**		
Non encashment of performance bounds/bank guarantee • Check that the performance bonds/bank guarantee received from the contractor/supplier in accordance with the terms and conditions of the contract. • Check the authenticity of the performance bonds /bank guarantees being submitted by the contractors/suppliers. • Check the guarantee register and ensure the completeness and safe custody of the bonds/grantees. • Check the bonds /guarantees were en-cashed in accordance with the provisions of the contract. **(Clause 07 of Standard Contract Agreement)**		
Security deposits • Check the provisions the contract agreement • Check the maintenance of security deposits registers/allied records. • Check the refunds of security deposits on satisfactory completion of defect liability period. **(Para-2.86 of B&R Code)**		
Deduction of income tax • Check the provisions of the contract agreement towards deduction of income tax. • Check the actual deduction of income tax, if deviation, probe the matter into the matter. **(Section 153 of Income Tax Ordinance 2001)**		

6.24 Audit Programme - Contract Completion

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

Audit procedure	Done By	WP Ref
Major Work (Development Work) • Check that PC –IV prepared and submitted to the competent authority • Check that the Defect Liability Period has been successfully completed. (**Clause-50 of Standard Contract Form)** • Check that the performance security and security deposit are released after the expiry of Defect Liability Period. **(Clause-7&50 of Standard Contract Form)** • Check that the compliance of objectives set in PC-I have been started. • Check that no claim of the contractor / department is pending against the project. **(Clause-52 of Standard Contract Form)** • Check that the accounts of the project has been finalized and not kept open. **(Clause-52 of Standard Contract Form)** . To check that no work charges have been charged after the completion of the work/project (**Clause-52 of Standard Contract Form)**		
Minor Work (Repair & Maintenance) • Check that completion certificate is issued by the concerned department. **(Clause-40 of Standard Contract Form)** • Check that the Defect Liability Period has been successfully completed. **(Clause-50 of Standard Contract Form)** • Check that the security deposit is released after the expiry of Defect Liability Period. . **(Clause-50 of Standard Contract Form)** • Check that no claim of the contractor / department is pending against the work. **(Clause-52 of Standard Contract Form)** • Check that allottee of house acknowledge the execution of work in his house/quarter • Check the TSE is according to yard stick of annual M&R for Road/Building and without provision of contingencies. Check and report if any item pertaining to original work is incorporated in the M&R. • Check the issuance of AA of the M&R exceeding Rs. 50,000. • Check the work plan for M&R of building got approved by the competent authority.		

Audit procedure	Done By	WP Ref
• To check that general repair and maintenance work has been completed within the financial year, as the sanction of estimate lapses on the last day of the working year. .(**Para-2.46 of B&R)**		

6.25 Audit Programme – Receipts at Foreign Missions (Consular Receipts)

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

Audit procedure	Done By	WP Ref
Check that: • Visa fee, passport fee and attestation fee have been received according to the rates prescribed by the DG Passport and Immigration. • Pre numbered receipts have been issued to the depositors where applicable. • Daily collection of receipts have been reconciled and received by the accountant from counsellor assistant • Numerical register for passport and visa has been maintained properly. • Passports, emergency passport and visa register have been properly entered in the stock register when received from DG immigration and passports. • Physical verification of passports, emergency travel document and visa stickers with the stock register • Passports are issued only to the authorized persons • Sufficient safeguards are in place for the safe custody of passports, and visa stickers. **(Circular No. DG 4/45/2000-Policy dated 06-07-2001 of DG Immigration and Passport Headquarters**)		

6.26 Audit Programme - Generation of Funds (PCW & EF and FIGOB)

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

Audit Procedures	Done By	WP Ref
Collection Check that: • Amount collected during a month has been transferred in the following month to a separate bank account opened in the name of "Pakistan Community Welfare and Education Fund." A saving bank account should be opened by the Mission for this purpose.(**10.4 rule of FMMA**) **Accounting** Check that: • A separate petty cash book should be maintained to record the receipts and payments out of the PCW &EF. • Each entry in this cash book should be attested by the Head of the Mission or by an officer authorized to operate this account. (**10.6 rule of FMMA**) • All vouchers relating to the fund should be kept separately. (**10.7 rule of FMMA**) **Duty and Responsibility** Check that: • The responsibility in the Mission for correct maintenance of the accounts of the PCW&EF. (**10.8 rule of FMMA**) • Who is responsible to ensure compliance of all financial rules and directives issued in this connection by the Ministry/Chief Accounts Officer and the Ministry of Finance.(**10.9 rule of FMMA**) Whether accountant has withdrawn any amount from the fund for expenditure which does not have the prior approval of the Head of the Mission (**10.10 rule of FMMA**) **Utilization of fund** Check that:		

• Check that the funds are utilized for the purposes specified in Financial Management at Missions Abroad.		

6.27 Audit Programme – Export Market Development Fund (EMDF)

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

Audit procedure	Done By	WP Ref
Check that: • Survey reports of foreign markets for specified Pakistani product and services. This survey report should include: a) Market research b) Exhibitions conducted c) Delegations arranged d) Display centres established e) Publicity done f) Trade disputes settled(if any) • Whether the Information has been disseminated relating to foreign markets amongst exporters through seminars, publications, film, shows and the like methods.(**ask for seminar or work shop presentations / relevant documents)** • Marketing research organizations have been promoted; also check the promotional techniques and documents etc. • Export Promotion Bureau approved the assistance to export marketing organizations. • The list of importers and Pakistani exporters is made and updated. **(Section 2 of Export Market Development Fund Rules & Forms)**		

6.28 Audit Programme –Foreign Defence Contracts

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

Audit procedure	Done By	WP Ref
Check that: • Negotiations have been made with the supplier. **(Rule 6 of chapter IV General Conditions of Defence Equipment/ Store)** • Whether financial concurrence was obtained as required **(Rule 7(a) of Ministry of Defence's letter No. 1557/40/DGDP/PC-1/11/81/74/DP-4 dated 25-09-1994)** • Payment was made to the firm according to government instructions **(Rule 41 of General Conditions of Defence Equipment/ Store)** • Bank Guarantee / Warranty was obtained from the firm **(Rule 3(A) chapter XIV of Purchase Procedure and Instructions)** • Items were inspected **(Rule II (j) of General Conditions of Defence Equipment/ Store)** • OEM certificate was obtained **(Rule 5 chapter V of Purchase Procedure and Instructions)** • Arbitration if any are dealt as per government instructions **(Rule 5 (r) (1) chapter IX of Purchase Procedure and Instructions)** • LC charges are born by the supplier **(Clause K (2) Purchase Procedure and Instructions)** • Extension in delivery period has been allowed as per procedures **(Rule 17 General Conditions of Defence Equipment/ Store)** • Whether confirmation of user end report has been received **(Rule 9 (a) chapter XIV of Purchase Procedure and Instructions)** • The Contract Agreement (CA) is completed in scheduled time and if not, liquidated Damages (LD) are imposed. • All Contract Agreement (CA) claims are properly observed and abided. • All the Deviation Orders (Dos) and amendments are scrutinized and approved by the competent authority. • The works carried out through Contract Agreement (CA), are within the scope of the contract and amount provided for them are within admin approval.		

Audit procedure	Done By	WP Ref
• Especially with regard to Deviation Order (DO) that those works are carried out as were approved in Deviation Order.		
General Terms of Contract Check that: • Contract has been entered / changes therein made by the authorised officer. • Terms of contract are precise and definite. • Legal and financial advice has been taken in drafting of contract. • Standard forms of contract were used. • No compensation in excess of contract rate was made without prior approval of Ministry of Finance. • Contract has no uncertain or indefinite liability or any condition of an unusual character has been entered. • Contract is placed only after an open invitation of tender. • The financial status of the bidders was taken into consideration. • The provision of safeguarding of government assets entrusted to contractors. • If contract life is more than 5 years a provision for an unconditional power of revocation or cancellation by government at any time on the expiry of six (6) months notices exists. **(Para 18 to 19 of GFR Vol I)** • The expenditure is booked to the correct head of account. • The proper completion reports of supplies are obtained from the users etc.		

6.29 Audit Programme – Pakistan International Airline's Stations Abroad

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

Audit procedure	Done By	WP Ref
• Check that Management Policy is properly formed, implemented and monitored. • Obtain and review Ministry regulations/directives to		

Audit procedure	Done By	WP Ref
understand entity's objective and operation. • Ensure compliance of applicable safety, health and environmental laws/regulations. • Understand the process of e-ticketing and evaluate controls for completeness, accuracy, monitoring and cost effectiveness. • Check Annual Financial Plans and budgets and compare budgeted amounts with actual amounts. Enquire budgetary variances above 2%. • Check that revenues generated by Precision Engineering Complex Department is correctly classified and accurately recognized in the books of PIAC. • Obtain tariffs list and detail of revenue charged and review and compare Tariffs with details for excess baggage collection. • Analyze commission charged by agents. Note unusual trends and impact thereof. • Check collection on behalf of PIAC by the agents and ensure their timely deposit for completeness and reconcile with bank collection. • For various Booking Pattern by PIAC for tangible tickets, website and hosting arrangements, compare pre and post impact over revenue after each new pattern or arrangement. • Check reconciliation between PAX (Passenger Revenue Services) Revenue's reports and reports submitted by booking agents and international units and review any unusual items. • Compare PIAC PAX Revenue (Qty, rate, value) with other airlines of the region/world in totality, per passenger, per location. • Check the accuracy of collection and deposit of taxes and Government Duties. • Obtain list of refund and incentives and ensure that the refund and incentives provided were as per PIAC policy. • Obtain the list of suppliers and contractors associated with PEC department and evaluate the contract terms and ensure the mode of payments is complied with. Check for any excess payment made. • Obtain list of repair and maintenance expense and check that these are accurately classified in PIAC accounts to ensure that assets that needs to be capitalized are not expense out.		

6.30 Audit Programme - Accounting and Financial Management

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

Audit procedure	Done By	WP Ref
Preparation of Budget and its approval • Check the budget preparation in accordance with codal provision and approved by the competent authority. • Check the actual budget allocation towards the expenditures • Check the budget appropriations and re-appropriations towards the actual expenditures. **(Para 66 to 82 of GFR Vol-I)**		
Embezzlement, Overpayments, Mis-Appropriation and Mis-Use of funds • Check the vouchers, approval and supporting documents to ensure that proper controls are in place over the disbursement of cash • Ensure the cash books were properly maintained **Operation of bank accounts** • Check the Govt. policies towards operation of bank accounts. • Check the agreement with banks and ensure that the authority has selected banks offering highest interest rates for making deposits. • Calculate the financial impact of non-compliance with the Govt. polices and ensure that appropriate action has been taken against the responsible persons. • Ensure that, monthly bank reconciliation statement was prepared and differences were identified.		
Accounting for foreign currency transactions and interest payments • Check that the payments of foreign currency are in accordance with the provisions of loan agreement. • Check that the foreign currency transactions are recorded in accordance with the applicable accounting policies • Check that the interest calculation and payment are according to the terms and conditions of loan agreement.		

Chapter 7

AUDIT EVALUATION AND REPORTING PHASE

7.1 Introduction

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

Evaluation of Audit Findings/Results

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

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

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

Reporting of Audit Conclusions

The auditor normally issues:

- A formal opinion or a disclaimer on Appropriation Accounts and
- Long form reports containing auditors' observations resulting from Compliance with Authority Audit and Performance Audit.

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

Whatever the audit type, the same considerations apply:

- Audit reports should be easy for entity management to read (brief and clear);
- The Audit reports will be read by Parliamentarians, the media and the public and should be written with a minimal technical terminology and not assuming a prior understanding of the detailed business of the entity;
- The contents of the audit report should focus only on material and significant matters;
- Any conclusions and recommendations should be useful; and
- All audit observations should be fully supported by reliable and sufficient evidence.

7.2 The Audit Team's Responsibility

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

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

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

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

The following tools are provided to ensure the quality of the auditors' opinion on the Appropriation Accounts and there audit reports.

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

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

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

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

Chapter 10 Evaluating Audit Results
Chapter 11 The Reporting process
Chapter 12 The Audit Report

To facilitate the auditors understanding of the reporting process, the Reporting Cycle of the Directorate General Audit (FOREIGN and INTERNATIONAL) is given below.

Reporting Cycle of Compliance with Authority Audit

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

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

Development of Draft Audit Report (DAR)

i) The reporting cycle begins by issuing Observations Statements (OS) during field work.
ii) Audit and Inspection Report (AIR) is issued to the PAO based on initial management response on the OS.
iii) Management response is obtained on the AIR.
iv) Draft Audit Report (DAR) is prepared by incorporating management response on the AIRs.
v) Internal Quality Control Checks are performed by supervisors to ensure that the information given in the DAR is complete, relevant and supported with audit evidence.
vi) The DAR is issued to the PAOs for Departmental Accounts Committee (DAC) meeting.

vii) The Paras finalized for Audit Report are retained in the AR section, while those which cannot find a place in the Audit Report are sent back to the concerned IR sections. These Paras are compiled and issued as MFDAC by the IR sections for further pursuance. The MFDAC is compiled and issued on a yearly basis to respective PAOs.

Departmental Accounts Committee (DAC) meeting

i) Paras and their replies are discussed with the respective PAO.
ii) Minutes are prepared and signed.
iii) DAR is updated based on the DAC minutes.
iv) Further Audit comments are incorporated in the end as a final recommendation of the Audit Para.
v) Final Audit Report is prepared PAO wise and is sent to the AGP office for Quality Assurance Review.

Quality assurance review at DAGP

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

Audit report issued to President

Under Article 171 of the Constitution, reports of the Auditor-General of Pakistan shall be submitted to the President, who shall cause them to be laid before the National Assembly.

Pre-PAC meeting with AGP or Additional Auditor-General

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

Public Accounts Committee (PAC) Meeting

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

7.3 Documentation in Evaluation and Reporting Phase

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

- Internal Control Weaknesses – Impact Analysis*
- Analytical Procedure Thresholds
- Evaluation of Analytical Procedures*
- Evaluation of Internal Control Deviations*
- Substantive Tests Evaluation – Projectable Errors from Sample
- Substantive Tests Evaluation – Non-Projectable Errors
- Substantive Tests Evaluation – Summary
- Achieved Level of Assurance Form
- Error in Each Component
- Overall Error in Financial Statements
- Compliance-With-Authority Violations*
- Checklist of Management Representation Letter
- Sample Management Representation Letter
- Audit Completion Checklist*
- Memorandum Supporting Signature
- Auditor's Opinion
- Follow-up Continuity Schedule*
- Quality Assurance Checklist*

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

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

7.4 Internal Control Weaknesses – Impact Analysis

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

7.5 Analytical Procedure Thresholds

Analytical procedures work by comparing an actual value from the Appropriation Accounts with a baseline value (normally the comparative figures of previous audit year is used as baseline value). If the difference between the actual value and the baseline value

exceeds a certain threshold, then the analytical procedure has not provided the required assurance, and additional audit work may be required.

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

7.6 Evaluation of Analytical Procedures

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

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

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

7.7 Evaluation of Internal Control Deviations

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

7.8 Substantive Tests Evaluation – Projectable Errors from Sample

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

7.9 Substantive Tests Evaluation – Non-Projectable Errors

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

7.10 Substantive Tests Evaluation – Summary

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

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

7.11 Achieved Level of Assurance Form

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

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

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

7.12 Error in Each Component

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

The information on this form is consolidated in the Overall Error in Appropriation Accounts form.

7.13 Overall Error in Appropriation Accounts

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

7.14 Compliance-With-Authority Violations

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

7.15 Checklist of Management Representation Letter

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

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

7.16 Sample Management Representation Letter

This form provides the audit team with a sample letter to use as a starting point in obtaining a Management Representation Letter for their particular audit. This letter is a very important component of the audit as it clearly establishes that management is responsible for the Appropriation Accounts presented to the auditors and for all additional information provided by them. It will help focus management's attention on the importance of the audit, and their participation in it.

7.17 Audit Completion Checklist

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

General of the particular audit to confirm that the audit has been conducted in accordance with the DAGP audit standards.

7.18 Memorandum Supporting Signature

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

7.19 Auditor's Opinion

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

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

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

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

7.20 Follow up Continuity Schedule

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

The entity officials themselves are responsible for ensuring that their Appropriation Accounts and that their internal control structures are operating as efficiently and

effectively as possible. They should be encouraged to view the auditor as an ally in this endeavour and should actively work with the auditor to address any concerns.

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

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

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

The errors identified during the financial audit could include:

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

Recommendations made by the auditor can relate to:

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

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

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

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

7.21 Quality Assurance Checklist

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

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

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

7.22 Centrally Led Audit

As discussed in the Planning Chapter at 5.31, in case of centrally led audit, there will be a division of responsibilities between the central team and field audit teams of the same directorate or other directorates.

Chapter 8
KEY TASKS AND RESPONSIBILITIES

8.1 Introduction

With the up gradation of the sectoral Guidelines it was felt that key tasks, revised roles and responsibilities need to be assigned for effective and structured implementation of these Guidelines. This section of the Guidelines specifies key Tasks and Responsibilities of various functionaries in a Field Audit Office (FAO) involved in performing audit related tasks during the course of the audit cycle. Main areas for which Key Tasks and Responsibilities have been defined are given below;

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

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

8.2 Assigning Roles and Responsibilities

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

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

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

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

8.3 Key Tasks and Responsibilities: Permanent File

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
4.4	Developing and Updating the control sheet-PF	**P**	**S**	**R**	
4.5	Updating Status of Entity Form/information.	**P**	**R**		
4.6	Gathering and updating financial & Operational background Information.	**P**	**S**	**R**	
	Documenting the Background Information.	**P**	**S-R**		
4.7	Listing all the possible Auditable Locations.	**P**	**R**		
4.8	Listings of names address and account no of all Bank Accounts in the name of Entity.	**P**	**R**		
4.9	Documentation and Listing Authorized Signatories.	**P**	**R**		
4.10	Listing External Factors related to performance of the operational activities of an auditee.			**P**	**R**
4.11	Listing the accounting records maintained by the auditee.	**P**	**R**		
	Development of a brief description of the accounting system used by the auditee.		**P**	**R**	

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

A= Approve, R= Review, S=Supervise, P=Perform

8.4Key Tasks and Responsibilities: Audit Planning Phase

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

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
5.13	Computing Expected aggregate error and planned precision form.		**P**	**R**	
5.14	Preparing Audit risk assessment form.		**P**	**R**	
5.15	Preparing Inherent risk assessment form.		**P**	**R**	
5.16	Developing Internal control questionnaire - controls for overall environment.		**P**	**R**	
5.17	Documentation of the internal control questionnaire – general computer controls.		**P**	**R**	
5.18	Documenting Internal control questionnaire – application controls.		**P**	**R**	
5.19	Developing Control risk assessment form.		**P**	**R**	
5.20	Documenting Analytical procedures assurance form.		**P**	**R**	
	Updating optimum combination of procedures.			**P**	**R**
5.21	Documenting Source of audit assurance form.		**P**	**R**	
5.22	Listing all applicable laws and regulations.	**P**	**S**	**R**	
5.23	Documenting and Updating Sample selection checklist.	**P**	**S**	**R**	
5.24	Preparing High value item selection form.		**P**	**R**	
5.25	Preparing Key item selection form.		**P**	**R**	
5.26	Computing Sample sizing for tests of internal control.		**P**	**R**	
5.27	Calculating Sample size for substantive tests of details.		**P**	**R**	

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
5.28	Documenting Checklist of accounting estimates to be reviewed.		**P**	**R**	
5.29	Recording Points for attention at next audit.	**P**	**S**	**R**	
5.30	Documenting Audit planning checklist.		**P**	**R**	**A**

A= Approve, R= Review, S=Supervise, P=Perform

8.5 Key Tasks and Responsibilities: Audit Execution Phase

Guideline reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
6.4	**Documenting Summary of Analytical Review Procedures Performed.**		**P**	**R**	
6.5	**Documenting Details of Analytical Review Procedures Performed.**	**P**	**S**	**R**	
6.6	**Documenting Internal Control Questionnaires.**		**P**	**R**	
6.7	**Documenting Internal Control Deviations Form.**		**P**	**R**	
6.8	**Preparing Internal Control Deviations Summary.**		**P**	**R**	
6.9	**Preparing Compliance Summary.**		**P**	**R**	
6.10	**Documenting Substantive Tests of Accounting Estimates.**		**P**	**R**	

6.11	**Identifying and listing Errors in Accounting Estimates.**		**P**	**R**	
6.12	Documenting Substantive Test Sample Summary for each Audit Program.	**P**	**S**	**R**	
6.13	Preparing Substantive Test of High Value/Key Items – Summary.		**P**	**R**	
6.14	Documenting Details of Errors in Samples, High Value Items and Key Items.		**P**	**R**	
6.15	Conducting Exit Interviews.		**P**	**S**	
6.16	Updation of Audit Steps given in the Audit Programmes, if needed.		**P**	**R**	**S**
6.16	Execution of Audit Steps as per the Audit Program	**P**	**P-S**	**S-R**	
	Ascertaining Execution of relevant Audit Programs		**P**	**P-S**	**S**

A= Approve, R= Review, S=Supervise, P=Perform

8.6 Key Tasks and Responsibilities: Audit Evaluation & Reporting Phase

		RESPONSIBILITIES			
Guideline reference	**TASKS**	**AO/Assistant Director**	**Deputy Director**	**Director**	**Director General**
7.4	Documenting Internal Control Weaknesses – Impact Analysis.			**P**	**R**
7.5	Calculating Analytical Procedure Thresholds.		**P**	**R**	**S**
7.6	Documenting Evaluation of Analytical Procedures.			**P**	**R**
7.7	Evaluating Internal Control Deviations.			**P**	**R**

		RESPONSIBILITIES			
Guideline reference	**TASKS**	**AO/Assistant Director**	**Deputy Director**	**Director**	**Director General**
7.8	**Conducting Substantive Tests Evaluation – Projectable Errors from Sample.**		**P**	**S**	**R**
7.9	Documenting Substantive Tests Evaluation – Non-Projectable Errors.		**P**	**S-R**	
7.10	Calculating Substantive Tests Evaluation – Summary.		**P**	**S-R**	
7.11	Documenting Achieved Level of Assurance Form.			**P**	**R**
7.12	Evaluating Error in Each Component.		**P**	**R**	**S**
7.13	Summarizing and preparing Overall Error in Financial Statements.		**P**	**R**	**S**
7.14	Documenting Compliance-With-Authority Violations.	**P**	**P-S**	**R**	
7.15	**Drafting Checklist of Management Representation Letter.**		**P**	**S**	**R**
7.16	Obtaining Management Representation Letter.		**P**	**R**	
7.17	Documenting Audit Completion Checklist.		**P**	**R-S**	**A**
7.18	Memorandum Supporting Signature.		**P**	**R**	**A**
7.19	Recommending Auditor's Opinion			**P**	**R-A**
7.20	Following up the Continuity Schedule		**P**	**R-S**	
7.21	Reviewing the Quality Assurance Checklist			**P**	**R**

A= Approve, **R= Review,** **S=Supervise,** **P=Perform**

8.7 Key Tasks and Responsibilities: Audit Quality Assurance

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

Guideline Reference	TASKS	RESPONSIBILITIES			
		AO/Assistant Director	Deputy Director	Director	Director General
	Violations and internal control deviations found.				
7.15,7.16, 7.18	**Ensuring tools for the auditor's opinions and statements are used.**		**P**	**S**	**R**
7.17	Ensuring Documentation of Audit Completion Checklist.		**P**	**R-S**	**A**
7.21	Reviewing the Quality Assurance Checklist. *		**P**	**R**	**A**

A= Approve, **R= Review,** **S=Supervise,** **P=Perform**

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



APPENDIX – A

Appendix- A

DG Audit Foreign & International
PPERMANENT FILE
Permanent file Index/checklist

Main Reference	Supporting Schedules		Done by	Dated
PF		Update Control sheet		
PF-I		Status of the Entity		
PF-II		Background Information		
PF-III		List of Auditable Locations		
PF-IV		List of Bank Accounts		
PF-V		List of Authorized Signatories		
PF-VI		External Factors		
PF-VII		Accounting Records and Accounting		
PF-VIII		System		
PF-IX		Key Contacts		
PF-X		Significant Audit Areas		
		Significant Accounting Policies		
		Supporting documents List		
		Section-I		
		1-Objectives(Rules of Business)		
		2- Organization Chart		
		3-Responsibilities of Officers posted abroad		

Main Reference	Supporting Schedules		Done by	Dated
		(HOM, HOC, Trade officer and CWA) *Section-II* 4-Financial Rules/Regulations FMMA (Vol-I & II) Sanctioned Strength Entertainment allowance Sumptuary Allowance Foreign Allowance FIGOB & PCW & EF Pay and allowances Telephones Approved routes 5-Accounting procedures 6- Byelaws of FSA and ISSI. *Section-III* 7- Assistance Package for deceased officials 8- Checklist		

DG Audit Foreign & International **Form - PF**
PERMANENT FILE
Update Control Sheet

Name of Entity/Organization: **Ministry of Foreign Affairs Islamabad**

Original file Prepared by **Ahmad Nadeem Mustafa and Syed Ghulam Turi**
Audit Officers

Dated 15th January ,2008

File updated by _____ Date _____

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PF-I

Understanding of Entity's Business-	**Status of Entity**
Name of entity/Organization:	Ministry of Foreign Affairs
Islamabad.	

Principal Address:

Ministry of Foreign Affairs
Foreign Office Buildings
Sector G-5
Islamabad

Status of the Entity:

Federal Government Self Accounting Entity

Inter –Governmental relationship: (Attached department, branch office, etc)

Camp offices at Provincial Headquarters e.g. Lahore, Karachi, Peshawar and Quetta
which are generally called DCPs (Deputy Chief of Protocols)

DG Audit Foreign & International
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PF-II

Understanding of Entity's Business-	**Background information**
Name of entity/Organisation:	Ministry of Foreign Affairs
Islamabad.	

Size of entity

- Total Assets : Not available
- Total Budget : Rs.7.208 Billion (2007-08)
- No. of formations

Within Pakistan		Missions abroad
Ministry of Foreign Affairs (HQ)	01	119 formations including DG Hajj Jeddah ICAO Montreal.
Dy. Chief of Protocols(DCPs)	04	
State Guests Houses(SGH)	02	
Foreign Service Academy (FSA)	01	
Institute of Strategic Study Isd.(ISSI)	01	
Hostels	02	

- Sanctioned Strength;

S.No.	**Mission**	**Sanction Strength 2007-08**			
		Officer	**Staff**	**Local Based**	**Total**
	Missions Abroad	287	640	570	1,497
	HEAD QUARTER				
1	Chief Accounts Officer	26	175		201
2	Secretariat (main)	249	1,002		1,251
3	State Guest House, Karachi	1	35		36
4	State Guest House, Lahore	1	25		26
5	Foreign Service Academy, Islamabad	8	28		36
6	Foreign Office Hostel, Islamabad	1	26		27
7	Afghan Trade Development Cell	3	9		12
8	Dis-armament Cell	3	9		12
9	Ghazi Ilam Din Shaheed Hostel, Islamabad	0	29		9
10	Strategic Export Control Division	21	64		85
	Total	313	1,402		1,695

Core Operational Activities

- Relation and dealing with other countries.
- Matters (other than those handled by other Divisions) relating to:
    a) international organizations and bodies and their decision; and
    b) agreements and treaty with other countries.
- Diplomatic, consular, trade and other representation abroad.
- Offences against the laws of nations.
- Foreign and extra-territorial jurisdiction.
- Negotiations for settlement of Kashmir dispute and implementations of agreements reached.
- Administration of Foreign Service Group.
- Visit of the Heads of States and foreign dignitaries to Pakistan and the Head of the Govt. of Pakistan to foreign countries.
- Protocol and matters relating to foreign representatives in Pakistan.
- Policy regarding extradition to and from other countries.
- Foreign awards to Pakistanis.

Co-ordination of all work pertaining to Regional Cooperation for Development(RCD) amongst Iran, Pakistan and Turkey.

Foreign Service Academy(FSA)

The Academy frames Rules for its employees as given in the Memorandum of Association. The Byelaws of the Academy has been filed with the registrar of the societies with the memorandum of association as required under section 2 of Societies Registration Act 1860. The rules are generally based on Federal Service Rules. A Board of Governors, it's Chairman, vice Chairman members, both official and non-official, and Director General is appointed by the Prime Minister of Pakistan. Is responsible for the overall governing and management of the Academy. The Board and its chairman are appointed by the Prime Minister of Pakistan. Bye laws of the Institute provide that the Board of Governors comprising the following:

a) Chairman
b) Vice Chairman
c) Not more than 8 ex-officio
d) Such other non-official members as the Prime Minister of Pakistan may appoint on the recommendation of chairman from time to time for the period of three years
e) DG shall be ex-officio Secretary of the Board.

The Government of Pakistan provides an annual grant-in-aid to the Institute through Ministry of Foreign Affairs.*(Source: bye laws of the Academy)*

Institute of Strategic Studies Islamabad (ISSI)

The Institute of Strategic Studies Islamabad was established by the Ministry of Foreign Affairs vide # 540-FS/S/SSP/72 dated 25.10.1972. In 1981 it was registered with the Registrar of Societies, Rawalpindi /Islamabad as an "Autonomous Body", under the societies Registration Act XXI of 1860. The Institute frames Rules for its employees as given in the Memorandum of Association and Byelaws. The rules are generally based on Federal Service Rules. A Board of Governors is responsible for the overall governing and management of the Institute. The Board and its chairman are appointed by the Prime Minister of Pakistan. Byelaws of the Institute provide that the Board of Governors comprising the following:

a) Chairman
b) Not more than 10 and not less than 6 members.
c) DG shall be ex-officio Secretary of the Board.

The Government of Pakistan provides an annual grant-in-aid to the Institute through Ministry of Foreign Affairs.
(Source: bye laws of the Institute)

Major Services

- Relations and dealing with other countries.
- Counsellor services to Public.

Other

FSA- Training of Foreign Service Group and other countries

ISSI- with a view to promoting a broad based and informed public understanding of vital strategic and allied issues affecting Pakistan, the World of Islam and international community as a whole.

Major Beneficiaries

- Federation.
- General Public.

Other

FSA- Foreign Service Group and other countries
ISSI- Federation

Reporting Authority

Principal Accounting Officer/Foreign Secretary.

Other

FSA- Ministry of Foreign Affairs
ISSI- Ministry of Foreign Affairs

Main Business Processes

There are Three (3) Grants which are utilized by the Ministry of Foreign Affairs (MOFA) whose accounts are being maintained by the Chief Accounts Officer (CAO).The expenditure incurred against these Grants are as under :

GRANT NO. 52- FOREIGN AFFAIRS DIVISION

This Grant comprises of the expenditure incurred by the following organizations of the Ministry of Foreign Affairs:-

i. Foreign Affairs, Administration Secretariat (Main)
ii. Departmentalized Accounts Office (Chief Accounts Officer)
iii. State Guest Houses, Karachi
iv. State Guest House, Lahore
v. Foreign Service Academy, Islamabad
vi. Discretionary Grant of the Minister
vii. Afghan Trade Development Cell
viii. Dis-armament Cell

GRANT NO. 53- FOREIGN AFFAIRS

This Grant comprises of the expenditure incurred by the following organizations:-

i. Foreign Affairs Diplomatic and Consular Services (High Commissions/Embassies)
ii. United Offices of Departmentalized Accounts Offices of C.A.O
    a) Office of Director, Audit & Accounts, High Commission for Pakistan, London
    b) Finance and Accounts officer, Embassy of Pakistan, Washington D.C.
    c) Accounts Wing, Consulate General of Pakistan, Jeddah

GRANT NO. 54-OTHER EXPENDITURE OF FOREIGN AFFAIRS DIVISION

This Grant comprises of the expenditure incurred on the following:-

- President's visits abroad (Charged)
- Prime Minister's visits abroad (Other than Charged)
- Other External Affairs Services abroad -do-
- Others (Probationers) -do-
- Welfare of Pakistan's abroad -do-

Expenditure under Grants 52

The expenditure under Grant 52 is dealt as follows:-

- Expenditure sanctioned at Headquarters
- Accountant prepare Bills/Invoices for the expenditure incurred
- Bills/ invoices along with supporting documents submitted to CAO for approval
- Bills/Invoices are cleared after audited by CAO
- After authorization/ approval accountant issue Cheques

Expenditure under Grants 53

Each mission abroad has been allowed a fixed imprest account and they incur necessary expenditure out of it according to Government rules & regulations.

- The Grant distributed among all missions according to their annual estimates.
- Head of Mission (HOM) / Ambassador is Principal Accounting Officer (PAO) of the Mission.
- Accountant prepares the Bills/ Invoices.
- Head of Mission (HOM)/ Ambassador sanctioned the expenditure.
- Accountant issues the cheques.
- At the end of month accountant prepares monthly cash accounts and send it to CAO along with following documents:-
    a) Bank Reconciliations.
    b) Detail Statement of Receipt & Expenditure.
    c) Vouchers/Invoices.
- CAO will pre audit all the vouchers on the basis of audit and monthly remittances for recoupment of imprest.
- The expenditure incurred at Missions Abroad by allied wings (Other Ministries) are also sanctioned by the HOM/ Ambassador/Head of the respective wing and this expenditure is charged to the funds of the respective Ministries placed at the disposal of the CAO of Ministry of Foreign Affairs under the assignment account.

Expenditure under Grants 54

The expenditure under Grant 54 at missions abroad is dealt as follows:-

- Mission prepares an estimated cost of tour/visit of President/ Prime Minister regarding Hotel Bill, Hiring of Transport, and Establishment of camp offices etc.etc.
- On the basis of these estimates a special remittance is sent to the mission through State/National Bank by the CAO on the direction of the Ministry.
- After completion of visit the respective mission sends detail expenditure statement to the headquarters. However detailed vouchers are submitted in the monthly cash account.

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PF-III

Understanding of Entity's Business-	**List of Auditable Locations**
Name of entity/Organization:	Ministry of Foreign Affairs
Islamabad.	

Main Accounting Office

Chief Accounts Officer, Ministry of Foreign Affairs Islamabad.

Other Accounting Locations

- Institute of Strategic Study Islamabad.
- Foreign Service Academy Islamabad.
- Foreign Office Hostel Islamabad.
- Ghazi Illam Din Hostel Islamabad.
- Dy. Chief of Protocol offices at Karachi, Lahore, Peshawar and Quetta.
- State Guest Houses Lahore and Karachi.
- Mission abroad (119 formations, List attached)

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PF-IV

Understanding of Entity's Business-	**List of Bank Accounts**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

Federal Accounting Level

- **Assignment Account** of the Ministry of Foreign Affairs maintained with National Bank of Pakistan Main Brach Islamabad since 1st July 1979.
- Non lapsable PLD Account of GP Fund with Federal Treasury Office/State Bank of Pakistan.
- Non lapsable PLD Accounts of death compensation with State Bank of Pakistan.

Missions Abroad

The following banks accounts are being maintained by each Pakistani mission abroad.

- Imprest Account in US$.
- Local Currency Account.
- Entertainment Fund Account.
- Sumptuary Allowance Account.
- Pakistan Community Welfare and Education Fund Account (PCW&EF).
- Fund for Improvement of Govt. Owned Buildings (FIGOB).
- Export Marketing Development Fund (EMDF). (Maintained by Commercial Attaché/Secretary).

Foreign Service Academy Islamabad

Bank Account Title.	A/c No.	Bank
Grant in Aid (Regular)	1208-9	National Bank of Pakistan, Super Market Branch, Islamabad.
Training Courses	2318-4	--Do--

Institute of Strategic Study Islamabad

Bank Account Title.	A/c No.	Bank
Grant in Aid (Regular)	268-2	Habib Bank Ltd, Super Market Branch Islamabad.
China Study Centre	697-03	--Do--
Publications	60290-2	--Do--

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PF-V

Understanding of Entity's Business-	**List of Authorised Signatories**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

Principal Accounting Office

As the Accounts of the Ministry are Departmentalized, Chief Accounts Officer (Accounts Officer of Cheque Section) is authorized to issue cheques for disbursements.

As per Revised System of Financial Control and Budgeting, Foreign Secretary has delegated his financial power to his junior officers i.e., Director (GS), Director General (HQ), Chief of Protocol(CP) and Additional Secretary (Admn) up to certain limit under different Heads of Accounts.
(Source Revised system of financial control and Budgeting.)

Missions Abroad

Ambassador is exercising the power of Head of the Department (Para-7.1 of FMMA-Vol-II). In most of the cases he has full power and in some cases he has required to obtain approval of the Ministry.

Head of Chancery (HOC) and Accountant are authorised signatories of the cheques issued as per instructions.
(*Source Financial Management at Missions Abroad (FMMA) Vol-II*

Others

Foreign Service Academy

By laws of the academy has been formulated and the academy is run under the said laws. The organization is run under the Board of Governors Deputy Director (Admn) and Account Officer are jointly signed the cheque. In absence of one of above, then Director or Director General are become co-signatory.
(S*ource: Dy. Director (Admn))*

Institute of Strategic Study

Director General and Director (Admn) is co-signatory of the cheques.

(*Source Director Admn)*

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PF-VI

Understanding of Entity's Business-	**External Factors**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

External factors that might affect the Foreign and International audit's performance may include;

- Social factors
- Political factors
- Economic factors
- Climatic factors
- Geological factors
- Variations in budgets
- Changes in rules and regulations of the host country

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PF-VII

Understanding of Entity's Business-	**Accounting Record and Accounting**
System	
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

Federal Accounting Level

Accounting Record

Head quarter

- Cash book
- Expenditure control registers/ appropriation register.
- Cash vouchers with reference to acquaintance rolls / pay rolls / pay bills
- Contingent charges register
- Log Books of officials cars.
- Car movement register.
- Dead Stock Register and inventories.
- Annual inventory report / Annual physical verification report.
- Service books and leave accounts.
- Register of advances.
- Verification of recoverable amounts shown in the L.P.C.
- GP Fund register

Mission Abroad

- Cash book
- Bank Reconciliation Statement.
- Files / record relating to remittances made by C.A.O's office, as accounted for by the Mission along with the losses and gains in exchange.
- Expenditure control registers/ appropriation register.
- Register of receipt books-cheques books.
- Counterfoils of receipt books.
- Counterfoils of cheque books.
- Visa and consular fees account register.
- Stamps Register (Visa and Consular).
- Contingent charges register
- Dead Stock Register and inventories.

- Annual inventory report / Annual physical verification report submitted to the Ministry of Foreign Affairs.
- Medical charges bills / Authorization slips.
- Register of authorities received from the Chief Accounts Officer (for payment of pension and payment of TA/DA etc by the Missions to officers on behalf of other Ministries / Departments.)
- Service books and leave accounts of Pakistan based staff.
- Checking and posting of outfit allowance in the service books of non-gazetted staff.
- Service books and leave accounts of locally recruited staff.
- Pay scales and other fringe benefits allowed to locally recruited staff with reference to the rules framed by the local government.
- Leave rules of locally recruited staff with reference to local government leave rules applicable to the corresponding category of staff.
- Rent register of hired building and its posting from time to time.
- Lease deeds in respect of hired buildings.
- Expenditure incurred on repairs of hired buildings with reference to the provisions in the lease deeds and on government owned buildings according to the prescribed limits.
- Verification of scale of accommodation and furniture supplied to the officers and staff at government expense.
- Verification of recovery of charges on account of heating, lighting, water, gas, telephone and other services and utilities from the officer and staff in respect of residential accommodation supplied to them.
- Payment of daily allowance in lieu of house rent and foreign allowance.
- Expenditure incurred on repatriation of Pakistani destitute and pursuance of its recovery.
- Expenditure out of entertainment fund account and sumptuary allowance in accordance with the instructions issued by the Ministry of Foreign Affairs.
- Audit of Pakistan Community Welfare and Education Fund Account alongside others, if any, opened under the orders of the President.
- Register of refunds of advances.
- Audit of conclusion/ operation of contracts for different purchases available with Defence Attaches.
- Payments of accreditation allowance with reference to T.A. bills.
- Income Tax Statements.
- Cases of grant of home passage to officers/officials and their children.
- Export Marketing Development Fund (EMDF).
- Cash books of FIGOB,PCW&EF, Entertainment and Sumptuary Allowance

Accounting system

1. Ministry of Foreign Affairs with the approval of Finance Division has been operating an Assignment Account with National Bank of Pakistan, Civic Centre Islamabad.
2. Chief Accounts Officer operates the Assignment Account on behalf of Secretary Ministry of Foreign Affairs.

3. Assignment Account is funded by means of:
    - i- Budgetary allocation of Ministry of Foreign Affairs and other Ministries / Divisions / Departments under CAO's circle of Accounts in the Federal Budget.
    - ii- Funds relating to Defence Attaché and other Defence Establishments in Pakistan's Missions Abroad.
    - iii- Funds provided by AGPR Islamabad to cater for payments of civil pensioners abroad. Payment of TA/DA to delegations visiting abroad and Hotel Accommodation charges of Category-I officers.
4. Funds mentioned at S. No. 3 are released in the Assignment account as:
    - i- Budgetary Funds provided in CAO's circle of Account are released by AGPR through FTO on the request of CAO on providing details of the Demand wise budgetary provisions alongwith Summary of the Budget under Demand controlled by Ministry of Foreign Affairs. Now it is released according to release order of Finance Division i.e.
        a. 40% for first half of the year
        b. 25% for 3rd quarter January to March.
        c. For 4th quarter April to June.
    - ii- Release of funds relating to Defence is made by AGPR Islamabad on the basis of authority of MAG / COA (DPP / ISO) Rawalpindi which is made on quarterly basis.
    - iii- Release of funds relating to 3(iii) is made on the request of CAO, calculated on the basis of last year expenditure.
5. Assignment account is lapsable by 30th June. Balance as on 30th June, is surrendered on 30th June through a letter to FTO/NB Islamabad and by reversing the entries originally made at the time of release of funds.
6. CAO has no exchange / settlement Account with other civil or Defence Accounts Offices. For Defence Transactions out of funds under para 3 (ii) debits are passed on to the COA (DPP ISO), Rawalpindi through "Deposit Account with Defence" while debit against funds provided under para 3 (iii) is raised against AGPR Islamabad under "Deposit Account with AGPR" Receipts relating to Defence, AGPR, or other Accounts Officers / Departments is paid by means of cheques drawn on Assignment Account by CAO.
7. Pakistan's Missions Abroad is financed by means of Imprest Account. Imprest is a permanent advance placed at the disposal of Missions to cater for its daily routine expenditure. It is initially fixed on the basis of two month budget. It is subsequently revised on the basis of two months net overage expenditure or two month budgetary allocations whichever is less. Its fixation and revision requires approval of FA Organization, on the recommendation of CAO.

8. Imprest is recouped monthly on receipt / rendition of monthly cash account from the Missions. Cash Account is required to reach CAO's office before 10th of the months following the month to which it relates. On receipts of monthly Cash account or faxed copy of Main Statement, CAO office work out the recoupment dues as under:

i.

a.	Authorized imprest	=	Rs.	_____
b.	Less Closing Balance of imprest	=	Rs.	_____
c.	Less recoupment for the month of not yet counted for (Recoupment in pipeline)	=	Rs.	_____
d.	Amount of recoupment due	=	Rs.	_____

ii. Calculation of 8(i) is counter checked by another calculation simultaneously made:

a.	Gross Expenditure	=	Rs.	_____
b.	Less Expenditure of Special Remittances if any	=	Rs.	_____
c.	Less Other receipts (Excluding amount of Remittance	=	Rs.	_____
d.	Net expenditure due to be recouped	=	Rs.	_____

iii. Foreign Exchange Allocation of net Expenditure / amount of recoupment is made to each Ministry / Division / Department involved.

9. CAO thus send a request to State Bank of Pakistan, Islamabad for foreign Exchange Permit for the amount of recoupment due, giving detailed breakup of foreign Exchange Allocation of Ministry / Divisions/ Department.
10. State Bank of Pakistan, Islamabad after obtaining clearance from Foreign Exchange control Department, State Bank of Pakistan, Karachi of availability of foreign Exchange in favour of Ministries / Divisions / Departments indicated in the authority letter of this office, issue Foreign Exchange permit to CAO.
11. On receipt of Foreign Exchange permit concerned Section prepares pay order for the amount of remittance for issuance of Rupee Cheque by Cheque Section. Then this office issue authority to National Bank of Pakistan / Islamabad / Other remitting bank e.g. Habib Bank Limited, Grindlays Bank Limited etc as the case may be for arranging remittances to the Mission concerned, indicating therein name of Mission's Bank, and Bank Account Number. This authority is accompanied by
    i. Foreign Exchange permit of State Bank of Pakistan
    ii. Cheque for Rupee for the amount of Remittance in Rupees drawn on Assignment Account plus cable charges /bank charges Rs. 919.
12. National Bank of Pakistan Islamabad arranges TT of the amount in US Dollar by converting Rupees into Dollar at the interbank rate prevailing on that day.
13. Remittances through National Bank usually takes the following course:
    "NB Islamabad to NB New York – Correspondent Bank of Mission Bank at New York – Mission Bank.
14. On issue of cheque for Rupees cover, the amount of remittance is debited to a head "Civil Departmental Balance – Missions" in our books which is watched and linked with the credit to appear in monthly cash account of the Mission on its receipt and accounting.
15. In this way recoupment of imprest is made every month to Pakistan's Missions Abroad. It also causes loss or gain by Exchange on remittances which is calculated by Mission and reflected in monthly cash book and cash account.

16. In case of Mission where heavy receipts / revenues are generated, same calculations as at para-8 are made. However as closing balance exceeds the amount of authorized imprest, therefore, no recoupment is made / arranged, rather the mission concerned is advised to repatriate excess amount to Pakistan through Treasury Challan for credit in Government account / consolidated funds under relevant head of account.
17. Special remittances are also made to Pakistan's Missions abroad for expenditure on specific purpose which cannot be met out of imprest account or do not fall within the scope of imprest. Such remittances are arranged on the basis of specific sanctions duly endorsed by FA Organization. CAO arrange special remittances only pertaining to budgetary allocation made is CAO's circle of Accounts or against the sum placed in the Assignment Account by AGPR.
18. All AG and other Accounts Offices are authorized to remit the amount to Missions to make specific payments desired by them.
19. Special remittances arranged by CAO out of budgetary allocation in CAO's circle of Account are accounted for by Mission in their Imprest Bank Account and Cash Book and Cash Account of Imprest. Amount of remittance both debit and credit is booked and linked under the head "CD Balance – Missions" while actual payment / expenditure when incurred by mission out of special remittance is then booked in final expenditure head. Balance of such special remittance if any on 30th June lapse and merged with imprest account of the Mission.
20. (i) Special Remittances arranged by other Accounts Offices or any amount sent by other Ministries / Divisions / Departments for certain specific purpose are required to be credited to separate Bank account meant for such special remittance when permitted under local bank laws. Separate Register is maintained for its accounting and account of the transactions prepared on the prescribed Performa alongwith supporting vouchers is sent direct to the Remitting Agency / Department by the Mission, with a copy to CAO.

    (ii) Debits / Credits on account of such special remittances if accounted for with imprest bank account and Cash Book of the Missions are accounted for under the head. "Special Remittance Deposit"

    (iii) Balance of special remittances if no longer required should be remitted back to the Ministries / Divisions / Departments concerned as it is lapsable by the end of financial year.

Others Level

Foreign Service Academy

Accounting Record

- Cash book
- Register of advances.
- Pay roll
- Bank statements

- Counter files of cheques.
- Payment vouchers.
- Stock registers.

Accounting System

- Quarterly releases of funds are made by the Ministry of Foreign Affairs for running the academy. Further Advances are also given by the Ministry for training of Foreign Service Group as well as participants from other countries.
- Adjustment of advances is submitted to the Chief Accounts officer.
- Expenditure sanctioned by the authority and
- Vouchers retained in the office of the Accounts officer.

Institute of Strategic Study

Accounting Record

- Cash book
- Register of advances.
- Pay roll
- Bank statements
- Counter files of cheques.
- Payment vouchers.
- Stock registers.

Accounting System

- Ministry of Foreign Affairs releases funds quarterly to the Institute
- Expenditure sanctioned by the authority and
- Vouchers retained in the accounts branch.

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PF-VIII

Understanding of Entity's Business-	**Key Contacts**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

Key Management Personnel	**Name**	**Title**	**Tel.**	**Fax**	**Email**
Principal Accounting Office • Management • Finance • Accounts	Mr. Abdul Moiz Bokhari Mr. Iftikhar Aziz Mr. Zahid Saeed	A.S. (Ad) DG (HQ & FA) Chief Accounts Officer	9210971 9218880 9201952	9213795 9218880 9224704	-
Entity / Department/ Unit(**Foreign Service Academy**) • Management • Finance • Accounts	Miss. Fouzia Nasreen Muhammad Asif Mrs. Shazia Yasmin	Director General Dy.Director Accounts Officer	9212083 9205876 9208323	9203264 --do-- --do--	
Institute of Strategic Study • Management • Finance • Accounts	Dr. Shireen Mazari Khurshid Anwar --do--	Director General . Director	9202481 9204423	9204658 --do--	

For Missions: Green Book printed by Ministry of Foreign Affairs

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PF-IX

Understanding of Entity's Business-	**Significant Audit Areas**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

Significant Financial Statement Components	**Critical Audit Area Y/N**
• Cash	Y
• Pay & Allowances	N
• TA/DA	Y
• Conference	Y
• President/Prime Minister's visit	Y
• Purchases (furniture/Machinery/cars etc	Y
• Repairs	N
• Entertainment	N
• Loans and Advances	

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PF-X

Understanding of Entity's Business-	**Significant Accounting Policies**
Name of entity/Organization:	Ministry of Foreign Affairs Islamabad.

- **Staff retirement benefits – pension & provident fund**

  1. Pension /commutation According to rules of Federal Govt. as applicable to other Ministries.
  2. GP Fund.
  3. Onetime payment of Benevolent fund @one month last pay drawn.

  In case of in service Death (Assistance Package)

  1. Lump sum one time grant to the widow/heirs according to scale.
  2. 75% of pension as family pension up till a child became age of 18 years.
  3. Two year contract appointment of child of deceased Govt. Servant without advertisement.
  4. Monthly payment of benevolent fund at the prescribed rate.
  5. retention of Govt. accommodation for 5 years or till the age of superannuation, whichever is earlier but minimum for a three year.
  6. free education upto the age of 18 years
  7. Allotment of plot as per FGEHF policy against 2% quota fixed for deceased employee.

  (Source:Estt.Division's OM No.7/40/2005-E dated 13-6-2006)

- **Revenue Recognition**
  1. In Pakistan's Missions Abroad, revenue is being generated through collection of counsellor receipt i.e. Passport, Visa and attestation fee etc. which is subsequently transferred to M/o Interior by the Chief Accounts Office M/o Foreign affairs.
  2. 20% surcharge is also levying on the consular fee collected in Mission abroad, which is 10% for Pakistan Community Welfare and Education Fund (PCWEF) and 10% for Fund for improvement of Govt. owned building (FIGOB).

Interest Payment and Foreign Currency Transaction

1. Foreign Currency is remitted through State Bank of Pakistan to Mission abroad for recoupment of their Imprest.
2. Special remittances are also sent to Mission for President/Prime Minister's visits etc.