



cutting through complexity™

ADVISORY SERVICES

Abacus Consulting Technology (Private) Limited Pre-award Assessment Report

August 2011



Glossary of terms

ACT	Abacus Consulting Technology (Private) Limited				SCTA	Strategy Consulting & Transaction Advisory
AGM	Annual General Meeting				TNA	Trainings Needs Assessment
ASP, RSPN	Assessment and Strengthening Programme, RSPN				ToRs	Terms of Reference
BoD	Board of Directors				IT	Information Technology
BTS	Business Transformation Services				PAT	Profit after tax
BV	Business Vertical				RSPN	Rural Support Programme Network
CEO	Chief Executive Officer				Rs. or PKR	Pak Rupee
CFO	Chief Financial Officer				USAID	United States Agency for International Development
Company	Abacus Consulting Technology (Private) Limited				USD	United States Dollar
CO, 1984	Companies Ordinance, 1984					
EBITDA	Earning before interest tax and depreciation					
EBT	Earnings before tax					
EOGM	Extra Ordinary General Meeting					
FATA	Federally Administered Tribal Areas					
FY	Financial Year					
GoP	Government of Pakistan					
HCS	Human Capital Solution					
HR	Human Resource					
IFRSs	International Financial Reporting Standards					
ITS	Information Technology Solutions					
KESC	Karachi Electric Supply Company Limited					
LLC	Limited Liability Company					
PAL	Practice Area Leader					
PMO	Project Management Office					

Table of contents

		Page No.			Page No.	
<p>The contacts at KPMG in connection with this report are:</p> <p>Syed Bakhtiyar Kazmi Partner Advisory Services KPMG Taseer Hadi & Co. Tel: + 92 51 282 3558 Email: syedkazmi@kpmg.com</p> <p>Abbas Naqvi Partner Advisory Services KPMG Taseer Hadi & Co. Tel: + 92 51 282 3558 Email: abbasnaqvi@kpmg.com</p> <p>Kashif Jamal Manager Advisory Services KPMG Taseer Hadi & Co. Tel: + 92 51 282 3558 Email: kjamal@kpmg.com</p>	ASSESSMENT REPORT			4		
		<ul style="list-style-type: none"> Assessment report 		5	ANNEXURES	57
	EXECUTIVE SUMMARY			6	A. List of key documents reviewed	58
		<ul style="list-style-type: none"> Introduction to organization 		7	B. List of personnel interviewed	59
		<ul style="list-style-type: none"> Introduction to assignment 		7	C. Job descriptions of accounting and finance staff	60
		<ul style="list-style-type: none"> Risk assessment matrix 		9	D. Description of company's accounting policies	61
		<ul style="list-style-type: none"> Key findings 		10	E. Procurement system – process flow	62
		<ul style="list-style-type: none"> Summary of award obligation conditions 		17	F. Description of compliance observations in procurement	63
	MAPPING EXERCISE			18	G. Description of roles and responsibilities of HR staff	64
		<ul style="list-style-type: none"> Summary of mapping activity 		19	H. Overview of the HR policies and procedures	67
INTRODUCTION TO ORGANIZATION			21	I. Detailed description of HR observations	71	
	<ul style="list-style-type: none"> Legal status and organizational profile 		22	J. Profile of key management staff	74	
	<ul style="list-style-type: none"> Management and organizational structure 		24	K. Details of delay in implementation of projects	77	
	<ul style="list-style-type: none"> Financial statements analysis 		25	L. Salary scales	78	
CORE FUNCTIONS ANALYSIS			27	M. Management and organizational structure	79	
	<ul style="list-style-type: none"> Governance and management structure 		28	N. Synopsis of Memorandum of Association	84	
	<ul style="list-style-type: none"> Financial management and accounting system 		31	O. Synopsis of Articles of Association	85	
	<ul style="list-style-type: none"> Procurement system 		39	P. Synopsis of major project agreements	89	
	<ul style="list-style-type: none"> Human resource function 		43	Q. Rating Matrix	94	
	<ul style="list-style-type: none"> Absorptive capacity analysis 		48	R. Notice to the reader	95	
	<ul style="list-style-type: none"> Monitoring and evaluation 		50	S. Management responses	97	

ASSESSMENT REPORT

Assessment report

 <p>Private & Confidential</p> <p>Assessment and Strengthening Programme, Rural Support Programmes Network Sector F-10 Islamabad</p>	<p>KPMG Taseer Hadi & Co. Chartered Accountants Sixth Floor State Life Building No. 5 Jinnah Avenue, Blue Area Islamabad, Pakistan</p>	<p>Tel +92 (51) 282 3558 Fax +92 (51) 282 2671</p>				
<p>For the attention of: Mr. Ejaz Rahim Chief of Party</p> <p>23 August 2011</p>						
<p>Pre-award assessment report on Abacus Consulting Technology (Private) Limited</p>						
<p>We have made a review and evaluation of the managerial capacity and internal control systems of the Abacus Consulting Technology (Private) Limited using those criteria established by ASP-RSPN per the USAID standards. Our review included tests of compliance with the organization's stated procedures to the extent that such testing was deemed necessary and feasible. Our review is not an audit of any financial statement (s) prepared by Abacus Consulting Technology (Private) Limited.</p>						
<p>The management of the Abacus Consulting Technology (Private) Limited is responsible for establishing and maintaining systems of internal controls and financial management. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization with generally accepted accounting principles. We understand that the objective of those financial management and internal controls procedures comprehend in ASP-RSPN's criteria per the USAID standards is to provide similar assurance.</p>						
<p>Based on this knowledge and the review and evaluation conducted by our firm, we believe that current policies and procedures of Abacus Consulting Technology (Private) Limited carry Medium risk for being sufficient for USAID/ Pakistan's purposes, assuming satisfactory compliance of the conditions specified in the "Executive Summary" section of our report.</p>						
<p>Further, nothing came to our attention that would cause us to believe that, subject to compliance with post-obligation conditions provided in "Executive Summary" section of our report, Abacus Consulting Technology (Private) Limited does not have the managerial, technical, administrative and financial capabilities to carry out the proposed USAID funded</p>						
 <p>S. Bakhtiyar Kazmi Partner</p>						

EXECUTIVE SUMMARY

	<p>A. Introduction to organization</p> <ul style="list-style-type: none"> ● Abacus Consulting Technologies (Private) Limited was established in the year 1987 under the Companies Ordinance, 1984. The Company is engaged in provision of management consultancy, technology and outsourcing services. ● The Company has offices at five locations including Karachi, Lahore, Islamabad, Dubai and Saudi Arabia. ● Over the years, the Company has transformed into a business group which carries investments in various companies within and outside Pakistan. Abacus Consulting group comprise of: <ul style="list-style-type: none"> a. Abacus Consulting Technology (Private) Limited, which is the group’s holding company; b. Amos Global (Private) Limited. The holding company held 74.96% interest in the subsidiary company as of FY 2010; c. Abacus Consulting (Private) Limited. The holding company held 98.8% interest in the subsidiary company as of FY 2010; d. Abacus ELS (Private) Limited. The holding company held 99.6% interest in the subsidiary company as of FY 2010; e. Fragomen FZ-LLC. The holding company held 50% interest in the subsidiary company as of FY 2010; and f. Fragomen UAE-LLC. The holding company held 50% interest in the subsidiary company as of FY 2010. ● Group’s total asset base as of FY 2010 amounted to PKR 720 million (USD 8.37 million). Gross revenue for the FY 2010 amounted to PKR 1.67 billion (USD 19.43 million). Net profit for the FY 2010 amounted to PKR 166 million (USD 1.93 million). ● Organizational structure of the Company has been bifurcated into four BVs i.e. BTS, HCS, ITS and SCTA. An operations department provides support services to the organization which mainly comprise of finance, HR and administration activities. ● The Company has deployed SAP R5 ERP for the financial and HR management functions. 	<p>B. Introduction to assignment</p> <ul style="list-style-type: none"> ● KPMG was appointed by ASP, RSPN to carry out pre-award assessment of Abacus Consulting. KPMG was mandated to carry out the pre-award assessment in accordance with the Task Order shared with KPMG through email dated 04 August 2011. ● The overall objective of the pre-award assessment was to provide reasonable assurance to USAID/ Pakistan that Abacus Consulting has an acceptable organizational structure organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures and practices. <p>KPMG assessment methodology</p> <ul style="list-style-type: none"> ● The pre-award assessment was carried out in accordance with the scope of work specified in the task order. A field review of the Company was carried out in accordance with KPMG’s Assessment Methodology. ● KPMG assessment methodology was based on the premise that in order to successfully assume financial and programmatic accountability for a grant, the potential recipient needs certain minimum capacities and systems identified from USAID rules and regulations and international standards. ● KPMG methodology for pre-grant assessment evaluated minimum capacity requirements for the potential recipient. Assessment procedures were designed to: <ul style="list-style-type: none"> a) Check current and possibility of future compliance with the USG rules and regulations. b) Evaluate organization’s capacity for receiving the future higher assistance based on a comprehensive absorptive capacity analysis. c) Check that management leadership, organizational strengths, quality of staff, and quality of processes and procedures have the potential to support the management of a USAID-funded award, bearing in mind that ABACUS CONSULTING should not be viewed negatively because it has not received direct USAID funding before.
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Executive summary
Introduction – contd..

	<ul style="list-style-type: none"> a) Assess the organizational capacity to manage USAID advance funding mechanism per USAID regulations. b) Perform walk through and test on sample basis on the financial, management and procurement systems 				
	<ul style="list-style-type: none"> ● USAID’s relevant rules and regulations were referred for guidance to determine the benchmarks against which the Company was to be assessed. 				
	<ul style="list-style-type: none"> ● Our key assessment procedures included: <ul style="list-style-type: none"> a) Obtaining detailed understanding of Company’s policies and procedures, its organizational and legal structure; b) Obtaining detailed understanding of Company’s operations during last three years; c) Evaluating compliance with stated policies and procedures; d) Reviewing and analyzing Company’s progress and management activities on key clients being served by the Company; 				
	<ul style="list-style-type: none"> e) Performing on-site visits to client Project Management Offices to review the documentation and meet project staff; ● Based on KPMG’s assessment procedures, risk ratings were assigned to each core function. The rating signifies our understanding on the likely risk for future USAID funded project keeping in view the USAID’s rules and regulations. 				

Executive summary
Risk assessment matrix

Core function	Key Observations	Rating	Page Ref
Governance and management structure	<ul style="list-style-type: none"> Strong management and oversight structure. Regular monitoring and review by the BoD. Absence of an internal audit department. Weak external audit arrangements. 	Medium	10
Financial management and accounting system	<ul style="list-style-type: none"> Inadequate staff strength within the accounting and finance function in view of Company's existing scale of operations. Inadequate qualifications of finance team in relevant disciplines. Inadequate segregation of duties. Fixed assets records not adequately maintained. Instances of non-compliances with finance policies and procedures. 	Medium	10-12
Procurement system	<ul style="list-style-type: none"> Inadequate guidance over contract execution and contract administration. Inadequate segregation of duties. Weak maintenance of records related to procurement transactions. 	Medium	12-13
Human resource function	<ul style="list-style-type: none"> Adequate expertise possessed by top management in managing Company's operations. Inadequate staff planning at central level. Weak maintenance of HR records. Client issues pertaining to staff quality. Inadequate HR staffing. Absence of performance evaluation mechanism for international consultants. High employee turnover rate. 	Low	13-15
Absorptive capacity	<ul style="list-style-type: none"> Based on our review of Company's resources, its profile of managing large scale projects and the existing state of its policies and procedures, the Company is assessed to have adequate absorptive capacity to manage additional USAID funds. However, the adequacy of absorptive capacity is subject to the successful completion of proposed capacity building measures proposed by KPMG as a result of pre-award assessment on the Company. 	Medium	48-49
Monitoring and evaluation	<ul style="list-style-type: none"> Absence of a separate and independent monitoring and evaluation function. Program monitoring undertaken through multiple project management and performance review forums. PMO Charter and Global Project Management guidelines have been developed, however, they are not yet implemented by the Company. ToRs/ job descriptions of M&E personnel are not developed. 	Medium	16
Overall assessment	<ul style="list-style-type: none"> Company has developed a strong governance system. Being a private limited company, limited segregation of duties is prevalent in accounting and finance, and procurement functions. Finance team lacks adequate capacity in terms of qualifications. An internal audit function has not been developed. A separate and independent monitoring and evaluation unit is not yet functional. However, program monitoring is undertaken through multiple project management and performance review forums. Top management possess adequate skills and expertise to manage project activities. 	Medium	

Executive summary
Key findings

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: GOVERNANCE AND MANAGEMENT STRUCTURE			
<p>Internal audit arrangements</p> <ul style="list-style-type: none"> It was observed that the company has not set-up any internal audit function. 	<ul style="list-style-type: none"> Absence of an internal audit function may affect the quality of Company's control environment. 	<ul style="list-style-type: none"> An internal audit function, with adequate authority and independence, should be developed. The internal audit department should have a charter and should be staffed with adequately qualified professionals. 	30
<p>External audit arrangements</p> <ul style="list-style-type: none"> External audit is conducted by an independent entity mandated to carry out the audit on an annual basis. It was observed that Company's audited financial statements contain various quality issues pertaining to disclosures. 	<ul style="list-style-type: none"> Deficiencies in terms of disclosures in financial statements may adversely affect the true and fair presentation of Company's financial position. 	<ul style="list-style-type: none"> Company should appoint a reputable firm of chartered accountants. 	30
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM			
<p>Adequacy of staff strength</p> <ul style="list-style-type: none"> Finance department employs eight personnel which is not considered to be sufficient in view of the existing scale of operations. 	<ul style="list-style-type: none"> Inadequate staff strength may affect the quality and efficiency of accounting and finance activities. 	<ul style="list-style-type: none"> An assessment of adequacy of staff strength at each group company should be carried out. Sufficient staff should be hired on the basis of need identified in the assessment. 	36
<p>Adequacy of qualifications, skills set and experience</p> <ul style="list-style-type: none"> Finance and accounting department have adequately experienced staff however they do not possess adequate higher professional qualifications in accounting and finance. Furthermore, finance staff do not possess adequate knowledge of SAP R-5 solutions application. 	<ul style="list-style-type: none"> Finance function may not be able to adequately discharge its responsibilities pertaining to day-to-day financial management as well as periodic financial reporting and progress evaluation. 	<ul style="list-style-type: none"> Finance staff with adequate qualifications and experience should be hired. 	36

Executive summary
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM			
Fixed assets management <ul style="list-style-type: none"> Fixed assets records do not provide comprehensive information pertaining to the location, date of purchase, etc. 	<ul style="list-style-type: none"> The Company may not be able to effectively manage its resources. 	<ul style="list-style-type: none"> Fixed assets records should be updated in accordance with the requirements of Companies Ordinance, 1984, to ensure appropriate and updated monitoring of their usage. 	36-37
Compliance with payment policies and procedures <ul style="list-style-type: none"> Non-compliance with Company's policies and procedures were observed during the review of payment of process. 	<ul style="list-style-type: none"> Non-compliance of payment controls may result in un-authorized/ inappropriate utilization of cash resources. 	<ul style="list-style-type: none"> Payment policies and procedures should be complied in letter and spirit. 	37
Bank reconciliation statements <ul style="list-style-type: none"> A review and approval of the bank reconciliation statements is not being carried out by a senior level staff. 	<ul style="list-style-type: none"> Inaccurate preparation of bank reconciliation statements may lead to inaccurate recording of financial transactions. 	<ul style="list-style-type: none"> Bank reconciliation statements should be reviewed by the Senior Manager Finance and approved by the Director Operations. 	37
Payroll procedures <ul style="list-style-type: none"> Certain instances were identified where payroll sheets were not signed by the Director Operations. 	<ul style="list-style-type: none"> Inaccurate preparation of payrolls. 	<ul style="list-style-type: none"> All payroll sheets should be signed by the competent authority. 	38
Appropriateness of financial statements <ul style="list-style-type: none"> Company's financial statements contain various quality issues with respect to disclosures. 	<ul style="list-style-type: none"> Deficiencies in terms of disclosures in financial statements may adversely affect the true and fair presentation of Company's financial position. 	<ul style="list-style-type: none"> A review of the quality of financial statements should be carried out. Inconsistencies should be removed in accordance with allowable treatments specified in the IFRSs. 	38

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM			
<p>Segregation of duties</p> <ul style="list-style-type: none"> Director Operations is entrusted with various responsibilities including authorization of procurements, supervision of accounting and finance function, and various key management functions. Further, he is the authorised signatory of the Company and is responsible for the signing of legal documents and contracts on behalf of the Company. He is also the CEO of Executive Leasing Services Company (Private) Limited. 	<ul style="list-style-type: none"> The existing arrangement may dilute controls to ensure a mechanism of checks and balances within the Company. Risk of inappropriate utilization of financial resources. 	<ul style="list-style-type: none"> Adequate segregation of duties should be introduced within the existing work flow and procedures. 	38
CORE FUNCTION AREA: PROCUREMENT SYSTEM			
<p>Appropriateness of policies and procedures</p> <ul style="list-style-type: none"> Procurement policies do not provide adequate guidance over contract execution and management. 	<ul style="list-style-type: none"> Procurement activities may not be adequately guided. 	<ul style="list-style-type: none"> A review of procurement policies should be carried out. The procurement policies and procedures should be revised to adequately provide guidance over contract execution and management. 	41
<p>Segregation of duties</p> <ul style="list-style-type: none"> There is lack of segregation of duties as per company's procurement policies since director operations is authorized for carrying out negotiations with the suppliers. Further, he is the sole approving authority of all purchase orders. The Director Operations is also signatory to bank accounts. Procurement of IT equipment, which forms major portion of Company's procurement activity, is mainly undertaken by the Manager – IT. 	<ul style="list-style-type: none"> Adequate segregation of authorities is important to ensure that procurements are carried out in a competitive and transparent manner. An adequate mechanism of checks and balances over procurement activities may not be adopted. 	<ul style="list-style-type: none"> Key procurement activities should be adequately designated to different staff members to ensure segregation of duties. 	41-42

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: PROCUREMENT SYSTEM			
<p>Compliance with laws and regulations</p> <ul style="list-style-type: none"> Staff trainings on compliance with laws and regulations are not being carried out. Adequate record of quotations, supplier evaluation and contract negotiations is not being maintained. A periodic supplier evaluation mechanism has not been developed. 	<ul style="list-style-type: none"> It might indicate lack of adequate procedures on overall procurement process management and execution. 	<ul style="list-style-type: none"> Capacity building of staff on compliance with laws and regulations should be carried out. Adequate records should be made in respect of all procurement transactions. A periodic supplier evaluation should be carried out. 	42
<p>Adequacy of experience in procurement</p> <ul style="list-style-type: none"> The procurement staff does not possess experience of undertaking large value procurements of works due to the specific nature of services being provided by the Company. 	<ul style="list-style-type: none"> Procurement experience of only specific IT related equipment. 	<ul style="list-style-type: none"> Procurement capacity of the staff may have to be strengthened incase of any procurements other then IT equipment are required. 	42
CORE FUNCTION AREA: HUMAN RESOURCE			
<p>Appropriateness of policies and procedures</p> <ul style="list-style-type: none"> HR policies and procedures were assessed to be appropriate for the existing scale and nature of Company's operations. However, certain instances were identified where the documentation relating to employee need assessment, reference checks, orientation, staff training etc. specified by the HR Policy manual were not available. Further, salary payments in certain instances were not made in accordance with approved salary scales. Policies and procedures in respect of hiring of International Consultants have not been developed. 	<ul style="list-style-type: none"> Prepared of all stated documentation is important to ensure fully compliances of HR polices and procedures. Arbitrary procedures may be adopted in selection of international consultants which may affect the quality of due diligence to be performed by the Company at the selection of a consultant. 	<ul style="list-style-type: none"> Employee records and documentation as specified in the HR manual should be maintained. Compliance with HR policies and procedures should be ensured. Policy for hiring of international consultants should be developed. 	45

Executive summary
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: HUMAN RESOURCE			
<p>Adequacy of staff hiring mechanism</p> <ul style="list-style-type: none"> Company's certain key clients have expressed concerns over the quality of staff deployed at projects and requested for change in project management team. A centralized HR planning is not being performed. Company's management contends that HR planning is delegated to Practice Areas. However, we were not provided with HR planning process at practice areas level. 	<ul style="list-style-type: none"> Company may not be able to timely achieve intended targets. In the absence of HR planning documentation, we remained unable to assess the adequacy of HR planning procedures carried out by the Company. 	<ul style="list-style-type: none"> A review of the HR selection processes should be carried out to identify design and implementation weaknesses. HR planning documentation should be provided for review and analysis. 	45
<p>Adequacy of qualifications, skills set and experience</p> <ul style="list-style-type: none"> Key management staff at senior level is adequately skilled and experienced to manage Company's operations. However, middle level management particularly employed in the Accounting and Finance function is not adequately qualified to manage the existing portfolio of activities. 	<ul style="list-style-type: none"> Finance function may not be able to adequately discharge its responsibilities pertaining to day-to-day financial management as well as periodic financial reporting and progress evaluation. 	<ul style="list-style-type: none"> Finance staff with adequate qualifications and experience should be hired. 	46
<p>Adequacy of HR staff</p> <ul style="list-style-type: none"> HR staff strength has decreased during previous three years despite overall growth in the number of group employees during the period. HR staff has decreased from thirteen employees in the FY 2009 to seven during FY 2011. 	<ul style="list-style-type: none"> HR staff may not be able to adequately discharge its designated responsibilities. 	<ul style="list-style-type: none"> Adequate staff should be hired in the HR function. 	44

Executive summary
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: HUMAN RESOURCE			
<p>Staff accountability and performance evaluation</p> <ul style="list-style-type: none"> No formal performance evaluation mechanism is in place for expatriate consultants that are hired on various projects. Their performance evaluation is based on the deliverables under the contract which is carried out only in case of re-hiring of the consultant. We observed that no "project assessment forms" for the FY 2009 were signed by Consultant; Project manager; and Practice area head. HR does not receive a copy of the filled "Project assessment form" at the inception of the project as required by the standard operating procedures rather it is submitted to the HR by the consultant at the end of the year and/or project if ended earlier. 	<ul style="list-style-type: none"> The Company may not be able to adequately assess the progress of a consultant and its impact on project activities. In the absence of required control documentation, we remained unable to assess the status of Company's compliance with its stated HR policies and procedures. 	<ul style="list-style-type: none"> A formal performance evaluation mechanism in respect of international consultants should be developed. Complete documentation in respect of staff evaluation should be maintained. 	47
<p>Staff retention and employee turnover</p> <ul style="list-style-type: none"> According to management, attrition rate for the FY 2011 remained at 14% in comparison with 28% in respect of FY 2010. Company's management contends that high attrition rate is primarily due to turnover under the call center services contract with Telenor. A review of management reports on key projects, selected on the basis of high contract value, shows that project delays were experienced due to employee turnover as well as non-availability of required staff. 	<ul style="list-style-type: none"> High turnover may affect the continuity of operations and loss of investment made by the Company in its HR. 	<ul style="list-style-type: none"> Appropriate measures should be taken to ensure retention of key staff. 	47
<p>Training and development</p> <ul style="list-style-type: none"> As per management, PALs are responsible for conducting Training Needs Assessment of employees, however, no evidence was provided in respect of conducting training need assessments by PALs. 	<ul style="list-style-type: none"> Staff may not be updated on relevant performance standards and job requirements. 	<ul style="list-style-type: none"> A TNA should be performed. A training plan should be developed on the basis of TNA. 	47

Executive summary
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION			
<p>Independence of monitoring and evaluation function</p> <ul style="list-style-type: none"> An independent monitoring and evaluation function has not been developed. 	<ul style="list-style-type: none"> Project monitoring may not be independently performed. 	<ul style="list-style-type: none"> An independent monitoring and evaluation function should be established. 	54
<p>Adequacy of policies and procedures/ job descriptions</p> <ul style="list-style-type: none"> PMO Charter and Global Project Management guidelines have been developed, however, they are not yet implemented by the Company. ToRs/ job descriptions of M&E personnel are not developed. 	<ul style="list-style-type: none"> Project activities may not be evaluated on the basis of a consistent progress monitoring mechanism. 	<ul style="list-style-type: none"> M&E guidelines and tools should be consistently applied across all projects being undertaken by the Company. ToRs/ job descriptions should be developed. 	54
<p>Reporting requirements</p> <ul style="list-style-type: none"> The company has developed comprehensive reporting guidelines, however they are not being followed. Following reports are not being used by the Company: <ul style="list-style-type: none"> Change request form, Risk/ issues/ change logs, communication plan, milestone plan & RAM, and project charter as required by the "global project management policy" manual. In certain instances project status reports were not prepared. 	<ul style="list-style-type: none"> Project activities may not be timely and accurately reported to Project Management teams. 	<ul style="list-style-type: none"> All reporting formats should be used/ implemented for timely and accurate reporting of project progress. 	54
<p>Project management</p> <ul style="list-style-type: none"> Significant issues were identified during the review of key projects selected on random selection basis. 	<ul style="list-style-type: none"> The Company may suffer significant revenue losses and performance damages due to inadequate progress management gaps. 	<ul style="list-style-type: none"> A review of projects currently in progress should be carried out. 	55-56
<p>Client satisfaction analysis</p> <ul style="list-style-type: none"> A mechanism for reviewing client satisfaction has not been developed. 	<ul style="list-style-type: none"> The Company may not be able to modify its program implementation strategies, if required, in the absence of a formal feedback from its clients. 	<ul style="list-style-type: none"> A mechanism for reviewing client satisfaction should be developed. 	56
PLEASE REFER ANNEXURE S FOR MANAGEMENT COMMENTS			

MAPPING EXERCISE

Summary of mapping activity

Recommendation	Management initiative	Action point
<p>Strengthening of governance structure</p> <ul style="list-style-type: none"> ● An internal audit function, with adequate authority and independence, should be developed. 	<ul style="list-style-type: none"> ● None 	<ul style="list-style-type: none"> ● Internal audit function should be established. The internal audit function should employ adequate staff with appropriate qualifications. Scope of internal audit department should extend to entire operations of the Company with direct reporting line to the top management.
<p>Capacity building of finance department</p> <ul style="list-style-type: none"> ● The finance department should be strengthened in terms of its HR capacity. Appropriately qualified finance staff should be hired with appropriate sub-ordinate level staff. ● Adequate segregation of duties within the accounting function should be ensured. ● Compliance with policies and procedures should be ensured. 	<ul style="list-style-type: none"> ● None 	<ul style="list-style-type: none"> ● An analysis of the existing staff capacities of the finance staff should be carried out. On the basis of analysis, job descriptions and eligibility criteria should be established. ● The existing structures as well as policies and procedures should be modified in order to ensure appropriate segregation of duties. ● Fixed assets records should be reviewed and updated to ensure that adequate records are maintained in accordance with legal requirements laid down by applicable laws and regulations. ● Director Finance should review the bank reconciliation statements. ● Policies and procedures relating to payment authorization and maintenance of records should be complied.
<p>Strengthening of procurement processes</p> <ul style="list-style-type: none"> ● Policies and procedures should be modified to provide adequate guidance over contract execution and contract management. ● Adequate segregation of duties within the procurement function should be ensured. 	<ul style="list-style-type: none"> ● None 	<ul style="list-style-type: none"> ● A centralized procurement function/ forum should be established with adequate representation from relevant departments. ● The procurement policies and procedures should be revised to adequately provide guidance over contract execution and management.

Recommendation	Management initiative	Action point
<p>Capacity building of human resource department</p> <ul style="list-style-type: none"> HR policies and procedures should be strengthened. Compliance with HR policies and procedures should be ensured. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> A review of the HR selection processes should be carried out to identify design and implementation weaknesses. A performance evaluation mechanism in respect of international consultants should be developed and implemented. Training programs for employees should be arranged to ensure adequate professional development of Company's HR. Scope of internal audit function should include review of compliance with HR policies and procedures.
<p>Strengthening of monitoring and evaluation mechanism</p> <ul style="list-style-type: none"> An independent monitoring and evaluation mechanism should be developed. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> An independent monitoring and evaluation department should be established. The monitoring and evaluation function should closely coordinate with the Internal Audit department to ensure oversight and verification of financial aspects of project activities. Reporting requirements as stipulated by Company's policies and procedures should be complied. The project monitoring mechanism shall ensure compliance with reporting requirements as well as a mechanism for carrying out follow-up of previously identified observations.

INTRODUCTION TO ORGANIZATION

	<p>A. Legal status</p> <ul style="list-style-type: none"> Abacus Consulting Technologies (Private) Limited was established in the year 1987 under the Companies Ordinance, 1984. The Company is engaged in provision of management consultancy, technology and outsourcing services. Since its formation, the Company has transformed into a business group which carries investments in various companies within and outside Pakistan. Abacus Consulting group comprise of: 	<p>f. Fragomen UAE-LLC. The holding company held 50% interest in the subsidiary company as of FY 2010. The company is an LLC and was incorporated under the laws of UAE on 30 May 2006. It is engaged in providing outsourcing and consultancy services.</p> <ul style="list-style-type: none"> The Company has a paid-up capital of PKR 10 million (USD 0.12 million) divided into one million shares at a face value of PKR 10/ share. Following is the detail of company’s BoD as well as respective shareholding of the BoD member: 																												
	<p>a. Abacus Consulting Technology (Private) Limited, which is the group’s holding company.</p> <p>b. Amos Global (Private) Limited. The holding company held 74.96% interest in the subsidiary company as of FY 2010. The company was incorporated under the CO, 1984, and is principally engaged in the development and export of computer software as a professional services company.</p>	<table border="1"> <thead> <tr> <th colspan="4">Board of directors</th> </tr> <tr> <th>S.no.</th> <th>Name</th> <th>Designation</th> <th>Shareholding %</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Asad Ali Khan</td> <td>CEO/ Director</td> <td>62%</td> </tr> <tr> <td>2</td> <td>Mr. Abbas Ali Khan</td> <td>Director</td> <td>19%</td> </tr> <tr> <td>3</td> <td>Mr. M. Aamir Chaudhary</td> <td>Director</td> <td>19%</td> </tr> <tr> <td>4</td> <td>Syed Ali Shaukat</td> <td>Director</td> <td>0.0001%</td> </tr> <tr> <td>5</td> <td>Mr. Paul Anthony Batchelor</td> <td>Director</td> <td>0.0001%</td> </tr> </tbody> </table> <p>Source: Form – A dated November, 2010</p>	Board of directors				S.no.	Name	Designation	Shareholding %	1	Mr. Asad Ali Khan	CEO/ Director	62%	2	Mr. Abbas Ali Khan	Director	19%	3	Mr. M. Aamir Chaudhary	Director	19%	4	Syed Ali Shaukat	Director	0.0001%	5	Mr. Paul Anthony Batchelor	Director	0.0001%
Board of directors																														
S.no.	Name	Designation	Shareholding %																											
1	Mr. Asad Ali Khan	CEO/ Director	62%																											
2	Mr. Abbas Ali Khan	Director	19%																											
3	Mr. M. Aamir Chaudhary	Director	19%																											
4	Syed Ali Shaukat	Director	0.0001%																											
5	Mr. Paul Anthony Batchelor	Director	0.0001%																											
	<p>c. Abacus Consulting (Private) Limited. The holding company held 98.8% interest in the subsidiary company as of FY 2010. The company was incorporated as a private limited company in Pakistan on 24 February 1997 under the CO, 1984, and is engaged in providing consultancy services as a professional service company.</p> <p>d. Abacus ELS (Private) Limited. The holding company held 99.6% interest in the subsidiary company as of FY 2010. The company was incorporated as a private limited company in Pakistan on 14 October 2006 under the CO, 1984, and is engaged in the providing executive leasing services and other consultancies as a professional service company.</p> <p>e. Fragomen FZ-LLC. The holding company held 50% interest in the subsidiary company as of FY 2010. The company is an LLC and was incorporated under the laws of UAE on 30 May 2006. It is engaged in providing outsourcing and consultancy services.</p>	<p>B. Organizational profile</p> <ul style="list-style-type: none"> Company’s mission is to be the transformation partner of choice for clients determined to succeed in a rapidly changing world, so that together we create the future of business. The Company has offices at five locations including Karachi, Lahore, Islamabad, Dubai and Saudi Arabia. Group’s total asset base as of FY 2010 amounted to PKR 720 million (USD 8.37 million). Gross revenue for the FY 2010 amounted to PKR 1.67 billion (USD 19.43 million). Net profit for the FY 2010 amounted to PKR 166 million (USD 1.93 million). Company’s major clients include Telenor Pakistan, Oxford Policy Management, KESC and FFC (please refer Annexure P for detailed overview of projects/ agreements with major clients). 																												

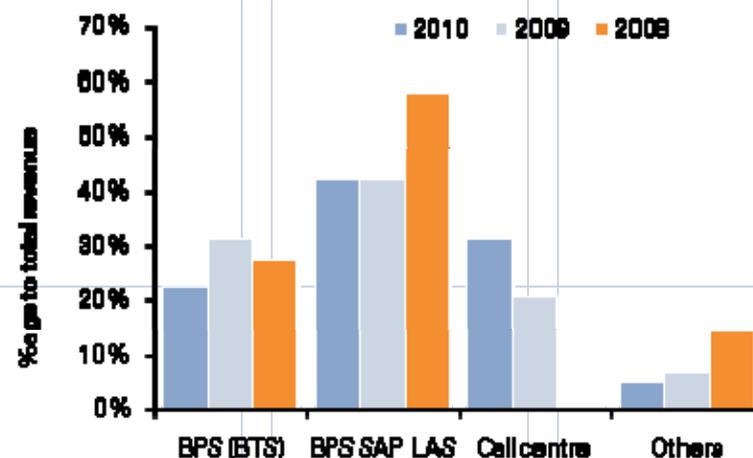
- On an overall basis, the Company has approximately 1,833 employees.
- Organizational structure of the Company has been bifurcated into four BVs i.e. BTS, HCS, ITS and SCTA. An operations department provides support services to the organization which mainly comprise of finance, HR and administration activities (please refer Annexure M for detailed BV structures).
- BTS provides Enterprise Applications (SAP for large enterprises and SAP Education services) as well as Performance Management services which include strategy development, enterprise performance management, supply chain and operations management and change management services.
- ITS provides business process outsourcing services, application development and management services, mid market ERP services and database marketing services.
- HCS provides human capital management, HR survey services, payroll management services, and organization design and development services.
- SCTA provides strategic consulting, sector search and research, mergers, acquisitions and divestitures services.
- The Company has entered into strategic alliances with various strategic alliance partners including SAP, Mercer and Sybase.
- SAP is the world's leading provider of business software solutions with a global turnover of US\$ 12 billion and has a client base of more than 89,000 customers in over 120 countries.
- Mercer provides consulting, outsourcing and investment services. It has a client base of more than 25,000 clients worldwide.

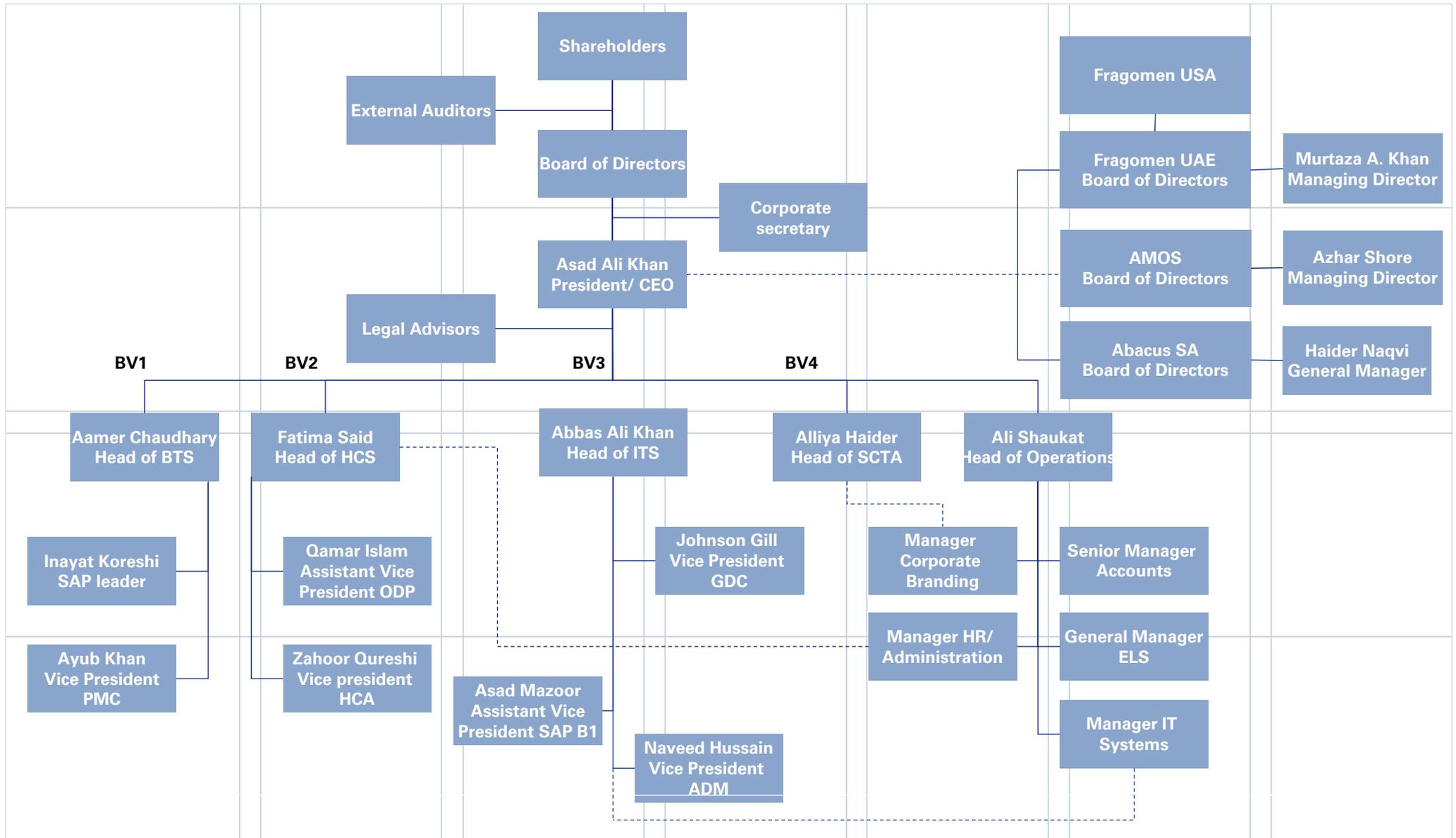
Key employees/ management team

S.no.	Name	Designation
1	Mr. Asad Ali Khan	CEO/ Director
2	Mr. Paul Anthony Batchelor	BoD member
3	Mr. M. Aamir Chaudhary	Partner
4	Mr. Abbas Ali Khan	Partner
5	Mr. Ali Shaukat	Ex. Director
6	Mr. Inayat Ullah Koreshi	Partner
7	Ms. Fatima Said	Ex. Director
8	Mr. Murtaza Ali Khan	Ex. Director
9	Ms. Aliya Hyder	Ex. Director
10	Mr. Arshad Iqbal	SAP Director

Source: Management information

Major revenue streams





ABACUS CONSULTING TECHNOLOGY (PRIVATE) LIMITED			
Statement of Financial Position			
	2010	2009	2008
Rupees in million			
NON-CURRENT ASSETS			
Property, Plant and equipment	100	94	56
Intangible assets	5	5	5
Long term deposits	13	9	5
CURRENT ASSETS			
Accounts receivable	349	440	178
Loans and advances	8	2	10
Trade deposits / prepayments	41	11	19
Short term investment	58	-	-
Income tax - net	49	25	13
Cash and bank balances	98	30	15
	602	508	235
	721	616	301
SHARE CAPITAL AND RESERVES			
Share capital	10	10	10
General Reserves	314	212	121
	324	222	131
MINORITY INTEREST	75	40	2
	399	262	133
LONG TERM LIABILITIES			
Finance lease liabilities	14	17	9
Long Term Loan	-	2	2
Deffered liabilities -gratuity	42	29	18
CURRENT LIABILITIES			
Short term bank borrowing	20	20	20
Current portion of lease liability	12	9	6
Accounts payable	81	145	51
Accrued mark - up	1	1	1
Accrued and other liabilities	153	132	60
	267	307	139
	721	616	301

● **Overview and analysis**

- In terms of overall financial position, the Company's net assets increased from PKR 133 million (USD 1.54 million) in the year 2008 to PKR 399 million (USD 4.64 million) in the year 2010 i.e. a year on year growth of 97% during the year 2009 followed by a 52% growth in the year 2010.
- The increase in net assets is represented by a corresponding growth in operations and profitability as there has been no additional investment from the stakeholders of the company.
- The company paid dividends of PKR 43.125 million (USD 0.50 million) during the last three years i.e. from the year 2008 to the year 2010 as against the investment in share capital of PKR 10 million (USD 0.12 million). The dividend payout in the year 2010 was PKR 30 million (USD 0.35 million).
- The property plant and equipment includes computers & related equipment, office fixtures, office equipment and vehicles. The increase in property, plant and equipment is representative of the corresponding growth in business operations of the company.
- Account receivables primarily comprise of trade debts. Average debtor turnover days increased significantly in the year 2009 i.e. from 71 days in the year 2008 to 120 days in the year 2009. However, the average debtor turnovers days were 76 in the year 2010 implying improvement in debtor recovery patterns.
- The company has not availed any significant financing facilities from financial institutions and the total liabilities of the company towards financial institutions approximate to PKR 46 million (USD 0.53 million) including liabilities against assets subject to finance lease of PKR 26 million (USD 0.30 million).
- The deferred liabilities represents the retirement benefits payable to the employees of the company under the un-funded gratuity scheme being operated by the company. Accrued and other liabilities primarily comprise of accrued expenses, advances from customers and income tax deducted at source.

Financial statements analysis

Operating results

ABACUS CONSULTING TECHNOLOGY (PRIVATE) LIMITED			
Income Statement			
	2010	2009	2008
Rupees in million			
Revenue	1,671	1,338	914
Direct Cost	1,113	947	680
Administrative and general	558	391	234
	339	230	127
Other income	220	161	107
	3	(0)	2
Financial Cost and other charges	223	161	109
	10	8	6
Other operating charges-VVWF	212	153	103
	3	2	-
Profit before taxation	210	151	103
Taxation	44	32	30
Profit after taxation	166	119	73

● Operating results

- In the year 2010, the company posted a net profit after tax of PKR 166 million (USD 1.93 million) as against the total turnover of PKR 1.67 billion (USD 19.43 million) representing a net profit margin of 10%.
- In terms of gross margins, the profitability of the company improved since the year 2008. In 2008, the gross margin was around 26% followed by a gross margin of 29% in the year 2009 and 33% in the year 2010.
- From a growth perspective, there has been a significant growth in terms of revenue i.e. on a year on year basis, the gross revenue increased by 46% in the 2009 followed by a 25% increase in the year 2010.
- The company remained operating with profits and in terms of growth in profitability, the year on year increase for 2009 was 67% followed by 39% in the year 2010.

CORE FUNCTIONS ANALYSIS

**CORE FUNCTIONS ANALYSIS
GOVERNANCE AND MANAGEMENT STRUCTURE**

	<p>Overview of governance and management structure</p> <p>1. Legal entity</p> <ul style="list-style-type: none"> Abacus Consulting Technology (Private) Limited was established in the year 1987 under the Companies Ordinance, 1984 as a private limited company. The registered office of the company is situated at Abacus House, 4-Noon Avenue, Muslim Town Lahore. 	<p>4. Governance and management structure - contd..</p> <p>● Board of directors (BoD)</p> <ul style="list-style-type: none"> BoD is responsible for managing the affairs of the Company. Primary responsibilities of the BoD include: a) establishment of policies and procedures; b) approval of projects/ service line areas; c) approval of financial statements; d) proposing dividend payouts e) authorizing capital expenditure; f) approve annual budgets etc. 																												
	<p>2. Statutory filing requirements</p> <ul style="list-style-type: none"> Being a Company registered as private limited company under the Companies Ordinance 1984 (the Ordinance), the management of the company is required to submit following returns and documents to the Securities and Exchange Commission of Pakistan (SECP); <ul style="list-style-type: none"> Form A – Annual Return under section 156 of the Ordinance; Form 26 – special resolution under section 172 of the Ordinance; Form 29 – particulars of directors and officers including CEO, managing agent, secretary, chief accountant, auditors and legal advisors and any change therein under section 205 of the Ordinance. Audited financial statements <p>3. Tax status</p> <ul style="list-style-type: none"> Abacus Consulting Technology (Private) Limited is registered with Federal Board of Revenue as ‘company’ under Income Tax Ordinance 2001. 	<ul style="list-style-type: none"> The BoD of the company consist of five members. Following is the detail of company’s BoD as well as respective shareholding of the BoD member: <table border="1" data-bbox="1361 639 2136 916"> <thead> <tr> <th colspan="4">Board of directors</th> </tr> <tr> <th>S.no.</th> <th>Name</th> <th>Designation</th> <th>Shareholding %</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Asad Ali Khan</td> <td>CEO/ Director</td> <td>62%</td> </tr> <tr> <td>2</td> <td>Mr. Abbas Ali Khan</td> <td>Director</td> <td>19%</td> </tr> <tr> <td>3</td> <td>Mr. M. Aamir Chaudhary</td> <td>Director</td> <td>19%</td> </tr> <tr> <td>4</td> <td>Syed Ali Shaukat</td> <td>Director</td> <td>0.0001%</td> </tr> <tr> <td>5</td> <td>Mr. Paul Anthony Batchelor</td> <td>Director</td> <td>0.0001%</td> </tr> </tbody> </table> <p><i>Source: Form – A dated November, 2010</i></p> <ul style="list-style-type: none"> Please refer Annexures N and O for synopsis of Company’s Memorandum of Association and Articles of Association. 	Board of directors				S.no.	Name	Designation	Shareholding %	1	Mr. Asad Ali Khan	CEO/ Director	62%	2	Mr. Abbas Ali Khan	Director	19%	3	Mr. M. Aamir Chaudhary	Director	19%	4	Syed Ali Shaukat	Director	0.0001%	5	Mr. Paul Anthony Batchelor	Director	0.0001%
Board of directors																														
S.no.	Name	Designation	Shareholding %																											
1	Mr. Asad Ali Khan	CEO/ Director	62%																											
2	Mr. Abbas Ali Khan	Director	19%																											
3	Mr. M. Aamir Chaudhary	Director	19%																											
4	Syed Ali Shaukat	Director	0.0001%																											
5	Mr. Paul Anthony Batchelor	Director	0.0001%																											
	<p>4. Governance and management structure</p> <p>● Shareholders</p> <ul style="list-style-type: none"> Under the company governance structure, the shareholders are vested with the overall powers to govern the strategic direction of company, to consider and approve the annual financial statements, elect directors and appoint and fix remuneration of auditors. 	<p>5. Accountability environment</p> <ul style="list-style-type: none"> The company is subject to external audits. External audits are carried out by independent firm of chartered accountants. Currently Arshad Raheem & Co. are the external auditors of the company. The company has not established any in house audit department to carry out internal audit of its organization. 																												

	<p>6. Assessment of adequacy of function/ critical risk factors</p> <p>6.1 Legal status</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> The Company should be a legally registered entity in order to ensure that it has legal authority to carry out its business in Pakistan and enter into enforceable agreements. <p>b) Observation</p> <ul style="list-style-type: none"> Abacus Consulting Technology (Private) Limited is a legal entity registered under the Companies Ordinance, 1984. The Company was assessed to have adequate legal status and authority to enter into agreement with USAID. 	<ul style="list-style-type: none"> No instance of non-compliance with filing requirements under Companies Ordinance, 1984, and Income Tax Ordinance 2001 was observed. <p>6.5 Governance structure</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> There should be an effective governance structure to effectively monitor and oversee the functions and activities of company. <p>b) Observation</p>
	<p>6.2 Tax status</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> The Company should have obtained registration under the Income Tax Ordinance, 2001, applicable in Pakistan. <p>b) Observation</p> <ul style="list-style-type: none"> The company is registered with Federal Board of Revenue as 'company' under Income Tax Ordinance 2001 and was assessed to have adequate registration under the law. 	<ul style="list-style-type: none"> An appropriate governance structure, comprising of BoD, executive board, management review forums, is in place to review overall performance of the Company. <p>6.6 External audit independence/ adequacy</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> Auditing entities should be independent in fact and appearance and should independently carry out the responsibilities assigned to them. External audit should be carried out through a reputed firm for ensuring quality of audit and enhancing the credibility of financial statements. <p>b) Observations</p> <ul style="list-style-type: none"> External audit is conducted by an independent entity mandated to carry out the audit on an annual basis. It was observed that Company's audited financial statements contain various quality issues with respect to the disclosure requirements specified by applicable standards.
	<p>6.3 Litigation status</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> Appropriate arrangements be made to ensure that the company is able to defend its contractual rights and legal actions instituted against it. <p>b) Observation</p> <ul style="list-style-type: none"> The Company enters into legal arrangements on need basis and is considered adequate for Company's operations. On the basis of assessment procedures, no instance of legal dispute came to our attention. 	<p>6.7 Internal audit</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> An independent and effective internal audit mechanism should be in-built into the operating cycle. An internal audit team with adequately qualified and skilled staff should be established to carry out effective and efficient audit. <p>b) Observation</p> <ul style="list-style-type: none"> It was observed that the Company has not set-up an internal audit function.
	<p>6.4 Compliance with filing requirements</p> <p>a) Risk area</p> <ul style="list-style-type: none"> Appropriate controls should be in place to ensure compliance with filing requirements of Companies Ordinance, 1984 and Income Tax Ordinance, 2001. <p>b) Observation</p>	

CORE FUNCTIONS ANALYSIS
FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM

Core functions analysis
Financial management and accounting system

1. Introduction

- A dedicated accounting and finance function has been established to carry out accounting, recording and reporting of financial matters of the Company.

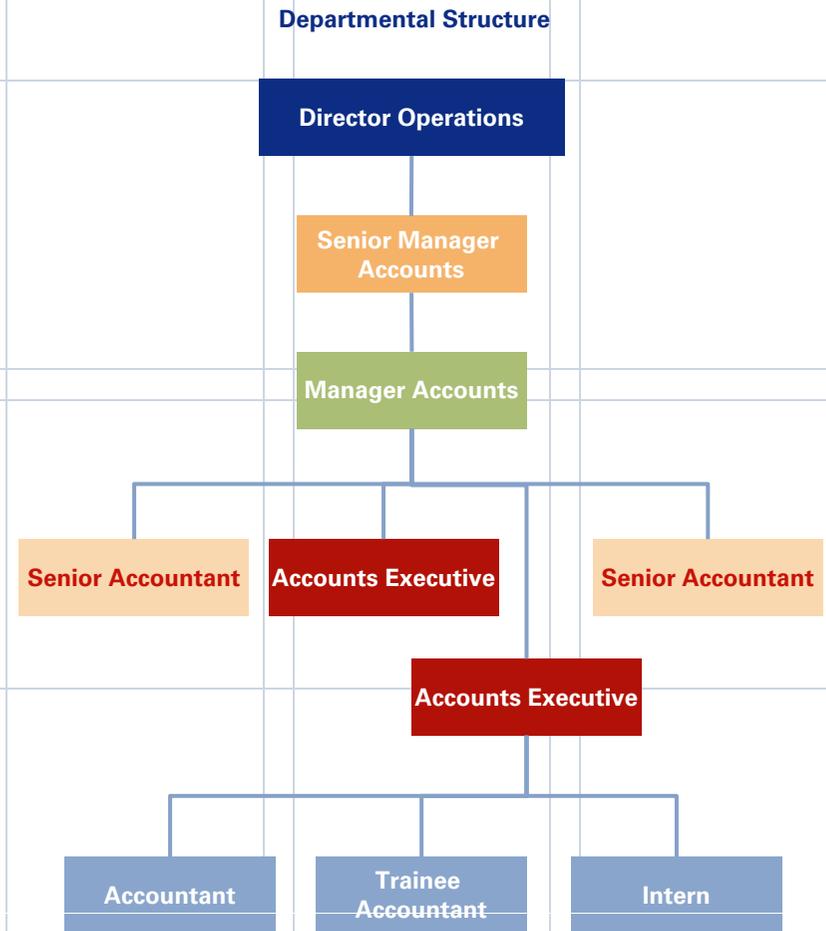
2. Scope and function

- Finance and accounts unit is responsible for preparing financial, administrative and accounting procedures for effective management and execution of accounts, payroll, audit and tax matters with the objective to ensure accurate and up to date books of accounts within financial and tax laws, banking rules, international accounting standards and company policies and procedures of the Company.
- The finance function is also charged with the responsibility of procurement of fixed assets.
- An accounting and finance manual has been developed to govern the functions of the department. The finance and accounts manual serves as the primary source of guidance and lays down the scope of work for the accounting and finance function.
- Custody of the accounting and finance manual primarily rests with the director operations and senior manager accounts with access to all its finance personnel. The manual is required to be updated from time to time with all the changes proposed along with due justification submitted to the director operations for evaluation in coordination with the senior manager accounts and manager accounts.
- The manual includes policies and procedures to be adopted by the accounting and finance function, Appropriate job descriptions have been developed for the accounting and finance personnel which form part of the job descriptions manual (Please refer Annexure C for detailed description of job descriptions).

3. Structure of accounting and finance function

- Accounting and finance function has a dedicated team of eight employees which is headed by the director operations who is charged with the responsibility for overall operations of the function. Director Operations is assisted by a senior manager accounts who is a commerce graduate with approximately sixteen years of experience,

Senior manager accounts is assisted by manager accounts who is a commerce graduate and a part qualified chartered certified accountant with approximately five years accounting and finance experience. Third tier of accounting and finance function comprise of Senior Accountants and Accounts Executives followed by a team of accountant, trainee accountant and an intern.



	<p>4. Preparation of Financial statements</p> <ul style="list-style-type: none"> Financial year of the Company ends on 30 June. Financial statements of the Company are prepared in accordance with approved accounting standards as applicable in Pakistan, which comprise of International Accounting and Financial Reporting Standards issued by the ICAP and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail (please refer Annexure D for detailed description of Company’s accounting policies). 	<p>6. Financial management system</p> <p>A. Cash management system</p> <ul style="list-style-type: none"> The overall responsibility for adherence to cash receipt and disbursement procedures vests with Director Operations or Senior Manager Accounts in the absence of Director Operations. For each collection, whether refund of advances given to employees/suppliers or security deposits or any other collections of cash on behalf of company i.e. sale proceed of an assets etc., a JV is prepared to record the transactions in the SAP system.
	<p>5. Accounting software</p> <ul style="list-style-type: none"> The Company has employed SAP R-5 ERP solution for its accounting and payroll functions. A scheme of Chart of Accounts has been designed to allocate account codes for classifying various transactions, keeping in view the nature of the business conducted by the Company. The scheme is logical, scientific and flexible enough to incorporate new accounts with the increase of operations and requirements without disturbing the original scheme of account. 	<ul style="list-style-type: none"> All receipts are counter-signed by the competent authority and the cash collections are directly banked on the same day they are received or the next working day if collection is made after the banks closing time. The banks pay in slip is enclosed with the cash receipt voucher as evidence of deposit into the bank account. Similarly, the Company has a petty cash system in place with a maximum limit for payment in cash fixed at PKR 10,000 (USD 116.28) per transaction. Payments exceeding Rs. 10,000 (USD 116.28) are made through crossed cheques.
	<ul style="list-style-type: none"> Various types of vouchers that are generated from the accounting system deployed at Abacus consulting (Pvt.)Ltd are: <ul style="list-style-type: none"> Purchase vouchers; Vendor Payment Vouchers; Customer/Sale Vouchers; Customer Receipt Vouchers; and Journal Vouchers. These vouchers are generated from the SAP system with a number of embedded features including: <ul style="list-style-type: none"> Automatically generated voucher number; Vouchers are parked before they are posted to the relevant ledger, so that approved corrections can be made before their final posting; Automatic calculation of tax at source to be deducted from payments to vendors using the tax rate assigned while opening a new ledger into SAP; and Reversal vouchers with an additional feature of showing the number of document being reversed. 	<ul style="list-style-type: none"> The company maintains an insurance cover over cash in hand. The day to day cash requirements of the Company are met through the petty cash with approval of the Director Operations. Before making any payments, the cashier ensures that there is a bill/invoice in support of the payment, the expense relates to the business of the Company, and is approved by an authorized person and the payment is for revenue expense. <p>B. Bank accounts management</p> <ul style="list-style-type: none"> The opening and operation of bank accounts in the name of the Company requires approval from the BoD. In case of opening a bank account, a resolution is passed in the BoD’s meeting for opening of a Bank account, which provides following details: <ul style="list-style-type: none"> Name and branch of the Bank; Nature and type of the account; Signatories maintaining the account; Authorizing the signatories to maintain the account; and Purpose of opening of the account.

	<ul style="list-style-type: none"> ● Operation of accounts is governed through instructions given by the BoD. The BoD has authorised several officials to operate the bank accounts of the Company including: <ul style="list-style-type: none"> – President, – Directors; – Director Operations/ Company Secretary; and – Senior Manager – Accounts. ● Signatures of at least two authorised signatories are required to validate any transaction. ● Furthermore, to properly monitor bank accounts, bank reconciliations are carried out by the accounts executive every time a bank statement is received or at least once a week. <p>7. Payroll management</p> <ul style="list-style-type: none"> ● The prime responsibility for preparation of payroll rests with HR department which uses SAP HCM module for payroll preparation. ● At the end of each month, the Finance department forwards following information relating to deductions to be incorporated in staff payroll: 	<p>8. Project costing mechanism</p> <ul style="list-style-type: none"> ● The Company maintains a centralised system for recording of project receipts and payments. All invoices are generated by the finance department based in the head office, except invoices for the projects executed by the Islamabad office which are generated by the Islamabad office. ● All payments against invoices raised by the Lahore office are deposited in the central head office bank account. ● Similarly, all expenditures are dealt by the Lahore head office. ● A project costing mechanism has been developed however it has not been documented. We are informed by the management that following mechanism is being used for project costing: <p>i) Opening of Project account</p> <ul style="list-style-type: none"> ● At the inception of a Project, the senior manager accounts opens an account for the project in SAP system in which all the receipts from and payments specific to that project are recorded. Each project is assigned a unique code upon creation of the Project account. <p>ii) Receipts</p> <ul style="list-style-type: none"> ● Invoices relevant to the projects are raised by the Senior Accounts Manager upon the request of concerned PAL. ● Receipts are recorded upon issuance of invoice according to practice area and specific project. <p>iii) Expenditures</p> <ul style="list-style-type: none"> ● All direct costs are booked against practice area and relevant project, except salaries of staff members who are on the payroll of head office. ● Salaries of contractual employees specifically hired for the project are booked against the project. ● Indirect expenses representing head office and other offices administration expenses are charged to the practice area on a pro rata basis in accordance with the total payroll cost of the practice area.
	<ul style="list-style-type: none"> – Advances against salary; – Tax deductions; – Fuel adjustments; and – Mobile bills. <ul style="list-style-type: none"> ● Once the payroll is prepared, it is reconciled with previous month's payroll. ● The payroll is then reviewed and verified by the Manager HR, Manager Accounts, Senior Manager Accounts before approval by the Director Finance. Salaries are paid through direct bank transfers or through crossed cheques. 	

	<p>9. Proposed fund flow mechanism for the US-AID project</p> <ul style="list-style-type: none"> • A separate bank account will be opened with a leading commercial bank with a vast network at the project office at Peshawar. • The bank account will be jointly operated by the Project Director and Project Finance Manager. • All project related expense payments will be made through this bank account except for staff salaries which will be centrally controlled and transferred directly to staff bank accounts. 	<ul style="list-style-type: none"> • The income is further classified into various disciplines such as income from: <ul style="list-style-type: none"> – External services; – Internal services; and – Out-of-pocket expenses billed. • A client wise breakdown of income is also provided based on the contracts in-hand and projects in the final stage of negotiations.
	<ul style="list-style-type: none"> • All payments received from US-AID against the services performed will be deposited into the central collection account. • Transfers to the project bank account will be made in accordance with the cash requirement requisitions received from the project office duly signed by the Project Director and Partner in Charge of the assignment. • Indirect expenses representing the head office administration expenses will be charged to the relevant practice area on a pro rata basis in accordance with the total payroll costs. • All consulting staff salaries will be charged to the respective consulting area. Salaries are not charged to the projects. All other expenses such as travel, per diem, etc, are charged to the project. However, the accounting system allows charging of staff salaries to the project. 	<p>Expenses projections</p> <ul style="list-style-type: none"> • Projections for the next year expense are developed which are broadly divided into three heads: <ul style="list-style-type: none"> – Payroll costs consisting of salaries and allowances, overtimes and other payroll related costs such as insurances, social security and incentive cost. – Direct cost consisting of contract staff salaries and perquisites, project related out of pocket expenses, external outsourcing work other cost directly associated to practice area including travelling, maintenance and vehicle costs.
	<p>10. Budgeting system and functions</p> <p>A. Budget preparation</p> <ul style="list-style-type: none"> • The responsibility for the preparation of budget rests with the finance department which initiates the budgeting process prior to the close of the current financial year. • The budget is initially developed by each practice area and is presented to the BoD for approval. Once it is approved by the BoD, it is passed on to the finance department for consolidation into an overall organisation wide budget. • The mechanism deployed in the projection of income and expenses forming part of the budget is as follows: 	<ul style="list-style-type: none"> – Indirect costs consisting of administration and management expenses directly attributable and distributed to practice area in accordance with the criteria defined by the management from time to time. <p>B) Budget monitoring</p> <ul style="list-style-type: none"> • Charged with the responsibility of budget monitoring, the finance department is required to generate monthly management accounts within five days of the close of each month. • The management accounts consist of: <ul style="list-style-type: none"> – Month to date and year to date financial performance including the comparison with the annual budget; – Expense/ revenue ratios; and – Receivables statement including the total billing to-date.
	<p>Income Projections</p> <ul style="list-style-type: none"> • Projections in relation to income are estimated based on the projects in-hand, proposals submitted success factors and the business in-hand which is likely to continue during the next financial year. 	<ul style="list-style-type: none"> • Monthly meetings are held by the Director Operations with PALs on budgets and financial performances. • Discussions are carried out on working capital requirements on the commencement of new projects.

	<ul style="list-style-type: none"> ● Furthermore, quarterly reviews of practice area wise financial performance in relation to the budget are carried out by the BoD. ● The budget once approved by the BoD cannot be revised unless a revised presentation to BoD is made and approved. <p>11. Assessment of financial management and accounting system</p> <p>11.1 Adequacy of staff strength</p> <p>a) Benchmark</p>	<p>b) Observations</p> <ul style="list-style-type: none"> ● Key accounting and finance personnel do not hold adequate professional qualifications. ● Furthermore, it was noticed that apart from one of the accounts executives, no key accounts and finance personnel has obtained formal training on SAP R-5 solutions application. <p>11.3 Employees turnover</p> <p>a) Benchmark</p>
	<ul style="list-style-type: none"> ● Accounting and finance function should be adequately staffed to ensure efficient execution of tasks assigned to each personnel and avoid risks of errors and omissions in the accounting records. <p>b) Observations</p> <ul style="list-style-type: none"> ● Accounting and finance department of the Company comprise of a team of eight staff members which is lead by a Senior Manager accounts, assisted by a manager accounts, two senior accountants, two accounts executives, an accountant and a trainee accountant. 	<ul style="list-style-type: none"> ● Key management personnel should be retained for longer periods of time to ensure continuity and efficiency in departmental operations. <p>b) Observation</p> <ul style="list-style-type: none"> ● Low turnover was observed in accounts and finance function of the Holding company. Average tenure of key management personnel was observed to be more than two years. <p>11.4 Job description</p> <p>a) Benchmark/ Criteria</p>
	<ul style="list-style-type: none"> ● The accounting and finance function is centralised with the accounting and finance team based in Lahore, responsible to look after the operations of its three offices of Lahore, Karachi and Islamabad. ● The Company has a single accounts executive responsible for the payroll maintenance and processing of 900 employees of Telenor call centre operations. ● The Company's revenue has increased from Rs. 542 Million (audited) (USD 6.30 million) in the FY 2008 to Rs. 946 Million (unaudited) (USD 11 million) in FY 2011, though the accounts and finance staff has decreased by 2 from 10 in July 2009 to 8 in July 2011. 	<ul style="list-style-type: none"> ● Job descriptions and ToRs of all key staff in the finance department should be developed, properly documented and communicated, to ensure that every employee is informed about his/ her role in the department. <p>b) Observations</p> <ul style="list-style-type: none"> ● All key management officials of the accounts and finance function ranging from senior manager accounts to the accountant have specific written and approved job descriptions forming part of the Company's job descriptions manual. <p>11.5 Fixed assets management</p> <p>a) Benchmark</p>
	<p>11.2 Adequacy of qualification, skills set and experience</p> <p>a) Benchmark/ criteria</p> <ul style="list-style-type: none"> ● Accounting and finance team should be adequately skilled through their qualifications and experience to be able to maintain reliable and accurate financial records and to carry out the duties and responsibilities assigned to them through their specific job descriptions. 	<ul style="list-style-type: none"> ● Fixed assets register should be designed and maintained in accordance with identified policies and procedures and applicable regulatory requirements. ● All assets should be recorded in the fixed asset register along with their location, custodian and unique identification number (asset code). ● All the assets of the entity should be adequately insured to avoid any losses due to accidents or catastrophes.

	<p>b) Observations</p> <ul style="list-style-type: none"> No proper fixed assets register is maintained by Abacus consulting (Pvt.) Ltd, instead assets listings are maintained for computers and accessories, office equipments furniture and fixtures, library books, electrical equipments, leased office equipments, leased furniture and fixtures, leased hold improvements, leased computer accessories, leased and owned vehicles. 			<ul style="list-style-type: none"> Establishment of a dedicated bank account in respect of USAID funds has not been included in the proposed funds flow mechanism. 		
	<ul style="list-style-type: none"> List of fixed assets provided by the management only contains the date of purchase, brief description of the item and cost of the asset. Furthermore, the list of fixed assets provided is not updated. Management remained unable to provide details of an opening balance in the fixed assets listing. Certain classes of fixed assets i.e. furniture and fixtures etc. are not coded. 			<p>11.7 Compliance with payment procedures</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> Policies and procedures for bank payments should be adequately laid down. Arrangements should be in place to ensure all bank payments are properly authorised by competent staff. 		
	<ul style="list-style-type: none"> The Company has an insurance cover over its vehicles and electronic equipment only however other fixed assets of the Company are not insured. <p>11.6 Maintenance of bank accounts</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> Adequate controls should be implemented over maintenance of bank accounts in order to ensure that funds are maintained and controlled as per the laid down policies and procedures. 			<p>b) Observations</p> <ul style="list-style-type: none"> It was observed that in certain cases, payment vouchers contained no authorisation signatures. After tracing posted entries back to the original payment vouchers, it was observed that in some instances, the signature of the Senior Manager Accounts was missing. It was found that in most instances, the Accountants Signature were not present on Travel Expense Reports. 	<p>11.8 Bank reconciliation statements</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> Adequate controls should be in place to ensure that bank reconciliations are prepared in timely manner, reviewed and approved by a competent authority. 	
	<p>b) Observations</p> <ul style="list-style-type: none"> It was noticed that bank accounts were opened through BoD approvals. Bank accounts are being operated by authorised signatories. Cheques are signed by at least two of the authorised signatories. 			<p>b) Observations</p> <ul style="list-style-type: none"> It was observed that a process for the preparation of monthly bank reconciliation statement is in place. Bank reconciliation statements are prepared by an accounts executive. However, it was observed that no review and approval of the bank reconciliation statements is carried out by the Senior Manager Accounts and Director Operations. 		

	<p>11.9 Payroll procedures</p> <p>a) Benchmark/ Criteria</p> <ul style="list-style-type: none"> • Sufficient and appropriate controls should be implemented to ensure that payrolls are accurately prepared on the basis of personnel records and appropriate adjustments/ deductions are made in accordance with organization’s policies and procedures and requirements of the applicable taxation and other laws. 	<ul style="list-style-type: none"> – Dividend payment made in the statement of changes in equity in the FY 2008 is not reflected in the cash flow statement. – Unaudited financial statements of Fragomen FZ- LLC are included in the consolidated accounts of Abacus consultants.
	<p>b) Observations</p> <ul style="list-style-type: none"> • Salaries and benefits as per payroll were in agreement with the personnel records. • Certain instances were identified where payroll sheets were not signed by the Director Operations. • Monthly payroll reconciliations are being maintained. 	<p>11.11 Appropriate structure/ Segregation of duties</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> • Accounting and finance function should be structured in a way to ensure adequate segregation of duties with appropriate flow of authority and a mechanism of checks and balances on the accounting and finance function activities. <p>b) Observations</p> <ul style="list-style-type: none"> • Director Operations is entrusted with various responsibilities including authorization of procurements, supervision of accounting and finance function, and various key management functions.
	<p>11.9 Taxation</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> • Sufficient and appropriate controls should be implemented to ensure that applicable provisions of Income Tax Ordinance, 2001, with respect to withholding of taxes on payments to suppliers, salaries, etc. are complied. <p>b) Observation</p> <ul style="list-style-type: none"> • Tax is deducted at source from payments made to third parties as per applicable rates and provisions of the Income Tax Ordinance 2001. 	<ul style="list-style-type: none"> • In addition, he is the authorised signatory of the Company and is responsible for the signing of legal documents and contracts on behalf of the Company. Besides this he is also the CEO of Executive Leasing Services Company (Private) Limited. <p>11.12 Project accounting</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> • Project revenues and costs should be appropriately and completely charged to relevant projects.
	<p>11.10 Appropriateness of financial statements and their disclosures</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> • Financial statements and the disclosures should adequately comply with the requirements of IFRSs and applicable laws and regulations. <p>b) Observations</p> <ul style="list-style-type: none"> • We have following comments on disclosures provided in the financial statements of Abacus consulting: <ul style="list-style-type: none"> – Wrong classification of dividends paid as investing cash flows was made instead of financing cash flows in consolidated financial statements for the FY 2009. 	<p>b) Observations</p> <ul style="list-style-type: none"> • Salaries of head office staff and indirect expenses including the office administration costs are charged to the practice areas instead of booking against specific projects on a pro rata basis in accordance with the total payroll costs.

**CORE FUNCTIONS ANALYSIS
PROCUREMENT SYSTEM**

	<p>1. Overview</p> <ul style="list-style-type: none"> A dedicated procurement function has not been established. Procurements have been designated to various departments on the basis of the nature of items to be procured. Major portion of procurement comprise of IT equipment including laptops which is procured by the IT department. Finance department is responsible for procurement of vehicles. HR department has been assigned the responsibility for procurement of furniture and stationery items. 	<table border="1"> <thead> <tr> <th colspan="5">Comparison of fixed assets procured during last three years</th> </tr> <tr> <th>Particulars</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>Total</th> </tr> <tr> <th>Owned</th> <th>Rs.</th> <th>Rs.</th> <th>Rs.</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>Computer and hardware</td> <td>11,679,669</td> <td>15,717,204</td> <td>10,434,574</td> <td>37,831,447</td> </tr> <tr> <td>Office equipment</td> <td>1,076,432</td> <td>1,392,825</td> <td>1,624,052</td> <td>4,093,309</td> </tr> <tr> <td>Furniture and fixtures</td> <td>5,203,263</td> <td>4,377,198</td> <td>773,958</td> <td>10,354,419</td> </tr> <tr> <td>Electric equipment</td> <td>3,187,378</td> <td>6,166,459</td> <td>35,700</td> <td>9,389,537</td> </tr> <tr> <td>Electric installations</td> <td>2,053,230</td> <td>-</td> <td>57,000</td> <td>2,110,230</td> </tr> <tr> <td>Library books</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Leasehold Improvement:</td> <td>-</td> <td>7,056,852</td> <td>-</td> <td>7,056,852</td> </tr> <tr> <td>Sub Total</td> <td>23,199,972</td> <td>34,710,538</td> <td>12,925,284</td> <td>70,835,794</td> </tr> <tr> <th colspan="5">Finance Lease</th> </tr> <tr> <td>Computer and hardware</td> <td>1,362,500</td> <td>-</td> <td>-</td> <td>1,362,500</td> </tr> <tr> <td>Office equipment</td> <td>-</td> <td>2,798,295</td> <td>-</td> <td>2,798,295</td> </tr> <tr> <td>Furniture and fixtures</td> <td>2,324,900</td> <td>-</td> <td>-</td> <td>2,324,900</td> </tr> <tr> <td>Vehicle</td> <td>3,947,500</td> <td>15,403,300</td> <td>13,697,000</td> <td>33,047,800</td> </tr> <tr> <td>Sub Total</td> <td>7,634,900</td> <td>18,201,595</td> <td>13,697,000</td> <td>39,533,495</td> </tr> <tr> <td>Total</td> <td>30,834,872</td> <td>52,912,133</td> <td>26,622,284</td> <td>110,369,289</td> </tr> </tbody> </table>	Comparison of fixed assets procured during last three years					Particulars	2008	2009	2010	Total	Owned	Rs.	Rs.	Rs.	Rs.	Computer and hardware	11,679,669	15,717,204	10,434,574	37,831,447	Office equipment	1,076,432	1,392,825	1,624,052	4,093,309	Furniture and fixtures	5,203,263	4,377,198	773,958	10,354,419	Electric equipment	3,187,378	6,166,459	35,700	9,389,537	Electric installations	2,053,230	-	57,000	2,110,230	Library books	-	-	-	-	Leasehold Improvement:	-	7,056,852	-	7,056,852	Sub Total	23,199,972	34,710,538	12,925,284	70,835,794	Finance Lease					Computer and hardware	1,362,500	-	-	1,362,500	Office equipment	-	2,798,295	-	2,798,295	Furniture and fixtures	2,324,900	-	-	2,324,900	Vehicle	3,947,500	15,403,300	13,697,000	33,047,800	Sub Total	7,634,900	18,201,595	13,697,000	39,533,495	Total	30,834,872	52,912,133	26,622,284	110,369,289
Comparison of fixed assets procured during last three years																																																																																												
Particulars	2008	2009	2010	Total																																																																																								
Owned	Rs.	Rs.	Rs.	Rs.																																																																																								
Computer and hardware	11,679,669	15,717,204	10,434,574	37,831,447																																																																																								
Office equipment	1,076,432	1,392,825	1,624,052	4,093,309																																																																																								
Furniture and fixtures	5,203,263	4,377,198	773,958	10,354,419																																																																																								
Electric equipment	3,187,378	6,166,459	35,700	9,389,537																																																																																								
Electric installations	2,053,230	-	57,000	2,110,230																																																																																								
Library books	-	-	-	-																																																																																								
Leasehold Improvement:	-	7,056,852	-	7,056,852																																																																																								
Sub Total	23,199,972	34,710,538	12,925,284	70,835,794																																																																																								
Finance Lease																																																																																												
Computer and hardware	1,362,500	-	-	1,362,500																																																																																								
Office equipment	-	2,798,295	-	2,798,295																																																																																								
Furniture and fixtures	2,324,900	-	-	2,324,900																																																																																								
Vehicle	3,947,500	15,403,300	13,697,000	33,047,800																																																																																								
Sub Total	7,634,900	18,201,595	13,697,000	39,533,495																																																																																								
Total	30,834,872	52,912,133	26,622,284	110,369,289																																																																																								
<p>2. Procurement Process</p> <ul style="list-style-type: none"> Finance manual of the Company specifies procurement process. Following is an overview of the procurement process (please also refer Annexure E for detailed process flow description): Procurement requisition is raised by the relevant employee along with justification and identification of purpose on a standard prescribed format. 	<p><i>Source: Audited financial statements</i></p> <ul style="list-style-type: none"> Director operations negotiates the price with shortlisted supplier. In case of successful negotiations, Senior Manager – IT raises Purchase Order (PO) in the name of selected supplier. Procured items are received by the Manager – IT. At the time of delivery of procured items, the delivery challan is obtained along with signatures. PO is forwarded to the accounts department along with invoice raised by the supplier and signed copy of delivery challan for payment. Accounts department issues cheque to the supplier in accordance with the payment terms agreed with the supplier under the PO. 																																																																																											
<ul style="list-style-type: none"> Procurement requisition is then forwarded to the relevant PAL for its approval. Relevant PAL is the authority to approve or decline the specific procurement requests. Upon approval of procurement request by the PAL, approved procurement requisition is submitted to the department responsible for procurement. In case of procurement of IT equipment, Senior Manager – IT obtains at least three quotations from the suppliers to select the successful bidders. In case the quoted price is comparable with previous procurement of similar items, purchase order is issued by senior manager IT without seeking prior approval of Director Operations. In case of variation in quoted price, a report is prepared by the Senior Manager – IT, identifying the possible reasons of fluctuation between current and previous quotes which is submitted to Director Operations along with quotations for selecting the supplier. 																																																																																												

	<p>3. Assessment of procurement systems</p> <p>3.1 Appropriateness of procurement policies and procedures</p> <p>a) Benchmarks</p> <ul style="list-style-type: none"> ● Comprehensive procurement policy should be developed which should provide rules and procedures for procurement of goods, works and services. The procurement policy should provide detailed guidance as well as policies and procedures in respect of domestic and international procurements. ● The procurement policy should adequately provide various procurement methods that may be employed in view of different types of procurement to be made in an open and transparent manner. ● Procurement policy should include guidelines for different type of contracts, such as lump sum contract, framework contract and percentage based contract, depending on the nature of procurement and project in case of hiring of professional services for the project. ● Procurement policy should provide guidance in respect of contract management/ administration and clauses for remedies for breach of contract, liquidated damages, certification and payment, after sale services, contract modification and price adjustment, securities, dispute and claim resolution, etc. ● Procurement manual should include detailed evaluation criteria for the selection of consultants. <p>b) Observations</p> <ul style="list-style-type: none"> ● Procurement policies do not provide methods for different types/ categories of procurements including a) procurement from local or international suppliers, b) circumstances in which an open competitive bidding, single source contracting may be used, and c) specific guidelines for applying different methods for procurement. ● Procurement of professional services in certain instances were carried out under the HR policy for employee recruitment. 	<ul style="list-style-type: none"> ● Procurement policies do not provide control features over contract negotiations such as documentation of minutes for the negotiations, etc., requirement for panel negotiations, etc. ● Procurement policies do not provide guidance on the type of contracts to be used in respect of major types of procurements. ● Procurement policies do not provide evaluation criteria for the selection of consultants. ● Procurement policies do not provide guidance over contract management/ administration and clauses for remedies for breach of contract, liquidated damages, certification & payment, after sale services, contract modification and price adjustment, securities, dispute and claim resolution. <p>3.2 Dedicated procurement function</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> ● Separate dedication function for procurement should be established in view of specialized nature of procurements to be made. <p>b) Observation</p> <ul style="list-style-type: none"> ● A dedicated procurement function has not been established. Procurements have been designated to various departments on the basis of nature of items to be procured. ● Major portion of procurement comprise of Laptops and IT equipment which is procured by the IT department. Finance department is responsible for procurement of vehicles. HR department has been assigned the responsibility for procurement of furniture and stationery items. <p>3.3 Segregation of duties</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> ● Procurement activities should be adequately segregated to ensure that a mechanism of checks and balances is introduced within the procurement cycle.
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Core functions analysis
Procurement system – contd..

	<p>b) Observations</p> <ul style="list-style-type: none"> ● Director Operations is authorized for carrying out negotiations with the suppliers. Further, he is the sole approving authority of all purchase orders. The Director Operations is also the signatory to bank accounts. ● Procurement of IT equipment, which forms major portion of Company's procurement activity, is mainly undertaken by the Manager – IT. <p>3.4 Compliance with policies and procedures/ laws and regulations</p>	<ul style="list-style-type: none"> - The Company primarily deals with existing suppliers. A mechanism for carrying out periodic supplier evaluation has not been implemented. - No PO is raised in respect of procurements costing less than PKR. 10,000 (USD 116.28). <p>3.5 Adequate experience in procurement</p> <p>a) Benchmark</p>
	<p>a) Risk Area</p> <ul style="list-style-type: none"> ● Appropriate controls should be introduced to ensure that all transactions are carried out in accordance with applicable procedures as well as laws and regulations. An effective control environment should be evolved within an entity to ensure that non-compliances are prevented and/ or timely detected and rectified. ● A guidance mechanism should be established to ensure that all personnel involved in procurement activities are apprised with best practices, applicable laws and regulations and revisions therein. 	<p>b) Observations</p> <ul style="list-style-type: none"> ● Personnel vested with the responsibility of procurement should be specialized, experienced, trained and capable of contract management and administration. ● Staff responsible for procurement have adequate experience in procurement of IT equipment. There is limited procurement of vehicles and furniture.
	<p>b) Conclusion</p> <ul style="list-style-type: none"> ● We have observed following observations while performing compliance testing on procurement transactions (please refer Annexure F for detailed description of compliance observations): - No record of quotations is being maintained. All quotations are being received through e-mails; 	<ul style="list-style-type: none"> ● Staff does not possess experience of undertaking large value procurements, other than IT equipment, due to the specialized nature of services being provided by the Company. <p>3.6 Legal advise on high value procurements</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> ● Professional advise on legal documentation such drafting of agreements, employee and consultants should be carried out while awarding of contract.
	<ul style="list-style-type: none"> - Comparative statements were done in an informal manner and no formal working papers are maintained; - Appropriate documentation is not being maintained. Transaction records are fragmented at various locations. <ul style="list-style-type: none"> ● Staff trainings on compliance with laws and regulations are not being carried out. 	<p>b) Observation</p> <ul style="list-style-type: none"> ● The Company utilizes services of various independent lawyers on need basis. Further, the Director Operations carries out formal review of the terms and conditions of significant contracts.

**CORE FUNCTIONS ANALYSIS
HUMAN RESOURCE FUNCTION**

1. Overview of the function:

- HR function is managed by a dedicated department and is headed by Manager – Corporate HR. The HR function operates under overall supervision of Director – HCS, which provides policy level guidance in framing the HR policies and procedures.
- Manager – Corporate HR is supported by a team which comprises of six members including two Assistant Managers, HR executive, HR Assistant and Manager HR-South (Table A provides an overview of the departmental structures as well as reporting lines within the HR function).
- HR function is responsible for the day-to-day as well policy level HR management of the organization. Key performance areas of HR function are: managing HR related issues of two hundred and twenty five permanent staff members, developing/ modifying HR policies and procedures, recruiting staff; conducting staff performance evaluations, etc. (Please refer Annexure G for detailed description of roles and responsibilities of HR staff).
- Key HR related activities designated to the HR function are as follows:
 - a. Providing assistance in manpower planning;
 - b. Developing job descriptions and communicating with relevant staff;
 - c. Managing staff hiring process till the approval of candidates;
 - d. Providing staff orientations;
 - e. Conducting periodic staff performance evaluations;
 - f. Facilitating development of training plans;
 - g. Supporting and supervising project HR; and
 - h. Facilitating the hiring of International Consultants.
- HR function is also responsible for carrying out administrative functions of the organization.
- HR staff strength has decreased during previous three years despite overall growth in the number of group employees during the period. HR staff has decreased from thirteen employees in the FY 2009 to seven during FY 2011.

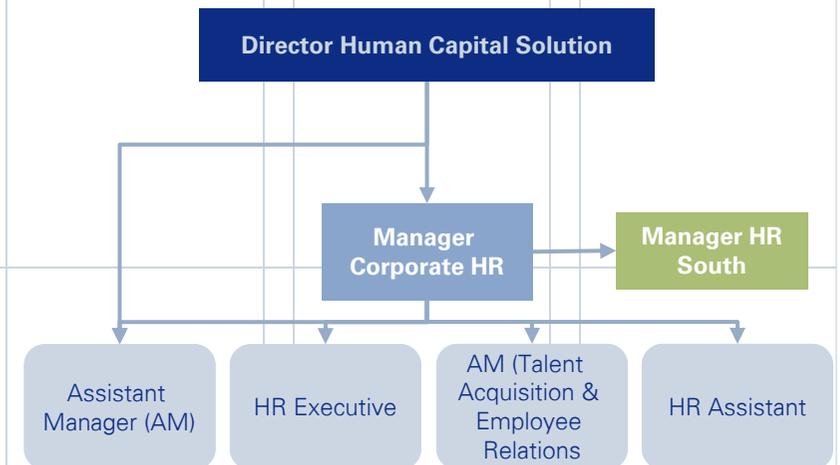


Table A: HR departmental structure; Source: Management Information

- A Human Resource & Company Operations Policy Manual has been developed which sets out organization’s HR and Operational philosophy. The policy manual is designed to specify the roles and responsibilities, employee conduct and rights of an employee.
- The manual provides policies and procedures with respect to the following key HR functions of the organization:
 - a. Recruitment process;
 - b. Procedure for maintenance of employee records;
 - c. Pay scales;
 - d. Entitlements of staff benefits as well as per diems;
 - e. Process description for payroll preparation;
 - f. Staff performance evaluation; and
 - g. Employee severances.
- An overview of the HR policies and procedures has been provided in Annexure H to this report.

	<p>2. Assessment of HR function</p> <p>2.1 Appropriateness of policies and procedures</p> <p>a) Benchmarks</p> <ul style="list-style-type: none"> ● An organization should have adequate policies and procedures to govern its the HR function. The policies and procedures should be periodically reviewed for their appropriateness and relevance with respect to the size and nature of an entity’s operations. ● HR policies and procedures should be complied in order to ensure that key operating resource is adequately managed and utilized towards achieving entity’s goals and objectives. <p>b) Observations</p> <ul style="list-style-type: none"> ● HR policies and procedures were analyzed to review the appropriateness of their design and coverage of organization’s activities (please refer Annexure H for detailed description of HR policies and procedures). ● Our analysis of travel policy highlighted following observations <ul style="list-style-type: none"> – Policy for per diems does not specifically include details on per diem rates for hard areas and international trips. – Certain per diem payments, amounts paid are not in compliance with the policy (Please refer Annexure I for detailed description of observations). – Travel authorization was missing on the travel authorization form. Further, purpose of travel was not mentioned on the authorization form (Please refer Annexure I for detailed description of observations). ● Certain salary payments were not made in accordance with approved pay scales (please refer Annexure I for detailed description of observations). ● A detailed policy for vehicle and fuel entitlements has been developed based on the current market levels. ● In certain instances it was observed that certificate from the accounts department for final clearance of settlement of dues was not obtained. 	<p>2.2 Staff hiring process</p> <p>a) Benchmarks</p> <ul style="list-style-type: none"> ● Hiring of personnel should be based on a comprehensive and systematic procedure. Transparent and competitive hiring procedures should be adopted to ensure identification and hiring of best available human resource. ● Policies and procedures related to staff hiring should be complied in order to ensure that suitable employees are identified and hired in a transparent and competitive manner. ● Adequate planning of HR should be carried out and reviewed on a regular basis in order to ensure that adequate staff remains available/ identified for ensuring smooth operation of organization’s activities. ● Complete documentation, as stipulated in the policies and procedures, should be maintained in respect of all employees. <p>b) Observations</p> <ul style="list-style-type: none"> ● Following observations were made during the evaluation of Company’s staff hiring processes <ul style="list-style-type: none"> – Based on our review of the minutes of meetings and progress review documentation in respect of Company’s existing projects, we understand that various clients have raised issues with respect to the quality of HR deployed on the project (please refer monitoring and evaluation section for details); – A centralized HR planning is not being performed. Company’s management contends that HR planning is delegated to Practice Areas. However, we were not provided with the hiring process at practice areas level. In the absence of HR planning documentation, we remained unable to conclude whether adequate HR planning is being performed by the Company;
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<ul style="list-style-type: none"> - Policy/ procedures in respect of hiring of International Consultants have not been developed; - A Hiring Requisition, as required under the HR manual for initiating the hiring process, could not be found in majority of cases. This is considered a critical first step by the “Human Resources & Company Operations Policy Manual”; - Certain instances were identified where interview sheets were not available in respect of hiring of supervisory and non-supervisory staff; 	<p>2.3 Adequacy of staff qualification, skills set and experience</p> <p>a) Benchmarks</p> <ul style="list-style-type: none"> ● Key governance and management staff should possess adequate skills and experience to effectively set entity’s goals and objectives, strategize operations towards achievement of those goals and objectives, as well as effectively monitor and manage the operations in view of the adopted strategy.
	<ul style="list-style-type: none"> - In majority of cases, we observed that no reference checks were carried out on the successful candidates. Conducting reference checks is required by the “Human Resources & Company Operations Policy Manual”: - In many cases, copies of the General Session Orientation Checklist and the Supervisor’s Orientation Checklist were not available in the employee records; 	<ul style="list-style-type: none"> ● A formal mechanism should be in place to ensure that appropriate staff is allocated to a project in order to ensure that client requirements and entity’s objectives are successfully achieved. <p>b) Observations</p> <ul style="list-style-type: none"> ● Profiles of key management staff were reviewed to assess the adequacy of relevant education, experience and skills required towards carrying out responsibilities designated to the employee. On the basis of our review it was concluded that
	<ul style="list-style-type: none"> - Copies of certificates/ degrees as an evidence of educational qualifications were not available in certain instances; - Majority of personal files only contained employee contracts. No documentation related to employee hiring, performance evaluation and leave records, etc. was available. 	<ul style="list-style-type: none"> - Practice area leaders as well as top managers are adequately qualified in respective fields and have remained involved in multi-sector cross functional projects (please refer Annexure J for detailed profile of key management staff). - Key management staff is adequately skilled and experienced to manage Company’s operations. However, middle level management particularly employed in the Accounting and Finance function is not adequately qualified to manage the existing portfolio of activities.

	<p>2.4 Staff accountability and performance evaluation</p> <p>a) Benchmarks</p> <ul style="list-style-type: none"> ● A mechanism should be implemented ensuring adequate communication of staff responsibilities as well as accountability and evaluation of employee progress against KPIs. ● Job descriptions should be carefully developed in respect of each staff position to ensure that most efficient utilization of human resources is achieved. Performance evaluations should be strictly based upon job descriptions and targets assigned to the employee. ● Performance evaluation framework should be developed which should include KPI at individual and project level to evaluate the performance of each individual and substantiate the contribution of individuals towards achievement of goals. ● Salary increments and incentives should be based on performance evaluation. <p>b) Observations</p> <ul style="list-style-type: none"> ● Standardized job descriptions have been developed for all positions. The job descriptions are modified on the basis of project allocation and are undersigned by the employee at the time of proposal submission. ● HR does not receive a copy of the filled "Project assessment form" at the inception of the project as is required by the standard operating procedures rather it is submitted to the HR by the consultant at the end of the year and/or project if ended earlier. ● We observed that no "project assessment forms" for the FY 2009 were signed by following: <ul style="list-style-type: none"> – Consultant; – Project manager; and – Practice area head. ● Based on our discussions with the HR manager, we understand that no formal performance evaluation mechanism is in place for expatriate consultants that are hired on various projects. Their performance evaluation is based on the deliverables under the contract which is carried out only in case of re-hiring of the consultant. 	<p>2.5 Staff retention and employee turnover</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> ● An entity should develop effective staff retention policies, linked with careful performance evaluation process, in order to ensure that critical staff is retained and the organization does not suffer from capacity gaps due to high staff turn over. <p>b) Conclusion</p> <ul style="list-style-type: none"> ● According to management, attrition rate for the FY 2011 remained at 14% in comparison with 28% in respect of FY 2010. Company's management contends that high attrition rate is primarily due to turnover under the call center services contract with Telenor. ● A review of management reports on key projects, selected on the basis of high contract value, shows that project delays were experienced due to employee turnover as well as non-availability of required staff. <p>2.6 Training and development</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> ● Training need assessment should be carried out regularly to identify the need for capacity development of staff which helps in adequate planning of staff development plan and allocation of adequate budget. ● Based on need assessment annual training plan should be developed duly indentifying resources and time lines for the required trainings. Trainings included in the plan should be in accordance with the company policy and should contribute towards achievement of company's goals. <p>b) Observations</p> <ul style="list-style-type: none"> ● As per management, PALs are responsible for conducting Training Needs Assessment of employees, however, no evidence was provided in respect of conducting such training need assessments by PALs. ● HR's role in this regard is limited to identification of different types of trainings scheduled by deferent institutions and uploading of same to Abacus portal.
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

CORE FUNCTIONS ANALYSIS
ABSORPTIVE CAPACITY ANALYSIS

Core functions analysis
Absorptive capacity analysis

	<p>1. Background</p> <ul style="list-style-type: none"> Pursuant to the scope of work specified in the task order for conducting pre-award assessment of the Company, an absorption capacity analysis was performed to assess whether the Company has adequate resources, infrastructure, experience and systems to adequately manage the additional funding to be received from USAID. References were made to relevant sections of pre-award assessment performed on the Company to determine whether the Company has adequate resources and systems to manage additional funding from USAID. 	<p>b. Financial management and accounting systems</p> <ul style="list-style-type: none"> The financial management systems are adequate. However, finance staff is not considered to be appropriately qualified to manage the existing portfolio of the Company. Additional funding from USAID is expected to increase the work load of the accounting and finance function. Subject to the successful completion of proposed capacity building measures, the Company is expected to attain adequate absorptive capacity to manage the financial management and accounting aspects of the USAID funding.
	<p>2. Conclusion</p> <ul style="list-style-type: none"> <i>Subject to the satisfactory achievement of proposed capacity building measures, the Company was assessed to have adequate absorptive capacity to manage the USAID funds.</i> The conclusion was based on the following factors: <p>a. Governance and management structure</p> <ul style="list-style-type: none"> The Company has adequate Governance and management structures. Regular monitoring of Company's progress is carried out by the BoD. Project management structures are developed for large size contracts. Regular progress reviews are carried out at practice area as well as project management levels. 	<p>c. Procurement systems</p> <ul style="list-style-type: none"> Subject to the successful completion of proposed capacity building measures including modification of existing policies and procedures, introduction of adequate segregation of duties within the procurement process, the Company is expected to possess adequate absorptive capacity to manage the USAID funds. However, keeping in view the requirements laid down by the USAID regulations, the Company may require to modify its existing policies and procedures for ensuring alignment with/ compliance of USAID rules and regulations.
	<ul style="list-style-type: none"> Company has managed almost eight hundred contracts since its formation. Major contracts have been identified in the introduction to organization. A detailed overview of the major existing projects has also been included in this report. Company's accountability arrangements are not considered adequate towards ensuring a rigorous mechanism that ensures implementation of a stringent control environment. Establishment of an independent internal audit function is expected to strengthen the overall control environment within the organization. 	<p>d. Human resource</p> <ul style="list-style-type: none"> As mentioned in the relevant sections of the report, Company's clients have raised concerns over the quality and availability of appropriate project staff. Similar situations may affect the quality and success of USAID project. Proposed capacity building measures are expected to enhance Company's ability to adequately manage its HR and consequently its project activities. <p>e. Monitoring and evaluation</p> <ul style="list-style-type: none"> As mentioned in relevant section of the report, an independent monitoring and evaluation is not yet operational. Absence of an independent monitoring unit may affect Company's ability to rigorously monitor and verify reported results. However, if the proposed capacity building measures are adequately implemented, the Company is expected to achieve adequate absorptive capacity in monitoring and evaluating the existing as well as additional activities pertaining to USAID project.

**CORE FUNCTIONS ANALYSIS
MONITORING AND EVALUATION SYSTEM**

	<p>1. Introduction</p> <ul style="list-style-type: none"> ● An independent dedicated unit has not been established for monitoring and evaluation of administrative and project activities. ● As per management, monitoring of projects is carried out at following levels: <ul style="list-style-type: none"> – at lower level, projects are monitored by project managers on a weekly basis. At this level, day to day activities and outputs are discussed; – project progress is monitored by PAL on a monthly basis. At this level, major risks and their mitigating factors are discussed and reviewed; – projects progress are reviewed by president on a monthly basis or when required. At this level review more focus is given towards profitability as monthly management accounts are reviewed to determine progress against annual budget. Further, major risks on both the revenue and expenditures are reviewed; and – project progress are discussed and reviewed on a quarterly basis during BoD meetings. Status of major clients and on-going projects are reviewed. Further, performance against targets, major risks and achievements are reviewed. ● Documentation in respect of BoD meetings is maintained. However, no records are maintained for progress reviews carried out by other forums. ● Formal policies and procedure have been developed, however, these policies and procedures have not been completely adopted by the Company. Status of their implementation and compliance has been discussed in the later part of this section. <p>B. Project management office</p> <ul style="list-style-type: none"> ● A PMO has been established recently for project management and monitoring to enhance customer satisfaction, increase communication and standardize processes though not fully functional. 	<p>C. Applicable policies and guidelines</p> <ul style="list-style-type: none"> ● Formal policies and procedure in respect of monitoring and evaluation and management of projects, company staff and budgets are developed as follows: <ul style="list-style-type: none"> – Policy Guidelines for Project Monitoring and Evaluation – Global projects management policy – Project Management Office Charter ● A brief insight into the above policy guidelines are as follows: <p>i) Policy Guidelines for Project Monitoring and Evaluation</p> <ul style="list-style-type: none"> ● As per policy for project monitoring and evaluation project goal, purpose, outputs and activities are first identified for a project. ● Then objectively verifiable indicators are selected for each goal and a means of verification are identified for each indicator. ● At the organization level, four tiers of M&E are adopted to monitor projects, company staff and budgets: <p>Tier 1: Project Level</p> <ul style="list-style-type: none"> – On a weekly basis project manager reviews project activities and its outputs. <p>Tier 2: Partner Level Review</p> <ul style="list-style-type: none"> – On a monthly basis progress of projects are reviewed and major risks and its mitigating factors are discussed by partner. <p>Tier 3: President Level Review for Major Projects</p> <ul style="list-style-type: none"> – Progress against utilization of human resource is reviewed by president. Further monthly management accounts to determine progress against annual budget and major issues and risks on both the revenue and expenditure are also reviewed. <p>Tier 4: Quarterly Review by Board of Directors</p> <ul style="list-style-type: none"> – The board of directors, on a quarterly basis, reviews status of major clients and on-going projects. Further actual performance against target sets and risks and achievements for the quarter are also reviewed.
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>b) Global Project Management Policy:</p> <ul style="list-style-type: none"> ● PA leaders are responsible to ensure compliance to this policy within their respective practice areas. It is the responsibility of Corporate HR to monitor compliance with the policy through regular reviews. ● As per the policy following controls are employed while executing a project. ● Project initiation: A project is initiated subject to following conditions: 	<ul style="list-style-type: none"> ● Risk and issue management <ul style="list-style-type: none"> – Project risks are identified, assessed and managed throughout the project. – A logbook of risks and issues is maintained. – Updates in issues and risks are reviewed and discussed in the project status review meeting amongst the project team members. ● Status Review
	<ul style="list-style-type: none"> – JOC has been reviewed and finalized. – Contract is signed and formal documentation is received from the client. – Project manager is designated and notified – Time sheet account is created in the Abacus time sheet system <p>● Scope Management:</p>	<ul style="list-style-type: none"> – A status review report is issued at least once a month – The report includes progress till date, overall status of project and a comparison with JOC with actual time spent and expenditure incurred – A meeting is conducted prior to issuing the review report. – A copy of the report is submitted to the Practice Area Leader – A consolidated project status report is submitted to the PAL each month.
	<ul style="list-style-type: none"> – Scope definition is established with early consultation with all stakeholders along with basic project plan – Project manager defines and documents both project and product scope in the project scope document. – Project charter is developed. <p>● Project Planning:</p> <ul style="list-style-type: none"> – Plan for project scope, time, cost, quality, human resource, communication, risk and procurement are prepared by project manager. 	<ul style="list-style-type: none"> ● Human Resource Management <ul style="list-style-type: none"> – All project roles are identified and defined clearly. – Staff commitments are planned effectively. – Timesheets are prepared on a weekly basis. ● Change Management <ul style="list-style-type: none"> – A change management plan is agreed upon by all the stakeholders during the planning phase.
	<ul style="list-style-type: none"> – Project plan is created highlighting the hierarchal decomposition of work – Project deliverable plan is created. – Once the planning is completed, planning baseline is established which can only be changed by using formal change management. 	<ul style="list-style-type: none"> – A change control board is established to manage any changes that occur. – Changes are approved by the change control board. ● Project Delivery Methods <ul style="list-style-type: none"> – Specific internal delivery methods are followed by all team members.

	<ul style="list-style-type: none"> ● Communication Management <ul style="list-style-type: none"> – Communication plan for the entire project is made and agreed upon by the stakeholders to keep all stakeholders informed. – The plan includes list of all the stakeholders along with their communication needs and time lines. ● Quality Management <ul style="list-style-type: none"> – Project managers ensures that the project meets the requirements and expectations of stakeholders. – Quality objectives are set within the project charter. ● Project Closure and Knowledge Management: A project is considered closed once: <ul style="list-style-type: none"> – Deliverables are provided to the client – Invoices are raised and settled – A satisfactory project completion report is developed covering JOC analysis (Planned vs. actual time and expense), executive summary and client feedback. – Project assessment forms are filled, reviewed and submitted to Corporate HR. <p>c) PMO charter:</p> <p>i) Operational Strategy of PMO</p> <ul style="list-style-type: none"> ● PMO provides guidance to the manager and oversees successful project deliver. In addition, the PMO provides Requirement Analysis on request as well as risk audits. ● PMO follows the Life-Cycle Model of Methodology. <ul style="list-style-type: none"> – Initiation (Receive project initiation request and conduct job order costing) – Planning (Appoint project team, implementing planning with stakeholders and risk management) – Execution 	<ul style="list-style-type: none"> – Monitoring and Control (Conduct risk audit on request, monitor progress) – Close Out (Lesson learned review) ● The PMO performs the following activities: <ul style="list-style-type: none"> ● Maintain Project Metrics ● Communicate on a monthly basis to home Office management the status (relevant metrics) of all projects. ● Conduct Audits on Quarterly basis and present reports to the management ● Conduct a Lesson-Learned Review at the end of each project <p>ii) Organization and Staffing of the PMO</p> <ul style="list-style-type: none"> ● PMO is divided into four areas: <ul style="list-style-type: none"> – Process engineering (Workflows development & Implementation), – quality & standards (Audits, standard improvement), – projects monitoring (Project status reporting), – center of excellence (Project management trainings). ● PMO is staffed in the following manner: <ul style="list-style-type: none"> – 2 Project Managers (Deal with day-to-day operations of their individual projects) – 1 Administrative assistant – Director (Deals with major issues)
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>2. Assessment of M&E function</p> <p>2.1 Independence of monitoring and evaluation function</p> <p>a) Benchmark/ Criteria</p> <ul style="list-style-type: none"> Monitoring and evaluation function should be independent in fact and appearance and should be an independent overseeing authority, tasked with ensuring continuous checks on compliance with stated policies and procedures. 	<p>2.3 Reporting requirements under policies and procedures</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> A robust reporting system should be in place to ensure timely reporting of issues identified thereby assisting the management to take timely corrective actions. The report should be formally be prepared on defined format with reporting responsibilities and reporting lines clearly defined.
	<p>b) Observation</p> <ul style="list-style-type: none"> An independent monitoring and evaluation function has not been developed. Project monitoring is assigned to respective project managers. The Company is in the process of setting up a Project Management Office. 	<ul style="list-style-type: none"> Reports/plans should be developed in compliance of PMO charter, global project management guidelines and M&E Guidelines. <p>b) Observation</p> <ul style="list-style-type: none"> The company has developed comprehensive reporting guidelines, however they are not being followed. Following reports are not being used by the Company: <ul style="list-style-type: none"> Change request form, Risk/ issues/ change logs, communication plan, milestone plan & RAM, and project charter as required by the “global project management policy” manual. In certain instances project status reports were not prepared.
	<p>2.2 Adequacy of policies and procedures/ job description</p> <p>a) Benchmark</p> <ul style="list-style-type: none"> Policies and procedures for M&E activities should be adequately laid down to ensure efficient execution of duties by M&E personnel. Roles and responsibilities of M&E personnel should be clearly defined and should be set with the objective to achieve effective monitoring and evaluation. <p>b) Observation</p>	
	<ul style="list-style-type: none"> PMO Charter and Global Project Management guidelines have been developed, however, they are not yet implemented by the Company. ToRs/ job descriptions of M&E personnel are not developed. 	

	<ul style="list-style-type: none"> – Project management checklist and audit checklists as required by the PMO charter were not maintained. ● Furthermore we were not provided with evidence of president level or board level reviews of major projects. ● We found that the company neither prepare any project wise management accounts nor the comparison between actual and budgeted costs, targets/ milestones achieved, project delays etc highlighting problems faced and actions taken to address them. 	<p>A) KESC ISU Project</p> <ul style="list-style-type: none"> ● The project time line as agreed with the client initially as part of the agreement was spanning over a period of 4 and half month scheduled to start on 11th October 2010 and ending on 21st Feb 2011. However the project status update as of 02 May 2011 to 06 May 2011 reveals that the project timeline has increased August 2011 as opposed to Feb 2011 as was initially agreed upon, reflecting significant delays in project implementation.
	<p>2.4 Project management</p> <p>a) Benchmark/criteria</p> <ul style="list-style-type: none"> ● Reports/plans should be developed in compliance of PMO charter and global project management guidelines to manage the project smoothly and efficiently. ● Project implementation plan should be developed and should be in line with the agreement. Deadlines and commitment should be followed however in case of change in plans, scope, deadlines and cost proper documentation should be maintained. ● Effective project management function should be in place to carry out the following activities: <ul style="list-style-type: none"> – Overseeing product design to ensure that project objectives are achieved through the products offered by Abacus consulting. – Ensuring timely supply of services to the rightful recipients. 	<ul style="list-style-type: none"> ● As per our discussion with the management regarding project delays and future plans to accelerate the project implementation. We understand that further delays are expected due to security issues and lack of required experience for implementation. ● The review of the minutes of the meetings dated 14th March, 2011 revealed that just after three months of the start of the project three of the expat consultants deputed on the project left the project without giving any notice i.e. one month as stipulated in their hiring contract resulting in significant delays to the project timelines. In addition other factors such as extensive testing and retesting scripts after errors, time taken in issue resolution and change requests also impacted the milestones.
	<ul style="list-style-type: none"> – Obtaining continuous feedback from the clients to assess impact of the services to ensure achievement of the project objectives. – Establishing rigorous follow up system to ensure timely implementation of findings and recommendations of M&E staff. <p>b) Observations</p> <ul style="list-style-type: none"> ● We observed following issues in the project management function in place at Abacus consulting: 	

	<ul style="list-style-type: none"> No progress reports are maintained as are required by the PMO charter; the only way the progress updates can be verified are through the Executive committee and Project steering committee meetings minutes which are not adequately detailed. Furthermore no evidence of the Project change requests as required by the PMO charter manual and the agreement have been maintained and/or provided. As per discussions with the management, the company neither maintains project management checklist nor audit checklists for any of its projects. Formal M&E plan for the program including quality assurance plan has not been shared with us by the management. Information regarding staff allocation has not been provided to us by the management. General ledger of income and expenditure account specific to the project has not been provided. 	<ul style="list-style-type: none"> We have observed that no formal cost charge out mechanism is in place for charging out costs to different projects i.e., salaries are charged to the department rather than the projects run by the company. <p>B) FFBL</p> <ul style="list-style-type: none"> In most of the instances project status reports prepared by the management do original target date, revised target date and %age completion. Details regarding key risks identified, response, concerns and the actions taken were also not mentioned. Significant delays were observed in various stages of implementation. Please refer annexure K for details . Significant changes have been made in the project team proposed during the negotiations. Further as per sub steering committee meeting #3 PM FFBL concern was highlighted with reference to non availability of Abacus Consultants due to their involvement in other projects/activities.
	<ul style="list-style-type: none"> As per board decision director operations has been authorized to sign official documents including agreements on behalf of Abacus consulting, furthermore equity directors Mr. Abbas Ali Khan, Mr. Asad Ali khan and Mr. Aamer Chaudhary are also designated signatories of the company. However in certain instances we have observed that official documents were signed by other officials. However we were informed by the management that authority letters were issued to the officers required to sign documents on behalf of Abacus however the authority letters were not shared with us. 	<ul style="list-style-type: none"> Improvement in the monitoring plan and role of quality management was requested by PM FFBL in the sub steering committee meeting. Project closure report was requested since the project was due to close on 31st December 2009, however we were informed by the management that project is still not completed. Further we were given the understanding that preparation of formal closure report is not in practice. <p>2.5. Client satisfaction analysis</p> <p>a) Benchmark/Criteria</p>
	<ul style="list-style-type: none"> More than one project accounts are opened for one project in SAP system/chart of accounts due to which accuracy of management reports prepared on the basis of SAP/financial management system data can not be determined. 	<p>b) Observations</p> <ul style="list-style-type: none"> A formal mechanism should be implemented to carry out client satisfaction analysis at the conclusion of project. A mechanism for reviewing client satisfaction has not been developed.

Annexures

Annexure A

List of key documents reviewed

Sr. No	Name	Sr. No	Name
1	Minutes of Board Meetings	24	Human Capital Solutions Business Vertical Profile
2	Minutes of Project Related Meetings	25	Application Development and management, practice area profile
3	Project specific contracts	26	Abacus Consulting BPO practice area profile
4	Finance and Accounting Manual	27	Insurance documentation
5	Budget, Internal Control and Risk Management Manual	28	Presentations to the Board of Directors
6	Human Resource and Company Operations Manual	29	Business Plans
7	Monitoring and Evaluation Manual	30	Management Accounts
8	Organizational Structure Booklet	31	Project completion certificates
9	PMO Charter Booklet	32	Standard operating procedures
10	Global Project Management Policy	33	Job Descriptions
11	Corporate Profile Booklet	34	Resumes of Key Personnel
12	Project Status Reports	35	Employee Resignation and turnover reports
13	Audited Consolidated and Single Entity Accounts	36	Abacus Consulting Projects Practice Area-Wise
14	Memorandum of Association	37	Vouchers including related documents
15	Company Registration Documents	38	List of Accounts and Trial Balance
16	Documents filed with the registrar (Form A)	39	Deliver Orders, Purchase Requisitions, Purchase Orders and Supplier Invoices
17	Registration with tax authorities	40	Bank Account Details
18	Income Tax Returns	41	Bank Reconciliations
19	Trade Mark Registration Form	42	Fixed Asset Register
20	SAP Services Profile	43	Personnel files including employee contract, interview sheets and assessments
21	List of Employees	44	Payroll Sheets
22	Performance management practice area profile	45	Salary Register
23	CFSC Business Vertical Profile	46	Organization Profit Center Chart

Annexure B

List of key personnel interviewed

Name	Designation	Department
Mr. M. Aamer Chaudhary	Partner	BTS-PM
Mr. Ayub Khan	Vice President	BTS-PM
Mr. Abbas Ali Khan	Partner	ITS-ADM
Mr. Syed Hasnat Mehmood	Manager	IT
Mr. Muhammad Amir	Senior Manager	Finance & Accounts
Mr. Johnson Gill	Vice President	Outsourcing (BPO)
Mr. Ali Yaqoob	Manager	Corporate Human Resource
Mr. Fatima Asad-Said	Director	Human Capital Solutions
Mr. Khan Farhan Shamshek Babar	Vice President	BPS,BTS
Mr. Ali Shaukat	Director	Operations

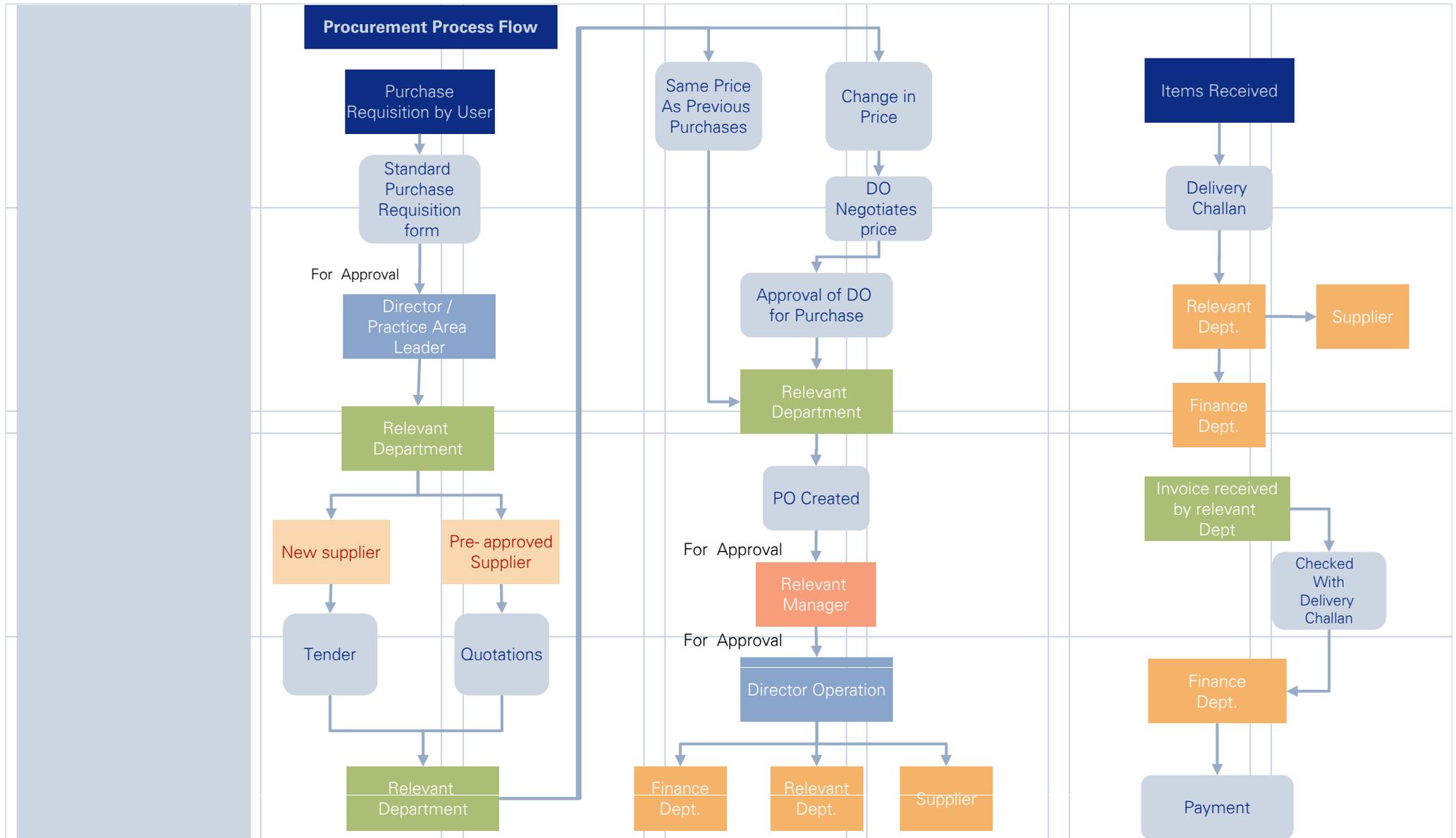
Job descriptions of accounting and finance staff

Designation	Roles and Responsibilities
Senior Manager Accounts	<ul style="list-style-type: none"> Account management including posting and signing of expenses incurred, supervision and signing of all vouchers, payroll management, audit management, supervision and preparation of monthly transaction sheet, updating and maintaining all books of accounts and tax administration. Manage and handle all HR & administrative issues such as Approve/Disapprove leaves, loan request, employee grievances, management of conflict between/among tea members, office discipline. Provide guidance to employees for their development and career planning. Evaluate performance as per schedule and identifying training requirements to develop team members and develop ways to appreciate top performers and any other duties as assigned to by higher authorities.
Manager Accounts	<ul style="list-style-type: none"> Book Keeping and Accounts Management including timely preparation of monthly, quarterly and annual accounts, analyzing and reviewing all account statements including Journals, Ledgers, P&L Statements and balance sheet and ensure timely submission of feedback as required by management. Audit Management including completing all related audit assignments as assigned by Management and to prepare and submit reports as well as conduct inspection of books of accounts and reports to management and tax administration. Also responsible for liaison with external Auditors to ensure prompt rectification of audit objection Corporate Compliance Management including managing compliance of all corporate matters and to maintain a smooth liaison with the concerned agencies/ regulatory departments, to ensure zero error documentations and timely submission & follow-up with the concerned departments. People management including handling all HR & Administrative issues such as Approve/disapprove leaves, loan requests, employee grievances, office discipline, performance evaluation as per schedule and identifying training requirements for subordinates and ways to appreciate top performers. Provide guidance in regards to employee development and provided career planning and any other duties as assigned to by higher authorities.
Senior Accountant	<ul style="list-style-type: none"> Book keeping, including processing vendor and customer invoices and payments, posting or supervision of entries, timely preparation of all monthly, quarterly and annual account statements for analysis and review of management. Tax administration as per relevant applicable laws of Pakistan Payroll management including coordinating with corporate HR for payroll, checking accuracy and addressing queries, disbursement of salaries and any other duties as assigned to by higher authorities.
Accounts Executive	<ul style="list-style-type: none"> Processing compiled data and manage the disbursement process in the system; Pass all the necessary accounting entries; manage records and perform book keeping activities and look after coordination with the banks for payroll matters in order to ensure timely and smooth disbursement of staff salaries. Coordinating with banks, insurance companies, internal departments and employees for cash handling matters; Preparation of all necessary reports as for the management including but not limited to monthly profit and loss statements, compilation of income and expenses and bank reconciliation statements. Looking after the recording of all payroll data In the books of accounts; managing the insurance record and to look after imprest matters (petty cash) Liaison with insurance companies; compile necessary and relevant information for negotiations with the insurance companies; Look after insurance documentation, billing, receivable claims and premium matters and any other duties as assigned to by higher authorities.

Description of company's accounting policies

	<p>General Accounting Principles</p> <p>1) Fundamental accounting assumptions underlying the financial statements are:</p> <ol style="list-style-type: none"> i) Going Concern ii) Consistency iii) Matching Principle iv) True and Fair View Principle v) Opening Balance Principle <p>2) The accounts are prepared on the historical cost convention basis subject to the effect of foreign exchange differences.</p> <p>3) Operating fixed assets except freehold land (if any) are stated at cost less accumulated depreciation. Freehold land will be stated at cost. Depreciation on operating fixed assets is charged on reducing balance method using the following rates:</p> <ul style="list-style-type: none"> • Freehold Land: 0% • Building: 5% • Computers and Hardware 30% • Library Books 10% • Furniture and Fixture 10% • Electric and Gas Appliances 10% • Office Equipment 10% • Vehicles 20% <p>4) Depreciation is charged on monthly basis by following IAS 16 which states that full month's depreciation will be charged on additions made during the period while no depreciation will be charged on assets in the month of disposal. Major renewals and improvements resulting in increase in useful life of assets are capitalized. Minor renewals, replacements, maintenance and repairs are charged to Profit and loss account. Gain and loss on disposal of fixed assets, if any is charged to profit and loss account in the year of disposal.</p> <p>5) Long term investments are stated at lower of cost or revalued amount and short term investment are stated at lower of cost or market value.</p>	<p>6) Transactions in the foreign currencies are recorded in the books of account using the rates of exchange ruling at the date of respective transactions. All assets and liabilities are translated into Pak rupee at the exchange rate prevailing at the date of balance sheet. Bills payable in foreign currencies are translated at the contracted rates. Gains and losses on the foreign exchange transactions are included in the current period income statement.</p> <p>7) Income is recognized when services are provided and Income is realizable</p> <p>8) Provision for current period taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income, at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions, if any.</p> <p>9) Assets subject to finance lease are stated at cost less accumulated depreciation which is charged on reducing balance method. The outstanding obligation under the lease less financial charges allocated to future years are shown as obligation under finance lease. The financial charges are located at the interest rate implicit on lease and charged to profit and loss account.</p>
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Annexure E Procurement system – process flow



Annexure F
Description of compliance observations in procurement

S.No	Item	Date	Purchase Requisition	Purchase Requisition Signatures				3 Quotations	Purchase Order	Goods Received Signature/Delivery Note	Invoice	Comparitive statement	Reason for the requirement required	reasons of fluctuation between quotes received currently and previously	Negotiation documentation	Formal budget review
				Originator	Department Head	IT Operations	Financial Controller									
1	HP D540 Computer	8-May-09	✓	✓	✓	✓	☒	Not Seen	✓	✓	☒	☒	☒	☒	☒	
2	P4 System	26-May-09	✓	☒	✓	✓	☒	Not Seen	✓	☒	✓	☒	✓	☒	☒	
3	Computer & Monitor	23-Dec-09	✓	✓	✓	✓	☒	Not Seen	✓	✓	☒	☒	☒	☒	☒	
4	External HDD for laptop	14-Jun-10	✓	✓	✓	✓	☒	Not Seen	Below Rs. 10,000	☒	✓	☒	✓	☒	☒	
5	Laptop Battery and 1 GB RAM	28-Aug-09	✓	✓	✓	✓	☒	Not Seen	Below Rs. 10,000	✓	✓	☒	✓	☒	☒	

Description of roles and responsibilities of HR staff

Job Descriptions	
Designation	Roles and Responsibilities
Director Corporate HR	<ul style="list-style-type: none"> • Act as the face of HR for the Company • Responsible for senior level decision making and both day to day management and strategic direction of the organization. • Develop and implement an annual agenda for HR strategy in line with the business plan, ensuring they support the needs of the business while remaining flexible. • Ensure training needs analysis occurs and designs and implements a training plan with input from business heads. • Ensure all staff receive appraisals in accordance with company policy and monitor probationary periods. • Co-ordinate recruitment throughout the company through management of recruitment team/HR team. Interview senior hires when necessary • Ensure all Job Descriptions are kept up to date, create new JDs as and when necessary. • Deal with any performance or grievance issues • Monitor sickness absence • Ensure all policies and procedures are up to date and are legally compliant • Provide day to day advice to line managers on all human resource issues • Review of all staff salaries and make pay rise recommendations • Maintain a succession plan for all departments • Involvement in all redundancy consultations • Ensure payroll is completed accurately and to deadline • Other duties as and when assigned to.
Manager Corporate HR	<ul style="list-style-type: none"> • Policies development, and implementation • Advise and assist senior management with regard to change management associated with continuous growth of the firm. • Ensure full HR services through HR department, from recruitment to retirement. • Take a lead role in developing partnerships with local educational institutions, identifying and implementing a strong co-op recruitment program. • Provide coaching and resources to employees and managers with respect to career development, compensation, staffing initiatives, performance management, HR risk management and employee relations. • Assist and advise senior management in the development and implementation of programs that will drive increased employee engagement and commitment levels. • Ensure smooth delivery of HR operations, with continuous improvement, to support core business verticals of the firm. • Other duties as and when assigned to.

Description of roles and responsibilities of HR staff – contd..

Job Descriptions	
Designation	Roles and Responsibilities
Assistant Manager HR	<ul style="list-style-type: none"> ● Recruitment, including taking final approval from Practice Area Heads, finding the right people and short listing potential recruits, calling them for interview, conducting reference checks and signing their contracts. Provision of employee cards and Abacus e-mail generation. ● Training, including provision of orientation sessions for new joiners, and provision of Administrative training of project office manager. ● Employee insurance matters including distribution of NJI questionnaire forms, explaining how it is to be filled and submitting the completed forms for further processing. Dealing with all the queries regarding employees medical bills ● Communicating company policies, procedures and benefit information to employees and ensure HR policies are implemented. ● Various administrative and financial responsibilities including maintaining a record of office running expenditures of BTS-PM projects in Islamabad and KPK. Preparation of weekly petty cash reconciliation and distribution of petty cash and review of scanned vouchers in line with OPM/DFID requirements. Ensure timely payment of utility bills. Preparation of monthly cash flow statements. Responsible for obtaining approval of Practice Area Head of all project bills/vouchers before payment is made. Budgeting and transferring funds for training workshops for all BTS-BPS projects in Islamabad/NWFP. Distribution of salaries to staff. ● Further more, the assistant manager is responsible for maintaining stocks of stationery and office supplies, monitor office running costs, deal with general enquiries received by the office, ensure tidiness of office, provide secretarial assistance, and maintenance of office equipment. Also responsible for logistical arrangements such as travel arrangements. Also maintaining the office filing system for time sheets, alongside other documentation such as the asset register. ● The are also responsible for making sure all employees submit their PA and ASE forms for annual evaluation once a year. Conduct an audit of the fixed asset register of the KPK-PRP project and create a report. Taking active part once a year in MTBF Project DDO's training for one month visiting all main cities (Karachi, Lahore, Peshawar, Quetta). ● Training office managers on internal administrative procedures / billing process of projects ● Any other duties that may be assigned.
HR Executive	<ul style="list-style-type: none"> ● Handling of all post employment HR matters of employees such as leave/settlements, issuance of confirmation letters, extension letters, disciplinary actions, employment letters and experience certificates. To maintain all external correspondence, maintain employee records, prepare HR reports, enter data into SAP HR module and facilitate employee separation activity till clearance and experience letter. To play active role in new initiatives of HR such as leave management/HR automation and all upcoming improvements for corporate HR. ● Liaison with employees when claiming employee benefits and the provision of any HR support as required. ● Ensuring accurate and timely processing of employee salaries and disbursements. ● Other duties that may be assigned.

Description of roles and responsibilities of HR staff – contd..

Job Descriptions	
Designation	Roles and Responsibilities
AM Talent Acquisition & Employee Relation	<ul style="list-style-type: none"> ● Recruitment & Selection including being involved in the complete hiring cycle (Advertisement/requisition to employee contract) ● Liaison with Educational Institutions for interns and vacant positions ● Preparation of new employee's files ● Provide assistance in regards to training and development ● Creation of Lotus IDs for new joiners through IT ● Provide orientation sessions and create relevant joining related documents (Joining report, checklists) ● Performance management through AbacusCloud ● Provide assistance to management regarding the employee handbook and policy manuals ● Maintain employee relations and be involved in disciplinary matters, including providing warning letters, and if necessary conducting exit interviews ● Preparation of Quarterly, bi annual and annual HR reports concerning recruitment & selection, employee relations and compliances with policies. ● Roles in regards to AbacusCloud that will be assigned later when the system is eventually rolled out. ● Other duties that may be assigned.
AM Talent Acquisition & Employee Relation	<ul style="list-style-type: none"> ● Recruitment & Selection including being involved in the complete hiring cycle (Advertisement/requisition to employee contract) ● Liaison with Educational Institutions for interns and vacant positions ● Preparation of new employee's files ● Provide assistance in regards to training and development ● Creation of Lotus IDs for new joiners through IT ● Provide orientation sessions and create relevant joining related documents (Joining report, checklists) ● Performance management through AbacusCloud ● Provide assistance to management regarding the employee handbook and policy manuals ● Maintain employee relations and be involved in disciplinary matters, including providing warning letters, and if necessary conducting exit interviews ● Preparation of Quarterly, bi annual and annual HR reports concerning recruitment & selection, employee relations and compliances with policies. ● Roles in regards to AbacusCloud that will be assigned later when the system is eventually rolled out. ● Other duties that may be assigned.

Annexure H Overview of the HR policies and procedures

	<p>The Company has four types of employee categories, explained as follows:</p> <ul style="list-style-type: none"> ● Full Time Employees: These employees are hired on permanent/ full time basis. They are defined as those who work for eight hours a day for the Company. ● Part Time Employees: This type of employment is only offered in rare cases. They are defined as those who work for four hours or less in a day. ● Internship: Employment type offered to deserving students. It is defined as a type of work experience for entry level job seekers or for students. ● Contractual Staff: Employment type limited to a specific time period and where the employee is not entitled to any benefits. ● The company maintains an employee grade scale system with up to 10 grades available (0-10). ● Overall the staff of the company is divided into two categories. Consulting (employed with a practice area, and dealing directly with clients) and Support (those that perform administrative duties, relating to Human Resources, finance, clerical work, logistics, and etc). <p>Recruitment Process</p> <ul style="list-style-type: none"> ● In case of new recruitment, the concerned practice/ service area head raises requisition to the HR on a "Hiring Requisition Form " (Annexure A in the HR policy manual). ● On receipt of the requisition, HR obtains potential employee profiles from sources of suitable candidates i.e. Databases, Advertisements, Paid Job Portal, and Referrals and shortlists candidates based on specification provided. independence ● Candidates qualifying for interview are asked to complete the "Employment Application Form" (Annexure B in the HR policy manual). ● A preliminary interview is conducted by the HR using Interview evaluation forms (Annexure C (a) and C (b) in the HR policy manual) with results forwarded to the concerned service/ practice area Leader in the form of short listed candidate's profiles for an in depth technical assessment interview. ● Selection decision is then made with mutual agreement of both HR representative and concerned practice/ service area representative. In case of rejection of all candidates by corporate HR and concerned Service/ Practice area, corporate HR re-initiates the recruitment process. 	<p style="text-align: center;">Staff Hiring Process Flow</p> <pre> graph TD A[Concerned Practice/ Service Area Head] --> B[Need Assessment/ Requisition] B --> C[HR] C --> D[Databases, Advertisements, Paid Job Portal, and Referrals] D --> E[Screening Interviews/ Short listing] E --> F[Shortlisted candidates fill employment application forms] F --> G[Concerned Practice/Service Area Head] G --> H[Technical Assessment/ Interview] H --> I[Selection Decision by HR and Practice area Head] I --> J[HR] J --> K[Reference Check] K --> L[Offer Letter] L --> M[Appointment Letter] M --> N[Personal File] N --> O[Joining Report/ Employment Contract] O --> P[Orientation] P --> Q[Probation] R[Approved Organogram and Job Description] --> B E --> R H --> I </pre>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Overview of the HR policies and procedures – contd..

	<ul style="list-style-type: none"> • HR then obtains contact details of at least three referees, two of which must be professional ones from the selected candidate(s). A Reference Check Form is then sent to the referees to obtain employee history to further strengthen the selection decision on reference check form. • After the conclusion of all interviews, a formal letter (Annexure E) is issued to the successful candidate. A signed copy must be returned by the candidate to the HR as formal acceptance of the offer. • Following acceptance, a letter of appointment is sent to the successful candidate 	<ul style="list-style-type: none"> - Reference Check s (3 in number) - Offer Letter - CNIC/Educational document copies/Experience letters - Copy of employment contract - Performance reviews by Area heads in regards to an employee's probation period
	<ul style="list-style-type: none"> • At time of joining, the employee is required to submit a copy of his/her CNIC and two photographs. Copies of Educational certificates and experience letters must also be provided. • At the time of joining, the employee will obtain two copies of the employment contract agreement, one which must be returned signed to the company alongside a joining report. • New employees must attend two mandatory orientation sessions. HR is responsible for the first session called "General Orientation". An Orientation Checklist is used for this purpose. The second session, "Supervisor's orientation" which must occur within three days of joining is the responsibility of the employee's immediate supervisor. Annexure H is used for this purpose which must be signed by both supervisor and employee. • Except for internees and contractual employees, new hires must undergo a period of probation. Based on recommendations received from the Practice/Service Area, the employee is made a permanent employee. Probation may be extended by a maximum of 6 months to a total maximum limit of 9 months from the joining date. <p>Maintenance of Personal Files</p> <ul style="list-style-type: none"> • Personal files are maintained by HR function which includes following information: <ul style="list-style-type: none"> - Staff need assessment / Hiring requisition form - Employment application form/bio data form - Interview evaluation sheets including interview conducted by supervisory personnel (Practice Area Head) and Non supervisory personnel (Representative of HR Function). 	<p>Pay scale</p> <ul style="list-style-type: none"> • Human Resources & Company Operations Policy Manual includes detailed pay scale divided in to consulting and support staff categories. Categories of pay scale are further divided in to 10 grades. • Grade 1 & 2 are set for support/clerical staff however 3 to 10 includes professional staff. • For consulting staff, from grade 1 to 10, minimum salary ranges between PKR 15,000 (USD 174.42) to PKR 215,000 (USD 2,500) where as maximum salary ranges between PKR 35,000 (USD 407) to PKR 360,000 (USD 4,186). • For support category, from grade 1 to 10, minimum salary range between PKR 15,000 (USD 174.42) to PKR 121,087 (USD 1,408) where as maximum salary range between PKR 30,000 (USD 349) to PKR 224,875.(USD 2,615). • Details regarding current and proposed pay scale are included in the following tables. <p>Payroll</p> <ul style="list-style-type: none"> • SAP HCM module has been developed at Abacus for preparation of payroll. • The prime responsibility for preparation of payroll rests with HR department. Please refer finance section for detailed procedure of preparation and payment of salaries. <p>Training and Development</p> <ul style="list-style-type: none"> • Training and development needs of all the full time staff of the company are identified through a defined process while involving all the stakeholders. • The training and development needs identified are integrated with the company's strategic goals and are carried out according to an integrated Annual Training Plan.

Overview of the HR policies and procedures – contd..

	<ul style="list-style-type: none"> ● Cost for training and development activities are budgeted by the Practice Area Leaders/Department heads at the beginning of the Financial year (July 1) and subsequently chargeable to the respective areas. ● As per policy contractual employees are not eligible for company sponsored training activities, except on the job and organizational orientation sessions, unless the training is requested and sponsored by the client. <p>Final Settlement</p> <ul style="list-style-type: none"> ● As per policy all severed employees get clearance, from their respective supervisors or practice or practice area/department head in order to get their final settlement done and for their accrued long term benefits to be paid out to them, on the pre printed form. ● Human Resource manager ensures that the employee has obtained the clearance prior to settlement of dues from the Accounts Department. <p>Vehicle and Fuel Entitlement</p> <ul style="list-style-type: none"> ● As per Human Resources & Company Operations Policy Manual, conveyance/vehicle entitlements have been set for permanent employees according to its grade and job requirement. ● Vehicle maintained expenses are reimbursed according to their entitlement on a monthly basis. ● Further conveyance allowance is PKR 9/km (10.46 cents) for cars and PKR 5/km (5.8 cents) for motorcycles. <p>Per-diems</p> <ul style="list-style-type: none"> ● As per HR policy all business related travels are covered by the company. Arrangement are made by the Administration Manager within allowed limits as per grades. ● Per diems are paid for a day trip lasting up to 12 hours, one half of the per diem allowance (as per grade) is paid whereas for a trip lasting longer than 12 hours. ● The entitlements are according to the Grades as follows: <ul style="list-style-type: none"> – PKR 800 (USD 9.3) for Grades 3-5. – PKR 1,000 (USD 11.6) for Grades 6-8. – PKR 1,200 (USD 13.95) for Grades 9 and above. 	<ul style="list-style-type: none"> ● As per policy any business travel needs to be authorized by the concerned supervisor. ● Travel authorization form is filled by the employee to give details of the purpose of travel and plans for the travel arrangements. <p>Consultants/ Staff Performance evaluation process</p> <ul style="list-style-type: none"> ● Abacus consulting (Pvt.) Ltd has a comprehensive performance evaluation mechanism in place where by every consultant at the start of a particular project is required to fill in a "project assessment form" in coordination with his immediate supervisor for an individual project. ● A copy of the form so filled in listing all the project objectives/ KPI's for the concerned consultant/ staff member is sent to the HR and project management office (PMO) for authorisation of the project. ● Once the project management office authorises the project, a request is sent to the IT department to set up an online time management sheet for the consultant/ staff member concerned. ● As the project progress the consultant/ staff member involved in the project records his progress through the online time management system/ portal in terms of project activity performed, objectives/ milestones achieved and the hours spent on each activity/ module. ● At the end of the financial year which runs from July in one year through to June in the next, the consultant/ staff member concerned assess his performance based on the milestones achieved during the year, the timelines met etc. typically self rating him/herself between 1 to 5 as follows: <ul style="list-style-type: none"> – 1 Outstanding performer; Consistently exceeded expectations. – 2 Very good performer; Often exceeded expectations. – 3 Good performer; Fully meets expectations. – 4 Requires some development to meet expectations. – 5 Does not meet expectations and requires significant development. ● Once the consultant/ staff member concerned is done with his self rating the supervisor/ project manager of the consultant/ staff member enters his rating along with comments about the performance of the staff member on the project.
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Overview of the HR policies and procedures – contd..

	<ul style="list-style-type: none"> • If in case the consultant is required to work on multiple projects concurrently then an “annual staff evaluation performance form” is filled in at the end of the year with all his self ratings along with the evaluator i.e. The supervisor/ project manager’s awarded ratings on individual projects aggregated in one place. Once the ratings are entered in the form, the form automatically calculates an overall weighted score for the individual. • The “annual staff evaluations performance form” so prepared is then submitted online to the practice area leader concerned for his rating of the consultant/ staff member concerned. 	<ul style="list-style-type: none"> - Supervisor - provisional overall performance rating (Weighted) - Final performance rating after moderation. 		<ul style="list-style-type: none"> • All the performance evaluation sheets of the individual consultants/ staff members for the financial year are then consolidated by the HR into a “firm wise consolidated performance evaluation sheet” along with a comparison with the last year data for presentation to the board members.
	<ul style="list-style-type: none"> • The practice leader reads the consultant’s self review and ratings and discusses the performance of the consultant/ staff member with the supervisor and enters comments relating to the development opportunities for the consultant. • The practice leader then enters his ratings into the “annual staff evaluations performance form” for each performance measure using the role descriptions document as a guideline to performance and provides supporting comments for the rating awarded to each performance measure. 			
	<ul style="list-style-type: none"> • Finally the practice leader conducts a performance discussion with the consultant/ staff member and discusses any discrepancies between the consultant’s and supervisor/ project manager ratings. • Once the discrepancies being discussed with the consultant/ staff member, the practice leader finalises the evaluation by entering the final evaluation after moderation. • The overall rating of the individual consultant/ staff member is done against the following criteria: <ul style="list-style-type: none"> - Self review – overall performance rating 			
	<ul style="list-style-type: none"> - Supervisor – provisional rating subtotals: <ul style="list-style-type: none"> - a) Client – Project results, Client relationships and innovation; - b) People – Strategic leadership, Teamwork/ cooperation and evaluating, developing & coaching others - c) Firm – Financial management, Revenue generation and knowledge management. 			

Annexure I

Detailed description of observation

Recruitment compliance observations										
Serial No.	Name	Designation	Hiring Requisition	Preliminary Interview	Secondary Interview	References Obtained	Degrees Checked	NIC Checked	Formal Letter	Orientalions
1	Bilal Malik	Senior Management Consultant	✓	☒	☒	1/3	✓	☒	✓	1/2
2	Zahid Afzal	Senior Management Consultant	☒	☒	☒	0/3	☒	✓	☒	0/2
3	Azam Khan	Assistant Vice President	☒	☒	☒	0/3	☒	☒	☒	0/2
4	Tahir Naqqash	Consultant	✓	✓	✓	1/3	✓	✓	☒	2/2
5	Tariq Javed		✓	☒	☒	0/3	☒	☒	☒	0/2
6	Hafiz Hamid Mahmood	Senior Accountant	☒	☒	☒	0/3	✓	☒	☒	0/2
7	Nasir Ramzan	Consultant	✓	☒	☒	0/3	✓	✓	✓	2/2
8	Mohammad Zafar Saeed	Internee/Consultant	✓	☒	☒	0/3	☒	☒	☒	1/2
9	Ahsan Rauf	Technology Advisor	☒	☒	☒	0/3	☒	☒	☒	1/2
10	Mohammad Bilal	Financial Consultant	☒	☒	☒	1/3	☒	☒	☒	2/2
11	Mohamad Hassan Shah		✓	☒	☒	1/3	☒	☒	☒	2/2
12	Saqib Dastgeer		✓	✓	✓	0/3	☒	☒	☒	2/2
13	Javed Iqbal	Senior Managing Consultant	☒	☒	☒	0/3	☒	☒	☒	0/2
14	Jamshaid Khan	Financial Consultant	✓	☒	☒	0/3	☒	☒	☒	2/2
15	Abdul Nasir Khan	Assistant Vice President	☒	☒	☒	0/3	☒	☒	☒	0/2
16	Mansoor Adnan Ali	Senior Consultant	☒	✓	☒	0/3	☒	☒	☒	0/2
17	Usman Akbar	Senior Consultant	✓	✓	☒	0/3	✓	✓	✓	2/2
18	Mehboob Ali Yaqoob	Manager HR	☒	☒	☒	0/3	✓	☒	☒	0/2

Annexure I

Detailed description of HR observations – contd..

Sr. No.	Name	Designation	Hiring Requisition	Application Form	Non-Sup. Int. Sheet	Sup. Int. Sheet	Ref.Check Form	Acceptance Letter	Copy of NIC	Copy of Degrees	Experience Letters	Copy of Contract	Joining Report	General Session Orientation Checklist	Supervisors Orientation	Probation Period Performance Review	Ethics
1	Bilal Malik	Senior Management Consultant	✓	✓	☒	☒	1/3	✓	☒	✓	☒	✓	✓	☒	☒	☒	✓
2	Zahid Afzal	Senior Management Consultant	☒	☒	☒	☒	0/3	✓	✓	☒	☒	✓	✓	☒	☒	✓	☒
3	Azam Khan	Assistant Vice President	☒	✓	☒	☒	0/3	☒	☒	☒	☒	✓	☒	☒	☒	☒	✓
4	Tahir Naqqash	Consultant	✓	✓	✓	✓	1/3	☒	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	Tariq Javed	Hafiz Hamid	✓	✓	☒	☒	0/3	☒	☒	✓	☒	✓	☒	☒	☒	☒	☒
6	Mahmood	Senior Accountant	☒	✓	☒	☒	0/3	☒	☒	✓	✓	☒	☒	☒	☒	✓	✓
7	Nasir Ramzan	Consultant	✓	✓	☒	☒	0/3	✓	✓	✓	☒	✓	✓	✓	✓	✓	✓
8	Zafar Saeed	Internee/Consultant	✓	✓	☒	☒	0/3	☒	☒	✓	✓	✓	✓	☒	✓	☒	✓
9	Ahsan Rauf	Technology Advisor	☒	✓	☒	☒	0/3	☒	☒	✓	☒	✓	✓	☒	✓	☒	✓
10	Bilal	Financial Consultant	☒	✓	☒	☒	1/3	☒	☒	☒	☒	✓	✓	✓	✓	N/A (Still on Probation)	✓
11	Hassan Shah	Mohammad	✓	✓	☒	☒	1/3	☒	☒	✓	✓	✓	✓	✓	✓	✓	✓
12	Saqib Dastgeer	Mohammad	✓	✓	✓	✓	0/3	☒	☒	✓	✓	✓	✓	✓	✓	✓	✓
13	Javed Iqbal	Senior Managing Consultant	☒	✓	☒	☒	0/3	☒	☒	☒	☒	✓	✓	☒	☒	☒	✓
14	Jamshaid Khan	Financial Consultant	✓	✓	☒	☒	0/3	☒	✓	✓	☒	✓	✓	✓	✓	☒	✓
15	Khan	Abdul Nasir Assistant Vice President	☒	✓	☒	☒	0/3	☒	☒	✓	✓	✓	✓	☒	☒	Letter, no report seen	✓
16	Ali	Mansoor Adnan Senior Consultant	☒	✓	✓	☒	0/3	☒	☒	✓	☒	☒	✓	✓	✓	☒	✓
17	Usman Akbar	Senior Consultant	✓	✓	✓	☒	0/3	✓	✓	✓	✓	✓	✓	✓	✓	☒	✓
18	Yaqoob	Mehboob Ali Manager HR	☒	✓	☒	☒	0/3	☒	☒	✓	✓	✓	✓	☒	☒	✓	☒
19	Ali Adnan	Assitant Manager	Files not Provided														
20	Faraz Hasan	Team Lead 1.1	Files not Provided														

Annexure I
Detailed description of observation – contd..

Non compliance with pay scale					
A. Payment of salary above salary scale					
Sr. No	Name	Designation	Pay Scale	Gross Salary (Rs.)	Max. as per salary scale (Rs.)
1	Asad Ali Khan	Assistant Vice President	8	230,000	224,191
2	Waqar Ahmed Saeed	Technical Advisor	5	95,000	89,711
3	Muhammad Sualeh Qamar	Assistant Vice President	8	260,000	224,191
4	Sarwar Faridi	Technical Advisor	8	260,000	224,191
5	Zahoor Hussain Qureshi	Vice President	8	315,000	224,191

Annexure J Profile of key management staff

Key Management Profile				Experience (Years)		Major Engagement Areas
S.No	Name	Designation	Qualifications	Abacus	External	
1	Asad Ali Khan	Chairman/CEO	-Chartered Accountant (Australia) -Bachelors of Commerce, University of Punjab and University of New South Wales	24	23	-Mergers and Acquisitions -Privitisation and Valuations -Capital Restructuring -Business Process Re-engineering -Business Restructuring
2	Abbas Khan	Partner	-Chartered Accountant (England & Wales) -MA Mathematics & Computer Sciences, Oxford University -BA (Hons) Mathematics & Computer Sciences Oxford University	10	5	-ERP implementation -Process Re-engineering -Application management services -Call center solutions -Debt Restructuring
3	Muhammad Aamer Chaudhry	Partner	-Chartered Accountant (England and Wales) -Chartered Accountant (Pakistan) -Certified Financial Consultant (USA/Canada) -Foundation Course for Accountancy (UK) -Bachelor of Science, in Mathematics, Govt. College Lahore	16	6	-Business Process Re-engineering -Financial Management Solutions -Supply Chain and Operations
4	Ali Shaukat	Director Operations	-Part 1 of ICMA -Articleship Training with Qamar-ul-Islam & Co. Chartered Accountants (Arthur Anderson Associates) -B.A University of Peshawar	23	9	-Corporate and Investment Advice -Special Investigative Assignments -Feasibility Assignments -Due Diligence
5	Paul Batchelor	Non-Executive Board Member	-Master of Arts in Geography, Cambridge University	6	37	- Developmental projects in Africa and Asia -Regional Mergers -Regional and Global Strategy
6	Arshad Iqbal	Director	-Master of Business Administration in Marketing, Gomal University -Master of Computer Sciences, Quaid-e-Azam University	7	18	- ERP-SAP consultancy (Sales and distribution and material management)

Annexure J
Profile of key management staff – contd..

Key Management Profile				Experience (Years)		Major Engagement Areas
S.No	Name	Designation	Qualifications	External	Within Abacus	
7	Alliya Haidar	Director Corporate Finance & Strategy Consulting	- Bachelor of Arts in Applied Psychology and English Literature. Kinnaird College for women -Master of Business Administration in Corporate Finance & Marketing Lahore University of Management Sciences - Various trainings and seminars	5	11	- Key member of various privatization projects - Valuation exercises - Capital Restructuring - Strategic Change - Feasibility analysis for investors
8	Murtaza Ali Khan	Executive Director	-Chartered Accountant (England & Wales) -Bachelors of Arts in Psychology & Phylosophy University of Durham	5	6	-Financial Evaluation -Sensitivity analysis and financial modeling -Opportunity and weakness anaylsis
9	Inayat Ullah Koreshi	Partner/Vice President	-Chartered Accountant (Pakistan) -Bachelors in Commerce, Karachi University -Advanced Corporate Secretarial Practice -Advanced Diploma in International Financial Consulting (Canada)	12.5	9	-ERP Implementation -BPR Implementation -Business valuation and restructuring
10	Fatima Asad Said	Executive Director Human Capital Solutions	-Masters of Business Administration, Lahore University of Management Sciences -Post Graduate Diploma, Finance, Banking and Management -Bachelor of Arts in Mathematics and Economics Kinnaird College	1	14	-Human Resource Development -Strategic Change -HRIS System implementation -Business practice change -HRM Benchmarking -Organization Restructuring
11	Naveed Hussain	Vice President	-Bachelors of Computer Sciences, Punjab Institute of Computer Sciences, Lahore	2.5	10	-IT Strategy -ERP Implementation -Software development projects
12	Zahoor Hussain Qureshi	Vice President	-Master of Business Administration, Wake Forest University, USA -Bachelor of Sciences - Business Administration, Elon College, USA	3.50	8	-Search and Placement services -Surveying -Benefits and Compensation Structuring -Organisation Restructuring -Training needs analysis
13	Ayub Khan	Vice President Performance Management	-Chartered Certified Accountant (ACCA UK) -Certificate of Higher Education in Accountancy, University of Glamorgan UK -Bachelors in Economics and Statistics, University of Peshawar -Balanced Scorecard Professional	11.5	6.5	-Performance based budgeting -Change Management -Business Process Re-engineering -Change Management

Annexure J
Profile of key management staff – contd..

Key Management Profile				Experience (Years)		Major Engagement Areas
S.No	Name	Designation	Qualifications	External	Within Abacus	
14	S.A Haider Naqvi	Vice President/General Manager MENA Operation	-MBA Finance, The International University of Missouri -Bachelor of Commerce, University of Karachi -Scala Certified Associate, Budapest Hungary -Project Management and ERP Implementation Certification, Scala Business Solutions -Microsoft GP 10 Financial (MCP)	13.50	3	-Scala Module Design and implementation -ERP Implementation -Software implementation
15	Khan Farhan Shamshek Baber	Vice President	-Bachelor of Science (Hons.) In Mechanical Engineering University of Engineering & Technology Lahore -EARA approved Environmental Auditor	4.50	9	-Process and system audits -Process Standardization & Improvement
16	Syed Suqlain Haider	Project Manager/Team Leader	-PHD in Technology Management (In Progress) -MBA ITM, International Islamic University, Islamabad -Bachelors of Commerce, Punjab University, Lahore	18.00	3	-Budget Reform -Monitoring and Evaluation Training -Organization needs assesment -Monitoring and Evaluation Reforms
17	Azam Saeed Khan	Assistant Vice President - SAP	-Bachelor of Science in finance, North-Eastern Illinois University, Chicago, USA -SAP SD Certified Consultant, SAP Academy Canada	7.00	5	-SAP Implementation -Client staff training
18	Zahid Murtaza	Netweaver Development Track Lead	-Masters of Science in Software Engineering (Still in Progress) SZABIST -Bachelors of Computer Sciences (University of Karachi)	3.50	2	-SAP Implementation
19	Jawad Akhtar	Assistant Vice President	-Bachelors of Science (Chemical Engineering), University of Missouri, USA	8.50	5	-SAP Implementation
20	Umair Aftab Ejaz	Sr. Managing Consultant	-Masters in Computer Sciences, Iqra University	4.50	4	-SAP Implementation -Client staff training
21	Muhammad Moin	Managing Consultant	-Masters in Business Administration (IBA Karachi) -Chartered Accountant Finalist -Cost Management Accountant Finalist -Bachelors of Commerce, Govt. College of Commerce, Karachi	12.50	7	-SAP and Oracle Implementation -Basel II Credit Risk Compliance -Organisation needs analysis
22	Shaheen Tabassum	Senior Managing Consultant	-Bachelors of Arts, Karachi University -SAP Certified HR Consultant Rel. 4.6 -SAP Certified Development Associate	14.00	3	-As-is Analysis of client systems -Process re-engineering -SAP Implementation

Details of delay in implementation of projects

	Details of delays occurred in implementation of FFBL project						
	<ul style="list-style-type: none"> We have observed from the project status updated report dated 30th September, 2009 that the "end of realization phase" has been delayed by a month time. We further observed from the project status updated report dated 30th November, 2009 states that "HCM dependent release strategy" could not be finalized on time. 						
	<ul style="list-style-type: none"> We observed in the second steering committee meeting held on Oct 20, 2009 that the project timeline has been revised by Abacus indicating a delay of four weeks. General Management Plant FFBL expressed his concern that in case of further delay, level 3 training and GO LIVE activities may be affected due to forth coming turn around related activities. PM FFBL highlighted the concern with reference to the replacement of FICO lead consultant and delay in submission of FICO business blue prints in the steering committee meeting #4 held on 6th August 2009. 						
	<ul style="list-style-type: none"> We further observed that PM FFBL highlighted the concern with reference to non availability of Abacus Consultants due to their involvement in other projects/activities in the sub steering committee meeting #3 held on 22nd June 2009. He informed that Abacus has agreed that the missing consultants specifically CO lead will report from next week. 						

Annexure L Salary scales

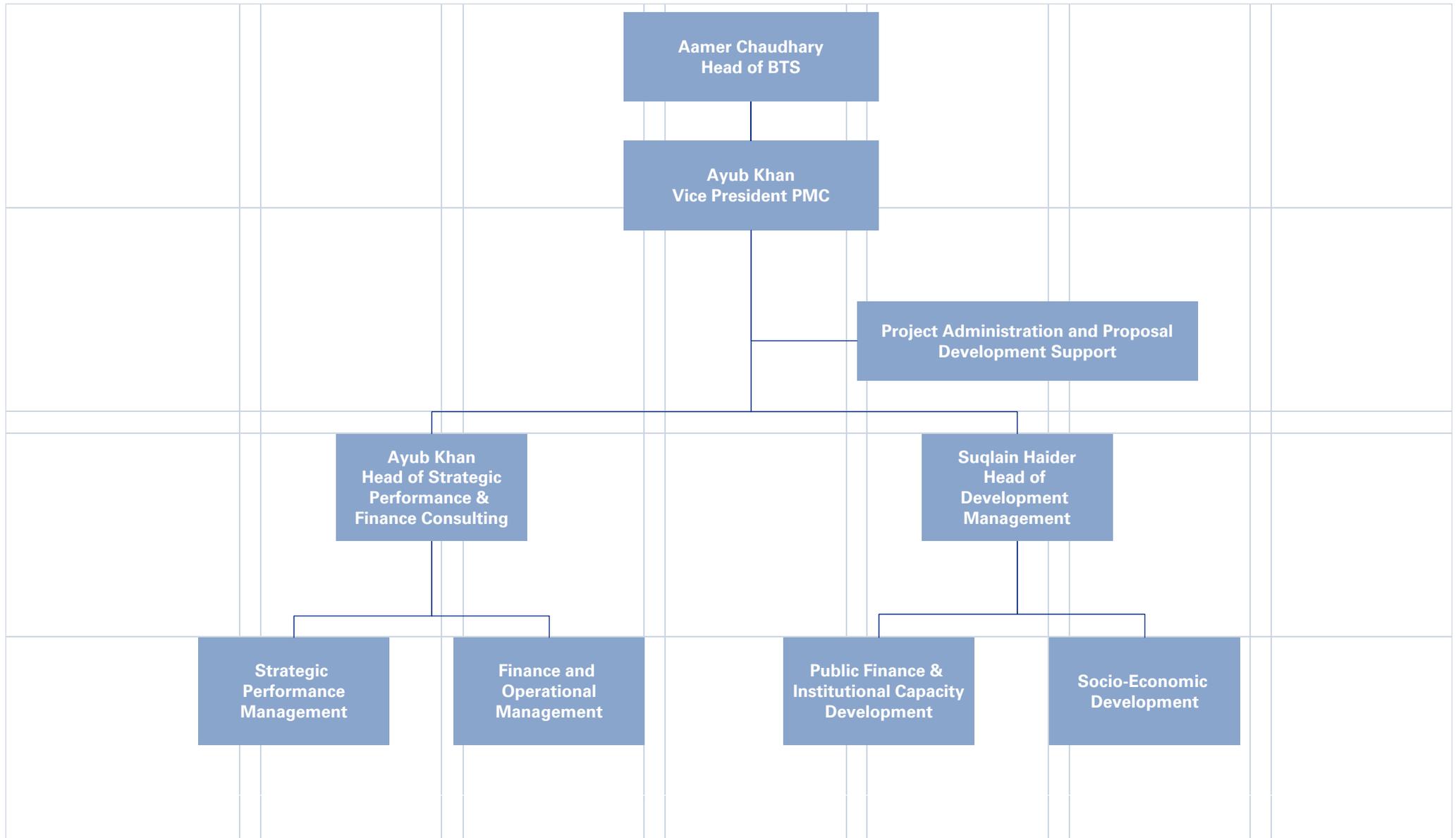
Salary scale for Consultant category

Grade	Designation	Current Minimum	Mid Point	Current Maximum
3	Research Associate	21,500	33,650	45,800
4	Consultant	32,700	51,101	69,502
5	Senior Consultant	42,200	65,955	89,711
6	Managing Consultant	57,600	90,115	122,630
7	Senior Managing Consultant	73,200	114,403	155,606
8	Assistant Vice President	105,500	164,846	224,191
9	Vice President	159,300	248,996	338,691
10	Director	247,500	386,928	526,357

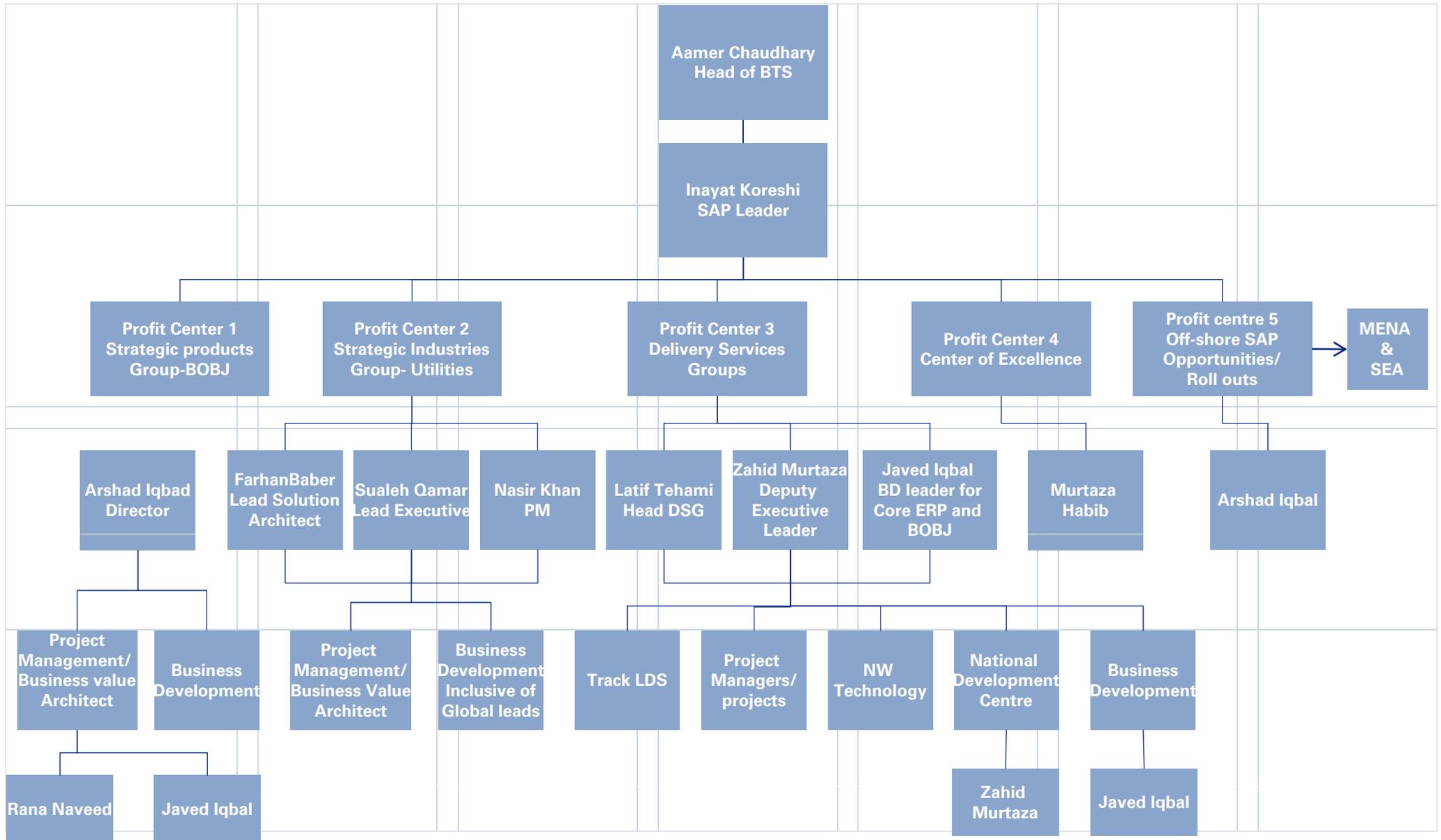
Salary scale for Support category

Grade	Designation	Current Minimum	Mid Point	Current Maximum
10	Director	148,950	240,435	331,920
9	N/A	N/A	N/A	N/A
8	General Manager	97,500	157,410	217,320
7	Senior Manager	69,800	112,660	155,520
6	Manager	40,050	74,925	109,800
5	Assistant Manager	29,600	47,770	65,940
4	Executive	22,950	37,035	51,120
3	Assistant	19,400	31,330	43,260

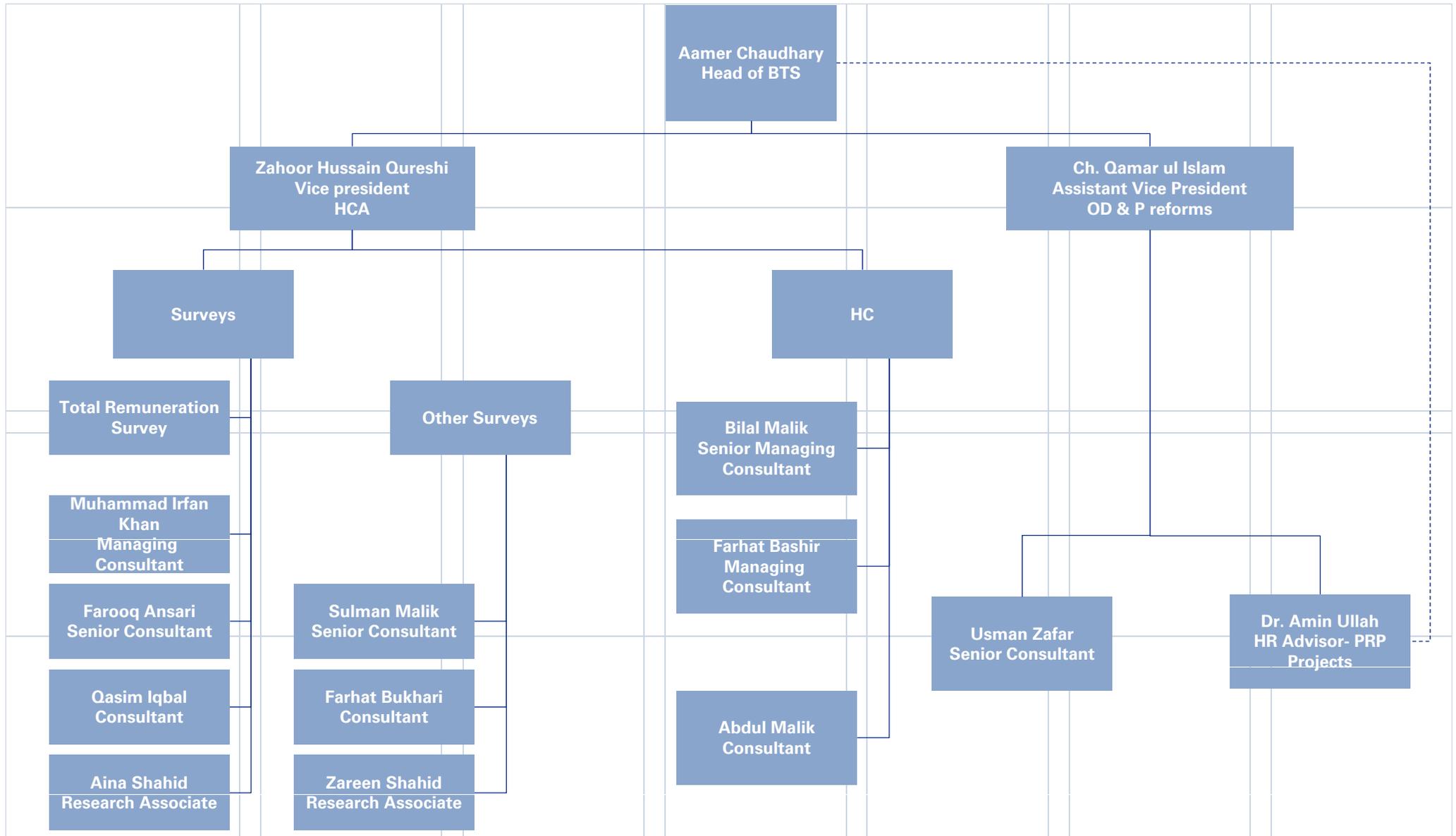
Management and organizational structure – BTS/PM



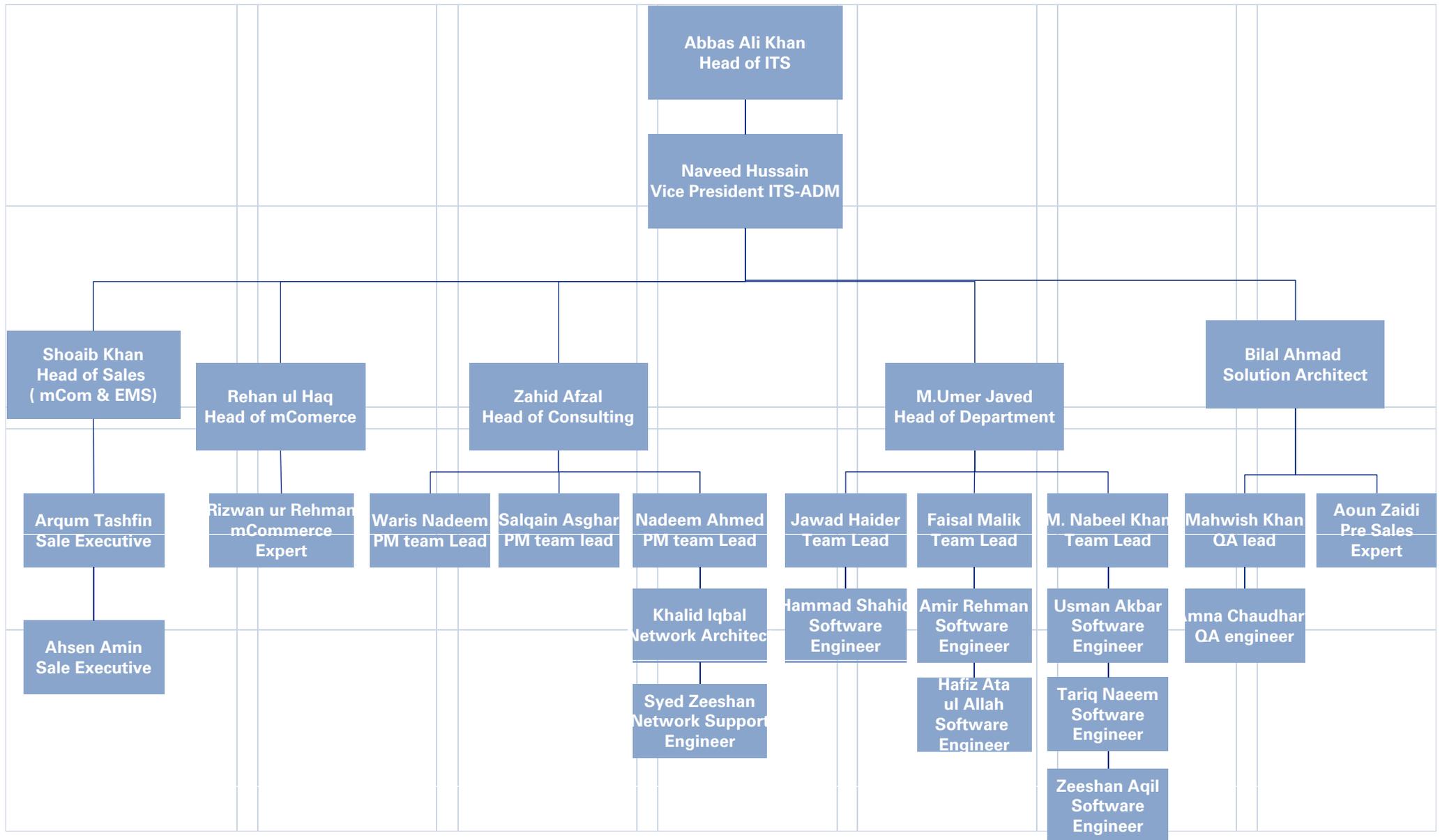
Management and organizational structure – BTS/SAP (LAS) – contd..



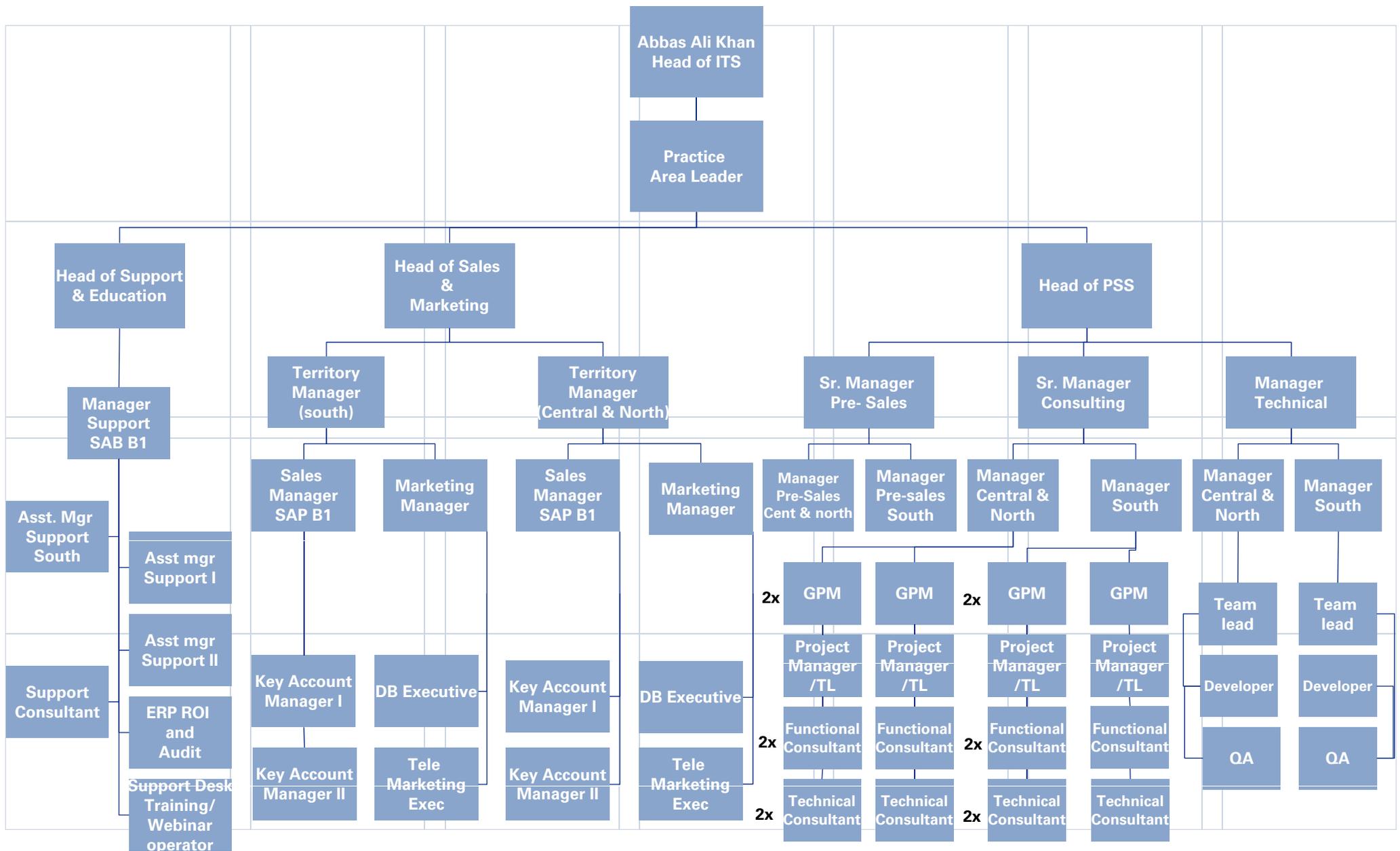
Management and organizational structure – HCS – contd..



Management and organizational structure – ITS/ADM – contd..



Management and organizational structure – ITS/MME – contd..



Annexure N

Synopsis of Memorandum of Association

	<p>Name of the Company: Abacus Consulting Technology (Private) Limited</p> <p>Registered Office: Punjab Province</p> <p>Legal Status: Company limited by Shares incorporated under section 38/39 of the Companies Ordinance, 1984</p> <p>Objects:</p> <ul style="list-style-type: none"> ● The company for which the company is established are to undertake the following business in and outside Pakistan. <ul style="list-style-type: none"> ❖ Services: to provide to other companies and corporation, whether incorporated or formed in Pakistan or outside, such services to include, without limitation the provision of a registered office and other accommodation, liaison, marketing, financial , technical , design, management consultancy, share registry, data processing and other services. ❖ Consultancy: To act as management consultants for companies, firms, individuals, associations, local or governmental bodies, foreign governments and international agencies; and to manufacturers and suppliers of all kind of goods, machinery, technology and materials. ❖ Projects: To undertake manage various projects undertakings and businesses within the scope if these objects and to provide consultancy, design, technical and management services but not to act as management agents ❖ Contracts: To enter into agreement with any individual, firm, cooperative or other society, company, corporate body, government or local authority or other legal entity necessary or expedient for the purpose of carrying on any business of the Company. ❖ Government Permissions: To apply for and obtain necessary consents, permissions and licenses from any Government, State Local and other authorities for enabling the Company to carry any of its objects into effect or for extending any of the powers of the company or for effecting any modification of the constitution of the Company or for any other purpose may seem expedient. ❖ Settlement of disputes: To settle disputes by negotiation, conciliation, mediation, arbitration, litigation or other means and to enter into compromise with creditors, members and any other persons in respect of any difference or dispute with them. <p>Legal Form:</p> <ul style="list-style-type: none"> ● The Company is being formed as a private limited company <p>Liability :</p> <ul style="list-style-type: none"> ● The liability of the members is limited <p>Share Capital</p> <ul style="list-style-type: none"> ● The share capital of the company is Rs 10,000,000 divided in to 1,000,000 shares of Rs 10 each. ● Shares issued to the following <ul style="list-style-type: none"> - Asad Ali Khan (Management Consultant) 350 ordinary shares of Rs. 10 each - Haider H. Zaidi (Management Consultant) 150 ordinary shares of Rs. 10 each.
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Annexure O

Synopsis of Articles of Association

	<p>Public Company</p> <ul style="list-style-type: none"> ● The number of the members of the company (Exclusive of persons who are for the time being in the employment) shall not at any time exceed 50. ● The company shall not at any time offer any of its shares or debentures, or debenture stock to the public for subscription. ● The right to transfer shares of the company is restricted. <p>Shares</p> <ul style="list-style-type: none"> ● Share rights <ul style="list-style-type: none"> ❖ The shares of the company shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times and for such consideration as the Directors think fit ❖ Every person whose name is entered as a member in the register, entitled to receive share certificate duly signed to director /directors committee/ secretary of company. ● Transfer of shares <ul style="list-style-type: none"> ❖ The instrument of transfer of any share in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the shares until the name of transferee is entered in the register ❖ The directors shall not refuse to transfer any fully paid shares unless the transfer deed is defective or invalid ● Transmission of shares <ul style="list-style-type: none"> ❖ The executor, administrators , heirs, or nominees as the case may be, of a deceased sole holder of the share shall be the only person recognized by the Company as having any title of the share. ❖ In case of the shares registered in the names of two or more holders, the survivor or survivors shall be the only persons recognized by the Company as having any title to the share. ❖ A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share ● Alteration of Capital <ul style="list-style-type: none"> ❖ The Company may, from time to time, by ordinary resolution, increase the share capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe. ❖ The new shares shall be subject to same provisions with reference to transfer, transmission and otherwise as the shares in original share capital ❖ Share capital can be reduced by special resolution by any reason
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>Meeting and proceedings</p> <ul style="list-style-type: none"> ● General meetings <ul style="list-style-type: none"> ❖ Annual General meeting: A AGM shall be held, in accordance with the provision of section 158, within 18 months from the date of incorporation of the company and there after once at least every year within a period of six months following the close of its Financial year. ❖ Extra ordinary meetings: Directors may whenever they think fit, call an extra-ordinary general meeting, and extra-ordinary general meetings shall also be called on such requisition. ● Notice and proceedings <ul style="list-style-type: none"> ❖ 21 days notice at least specifying the place, the day and the hour of meeting and in case of special business, the general nature of that business, shall be given in the manner provided by the ordinance for general meeting. ❖ No business shall be transacted at any general meeting unless quorum of members is present at the time when meeting proceeds to business\ ❖ Chairman of BoD , if any , shall preside as chairman of every general meeting of the Company, if at any meeting he is not present or is unwilling to act as chairman, any one of the Directors present may be elected to be chairman, if none of the director present or is unwilling members can chose one of there member as chairman ❖ If poll is demanded, it shall be taken in accordance with the manner laid down in section 168. ● Votes of members <ul style="list-style-type: none"> ❖ Every member present in present shall have one vote except for election of directors in which case the provision of section 178 shall apply ❖ On a poll every member shall have voting rights as laid down in section 160. ❖ The instrument of appointing a proxy shall be in writing under hand of the appointer or of his attorney duly authorized in writing and must be deposited at the office not less then 48 hrs before the time of holding the meeting. ❖ A proxy must be a member of the Company. 								
	<p>Management and Administration</p> <ul style="list-style-type: none"> ● Board of Directors <ul style="list-style-type: none"> ❖ The directors and the names of first directors shall be determined in writing by the majority of the subscribers of the memorandum of association, so however that such number shall not in any case be less then two; <ol style="list-style-type: none"> 1. Mr. Asad Ali Khan 2. Mr. Haider H. Zaidi ❖ No person shall be appointed as a Director unless he is a member of company. ❖ The directors may elect one of their member as the chairman of the BoD, Mr. Asad Ali Khan shall be and is hereby appointed as first chairman and shall hold office upto first AGM 								

	<ul style="list-style-type: none"> ❖ The directors may elect one of their member , or from outside their body, to be the Managing Director of the Company. The Managing Director shall be the Chief Executive of the Company, Mr.Haider H.Zaidi shall be and is hereby appointed as first MD/Chief executive of the company and shall hold office upto first AGM ❖ Remuneration of Chairman, MD and any other director attending meeting of the Directors shall be determined by the BoD ● Powers and duties of Directors <ul style="list-style-type: none"> ❖ The business of the company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the Company ❖ The Board may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and assets and to issue debentures, and other securities, whether outright or as collateral security for any debt, liability of the company or of any third party.
	<ul style="list-style-type: none"> ● Disqualification of Directors <ul style="list-style-type: none"> ❖ No person shall become a Director of the company if he suffers from any of the disabilities or disqualifications mentioned in section 187, ❖ If already a Director, shall cease to hold such office from the date he so becomes disqualified or disabled or; <ol style="list-style-type: none"> 1. If removed by a resolution of members as hereinafter provided; or 2. If by notice in writing given to the Company he resigns his office; ❖ However, that no director shall vacate his office by reason only of his being the member of any company which has entered into Contracts with, or done any work for, the company but such Director shall not vote in respect of any such contract or work
	<ul style="list-style-type: none"> ● Proceeding of Directors <ul style="list-style-type: none"> ❖ The Directors may meet together for dispatch of business, adjourn and otherwise regulate their meetings, as they think fit ❖ Questions arising at any meeting shall be decided by a majority of votes ❖ Directors can delegate any of their powers not required to be exercised in their meeting to committees consisting of such members or members of their body as they think fit. ● Election and Removal of Directors <ul style="list-style-type: none"> ❖ At the first AGM , all Directors shall stand retired from office and Directors shall be elected in their place in accordance with section 178 for a term of 3 years
	<ul style="list-style-type: none"> ❖ The Director shall comply with the provisions of section 174 to 178 and section 180 relating to the election of directors and matters ancillary thereto ❖ The Company may remove a director but only in accordance with the provisions of the ordinance.

Annexure O
Synopsis of Articles of Association – contd..

	<p>Dividends and Reserves</p> <ul style="list-style-type: none"> • The company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. • No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits. • No unpaid dividend shall bear interest against the company. • The dividend shall be paid within the period laid down in section 251. • All Dividend unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. <p>• The Directors may before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves</p> <p>• The Directors may carry forward any profits which they may think prudent not to distribute without setting them aside as a reserve.</p> <p>Accounts:</p> <ul style="list-style-type: none"> • Proper books of account, as required by section 230 of the Ordinance • Income and expenditure accounts, balance sheets and reports as referred by Section 233, 234 and 236 of the Companies Ordinance, 1984 shall be prepared. <p>• A copy of balance sheet and profit and loss account and reports of directors and auditors shall, at least 21 days preceding the meeting, be sent to the persons entitled to receive notices of general meetings.</p> <p>Audit:</p> <ul style="list-style-type: none"> • Auditors shall be appointed and their duties regulated in accordance with Sections 252 to 255 of the Ordinance <p>Winding up:</p> <ul style="list-style-type: none"> • If the company is wound up, the liquidator may, with the sanction of Special resolution of the Company and any other sanction required by law, divide amongst the members in specie or kind the whole or any part of the assets of the company. <p>Secrecy</p> <ul style="list-style-type: none"> • Every Director, Manager, adviser, auditor, trustee, member of a committee, officer, servant, agent, accountant, or other person employed in the business of the company shall, if so required by the directors before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of account with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties. • No member or other person (not being a director) shall be entitled to enter upon the property of the company or examine the company's premises or properties without the permission of a director.
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Annexure P

Synopsis of major project agreements

	<ul style="list-style-type: none"> •Date of Agreement: 11th October, 2010 •Project duration: 4 and a half months with effect from October 11, 2010 through to February 21, 2010. •Parties to the agreement: Karachi Electric Supply Company (KESC) Ltd. And Abacus Consulting Technology (Pvt.) Ltd. •Project Objective: Implementation of SAP industry solutions for utilities/ CCS applications to support device management, billing and invoicing, finance and credit accounting, energy data management, customer services and customer relationship management functions of KESC. 				
	<ul style="list-style-type: none"> •Consultant's Fee: One million and thirty thousand US Dollars. • - Initial mobilisation (11 October, 2011) 15% • - Phase 1 (Preparation Phase) 0% • - Phase 2 (On completion of UT) 20% • - Phase 3 (On completion of IT) 25% • - Phase 4 (On completion of final preps) 0% • - Phase 5 (On go live) 20% • - Phase 6 (End of one month support) 20% •The client shall make payments within fourteen (14) days of receiving the invoices from the consultants on completion 				
	<ul style="list-style-type: none"> •Completion of services: A project is deemed complete upon occurrence of all of the following: <ul style="list-style-type: none"> • - Data is migrated to the new SAP system and the system comes into operational use • - Final certification of completion is provided by the client to the consultant • - The final payment (20%) is made •Modification: Is only permissible with written consent of both parties. If services are enhanced through modification, project timelines are extended accordingly. Further more, if there are delays outside the consultants control, the project timelines may be enhanced accordingly. 				
	<ul style="list-style-type: none"> •Termination of the contract: <ul style="list-style-type: none"> • The consultant may terminate the contract by giving thirty (30) days notice to the client if the client does not deliver the performance required from them. Rectifying the problem in a further 30 day period is deemed to automatically cancel the notice. • The client may also terminate the contract in a similar fashion if the consultant defaults in performance or delays performance of its obligations. Rectifying the problem in a further 14 day period by the consultant is deemed to automatically cancel the notice. 				

Synopsis of major project agreements – contd..

	<ul style="list-style-type: none"> •Date of Agreement: 1st April, 2009 •Project duration: 9 months with effect from project kickoff date •Parties to the agreement: Fauji Fertilizer Bin Qasim Ltd (FFBL). And Abacus Consulting Technology (Pvt.) Ltd. •Project Objective: Implementation of SAP industry solutions covering all business processes and functions of FFBL. •Consultant's Fee: Eighteen Million Rupees 						
	<ul style="list-style-type: none"> • - Phase 1 (On Completion of Preparation Phase) 20% • - Phase 2 (On finalization of Business Blue Print) 20% • - Phase 3 (On completion of Realization phase) 20% - Phase 4 (End of two months post GO live Support) 30% - Phase 5 (End of Six month Defect Liability Period) 10% <p>•The client shall make payments within twenty (20) working days of receiving and verifying the invoices from the consultant.</p> <p>•Poor Workmanship Clause: FFBL reserves the right to deduct from time to time a sum of not exceeding 10% of amount owed to consultant for poor Workmanship, where defects are of minor nature and lead to no loss or damage to FFBL.</p> <p>•Performance Bond: Consultant shall submit a performance bond worth 10% of the total contract on date of contract signing in favour of FFBL.</p>						
	<p>•Modification: FFBL may at any time, by written order, change the scope of the work. If the cost impact is within 5%, timelines and fee structure are not permitted to be changed. If the impact is greater than 5%, changes to timelines and fee structure will be as per mutual agreement.</p> <p>•Termination of the contract:</p> <ul style="list-style-type: none"> • The client, FFBL, may at any time terminate the contract for convenience, by providing sixty (60) days written notice to the Consultant. • The consultant may terminate the contract, subject to material breach by FFBL in regards to payment obligations, by providing ninety (90) days written notice to the client. • FFBL also reserves the right to terminate the contract at any time with immediate effect if the Consultant fails to meet performance obligations , delays implementation, or if it fails to comply with a notice from FFBL requiring them to correct defective work. 						

Synopsis of major project agreements – contd..

	<ul style="list-style-type: none"> •Date of Agreement: 1st April, 2011 •Project duration: Ongoing •Parties to the agreement: Telenor Pakistan Pvt Ltd And Abacus Consulting Technology (Pvt.) Ltd. •Project Objective: Catering for calls relating to Telenor Products, Services and Policies •Consultant's Fee: Fee is based on a variable cost structure based upon hours worked, employee grade and numbers of employees based upon transaction type. 							
	<ul style="list-style-type: none"> •Billing is to occur in arrears with payment to be made within 30 days of Telenor Pakistan receiving the invoice. 							
	<ul style="list-style-type: none"> •Liquidated Damages: If Abacus fails to meet the required services level as set out in the statement of work, Telenor Pakistan reserves the right to claim damages in addition to other remedies, calculated as what is deemed to be the genuine loss to Telenor. Further more, Abacus will be required to pay the purchase price of any assets provided by Telenor Pakistan damaged by them or their subcontractors through negligence. •Exclusivity: Telenor reserves the right to get similar services from other companies. Abacus Consulting as per contract shall not have the right to provide similar services to any of Telenor's direct competitors during the agreement and until 6 months after termination of contract. •Modification: Can only be achieved through acceptance of both parties in writing. 							
	<ul style="list-style-type: none"> •Termination of the contract: <ul style="list-style-type: none"> ● Abacus Consulting may terminate the contract without cause by providing 180 days written notice to Telenor Pakistan. ● Telenor Pakistan may terminate the contract without cause by providing 45 days written notice to Abacus Consulting. ● The agreement may be terminated by mutual agreement if either party ends up in liquidation, has an administrator appointed, undergoes major organization restructuring, merger, court order, or if any similar events occur. 							

Synopsis of major project agreements – contd..

	<ul style="list-style-type: none"> •Date of Agreement: 28th September, 2007 •Project duration: Complete •Parties to the agreement: Karachi Electric Supply Corporation ("KESC") Limited And Abacus Consulting Technology (Pvt.) Ltd. •Project Objective: Transferring data from legacy systems to SAP and to replace these systems with SAP software. •Consultant Fee: Twenty One Million, Two Hundred and Seventy Six thousand Rupees (Rs. 21, 276, 000) 						
	<ul style="list-style-type: none"> • - On Agreement signing 25% • - On Completion of Business Blue Prints 10% • - On Completion of realization phase 25% • - On completion of User Acceptance Testing 25% • - On completion of Post implementation 15% 						
	<p>•Modification: May only be made by mutual agreement of both parties in writing. If the scope of project is changed or the timeline extended by more than 30 days, the modification is considered as Additional services with additional remuneration to be mutually decide by both parties.</p>						
	<p>•Termination of the contract:</p> <ul style="list-style-type: none"> • Both parties may terminate the contract by giving thirty (30) days written notice subject to default by the other party. Remedying or compensating for the damage within 30 days however is deemed to cancel the notice. 						
	<p>Assignment: Consultant may not assign performance of services under the agreement to any third parties or nominees without prior approval of KESC.</p>						

Synopsis of major project agreements – contd..

	<ul style="list-style-type: none"> •Date of Agreement: •Project duration: •Parties to the agreement: •Project Objective: •Consultant's Fee: 	<p>3rd November, 2009</p> <p>11 months with effect from project kickoff date</p> <p>Fauji Fertilizer Company (FFC) Limited. And Abacus Consulting Technology (Pvt.) Ltd.</p> <p>Implementation of SAP modules in various functional areas as decided by FFC.</p> <p>One Hundred and Eight Million Rupees (Two Phases + Training) Inclusive of taxes and out of pocket expenses</p>			
	<ul style="list-style-type: none"> • • • 	<p>Phase 1- Rs. 76,000,000</p> <p>- Phase 1.1 (At signing of Contract)</p> <p>- Phase 1.2 (Completion of project preparation phase)</p>	<p>10%</p> <p>20%</p>		
	<ul style="list-style-type: none"> • • • • • • • 	<p>- Phase 1.3 (Finalization of business blue prints)</p> <p>- Phase 1.4 (Payment upon completion of realization phase)</p> <p>- Phase 1.5 (At time of GO LIVE)</p> <p>- Phase 1.6 (After completion of Post Go Live Support)</p> <p>Phase 2- Rs. 24,000,000</p> <p>- Phase 2.1 (At time of commencement of Phase II)</p> <p>- Phase 2.2 (Upon completion of project preparation phase)</p> <p>- Phase 2.3 (Finalization of business blue prints)</p> <p>- Phase 2.4 (Payment upon completion of realization phase)</p> <p>- Phase 2.5 (At time of GO LIVE)</p>	<p>20%</p> <p>20%</p> <p>10%</p> <p>20%</p> <p>20%</p> <p>20%</p> <p>20%</p> <p>20%</p> <p>10%</p>		
	<ul style="list-style-type: none"> • 	<p>- Phase 2.6 (After completion of Post Go Live Support)</p>	<p>20%</p>		<p>•The client shall make payments within twenty (20) working days of receiving and verifying the invoices from the consultant.</p> <p>•Poor Workmanship Clause: FFBL reserves the right to deduct from time to time a sum of not exceeding 10% of the value of the affected Sub Phase for "poor workmanship".</p> <p>•Performance Guarantee: Consultant shall submit an Insurance Guarantee worth 10% of the sub phase under consideration.</p> <p>•Modification: FFBL may at any time, by written order, change the scope of the work. However if the business blue print is signed off, then all requests are considered change requests which shall be valued at the consultants standard charge out rate. If the cost impact is within 5%, timelines and fee structure are not permitted to be changed. If the impact is greater then 5%, changes to timelines and fee structure will be as per mutual agreement. Any adjustments in pay or timelines requested for by the consultant must be agreed upon by FFC.</p> <p>•Termination of the contract:</p> <ul style="list-style-type: none"> • The client, FFC, may at any time terminate the contract for convenience, by providing thirty (30) days written notice to the Consultant. • The consultant may terminate the contract, subject to material breach by FFC in regards to payment obligations, by providing ninety (90) days written notice to the client. • FFC also reserves the right to terminate the contract at any time with immediate effect if the Consultant fails to meet performance obligations , delays implementation, or if it fails to comply with a notice from FFC requiring them to correct defective work. <p>Arbitration: In the event of dispute, any complaints shall be submitted to the Managing Director FFCL who shall be the sole arbitrator and whose decision will be binding on both parties.</p>

Annexure Q
Rating Matrix

	Low Risk	<ul style="list-style-type: none"> • Capacities and systems fully satisfy minimum requirements. 						
	Medium Risk	<ul style="list-style-type: none"> • Capacity gaps pose some manageable risks and certain strengthening measures must be completed subsequent to award of contract. 						
	High Risk	<ul style="list-style-type: none"> • Capacity gaps pose major risks which must be addressed to ensure that the risks have been mitigated to manageable levels before the first disbursement 						

Annexure R

Notice to the reader

<p>Notice to reader</p> <p>This report has been prepared by KPMG Taseer Hadi & Co.('the Firm/ KPMG') solely for the purpose of providing reasonable assurance to ASP, RSPN/ the Client that Abacus Consulting has an acceptable organizational structure organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures and practices. KPMG has been mandated by the ASP, RSPN to perform pre-award assessment on Abacus Consulting in accordance with the</p>	<p>For the foregoing reasons, this report cannot in any way serve as a substitute for other enquiries and procedures that others would (or should) otherwise undertake and judgments others must make for the purpose of satisfying themselves regarding any matters of interest to others regarding this report or the Client or any other purpose. Apart from the addressees and their reliance on this report, no-one else should rely for any purpose whatsoever upon this report.</p> <p>Our report makes reference to 'KPMG Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.</p>
<p>Task Order shared with KPMG through email dated 04 August 2011. This report contains our findings, based on our field work up to 11August 2011. We have not undertaken to update our report for events or circumstances arising after that date.</p> <p>This report is limited to the scope set out in our task order. Accordingly, there may be other issues of interest to the Client which may not be included in this report.</p> <p>This report is confidential and for the internal use of the Client only. It is not to be distributed or to be referred or quoted, in whole or in part, without our prior written consent except as specifically provided in our work order.</p>	<p>In accordance with its policy, KPMG advises that neither it nor any Partners or employees undertakes responsibility arising in any way whatsoever, to any person other than the management of the Client in respect of the matters dealt with in this report, including any errors or omissions therein, arising through negligence or otherwise, howsoever caused.</p>
<p>The Firm does not accept or assume responsibility to anyone other than the addressees of this report, for its work, for this report or for any judgments, findings, conclusions, recommendations or opinions that the Firm has formed or made. The work was undertaken and this report was issued, on agreed terms of engagement, in order that the Firm might state to the addressees those matters on which it agreed to report and for no other purpose.</p> <p>The Firm's work and this report were not planned or prepared in contemplation, or for the purpose, of anyone other than the addressees' interests or needs. Therefore, items of possible interest to others may not have been specifically addressed for the purposes of this report. The use of professional judgment, and the assessment of issues or their relevance (as appropriate) for the purpose of the Firm's work and this report, mean that matters may have existed that would have been assessed differently by others for their purposes. The Firm does not warrant or represent that the information in this report is appropriate for their purposes. This report was not created for, and should not be treated as suitable for, any purpose other than that set out in the report itself and/or in the terms of engagement.</p>	

Notice to the reader – contd..

	<p>Scope of work</p>						
	<p>In accordance with the terms of reference as per task order shared with KPMG through email dated 04 August 2011, we have performed pre-award assessment of Abacus Consulting (The Company).</p> <p>The procedures we performed were based on the our agreement with the scope of the Client. The management of the Client have confirmed that these procedures will be sufficient for their purpose. We make no representation regarding the sufficiency of these procedures for the addressees’ purpose.</p>						
	<p>Our comments are based on the work carried out on the basis of information provided by the Abacus Consulting, the stakeholders and other publicly available information. The information provided by the stakeholders and the Company included the information made available during our fieldwork in premises of the Company.</p> <p>We draw your attention to the following significant matters:</p> <p>The findings of the procedures performed are presented in this report. The procedures performed do not constitute an audit and had we performed additional procedures or conducted an audit in accordance with generally accepted auditing standards, other matters might have come to our attention which we would have reported to the addressees.</p>						
	<p>We have indicated within our report the sources of the information presented. We have not sought to establish the reliability of these sources by reference to independent evidence. We have analysed the information made available and to the extent possible, have satisfied ourselves that the information presented is consistent with other information provided to us during the course of our work.</p> <p>All analysis, conclusions or assessments have inherent limitations since they are based on un-verified information.</p> <p>Our reading of the documents and relevant records was limited to those provided to us by the Company and the stakeholders and other publicly available information. In performing our work, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us, whether original or copies.</p>						

Annexure S
MANAGEMENT RESPONSES



AbacusConsulting 

Consulting | Technology | Outsourcing



Copyright © 2011 AbacusConsulting. All rights reserved.

Comments

**on
Draft Pre-Award
Assessment Report
on AbacusConsulting
by RSPN/KPMG**

August 19, 2011

Contents

Comments on Observations	3
Comments on Mapping Exercise	8
Comments on Risk Assessment Matrix	11

Comments on Observations

KPMG’s Draft Pre-Reward Assessment Report (“Report”) was submitted by RSPN to AbacusConsulting (the “Company”) on August 18, 2011, based on their team’s assessment of the Company’s corporate structure, policies and methodologies on behalf of USAID. Following the Report, a high-level meeting was convened on August 19, 2011 at AbacusConsulting to discuss KPMG’s assessment of the Company and the Company’s observations on the Report. In the report, certain observations have been made with respect to implementation of policies. Consequently, certain post-obligation recommendations have been made for capacity enhancement at the organizational level.

There are some valid observations made in the Report and we appreciate the quality of the Report given its preparation in a very short time, however there are some points that we would like to rectify and/or clarify as they may not represent a holistic picture. We understand that these points may be a result of the time constraint, a misunderstanding or miscommunication on part of our staff and would like to take the opportunity to provide our feedback.

Observations in Report	Reference	Comments by AbacusConsulting
1. Organizational Structure	p23 p31 (3.) P43	As shown by the dotted lines there are reporting lines between various support departments to Business Vertical Heads who double-hat as Functional Heads also. Hence, Heads of HCS, SCTA and ITS are also Heads of Corporate HR, Corporate Communication & Branding and Corporate IT, respectively. These additional responsibilities have been given to them in light of competence synergies and functional efficiencies. Hence, there are no vacant posts in the high-level organogram of the Company.
2. The company has not established any in house audit department to carry out internal audit of its organization.	p28 (5.) p29 (6.7)	Agreed. The management of the Company is willing to implement an internal audit function should this be a requirement of the USAID. Clarification is sought as to whether USAID requires us to implement this at the corporate level or the project level.
3. Quality of external auditors	P29 (6.6)	The Company’s current auditors are not a top tier firm but a small yet reputable and hardworking firm. AbacusConsulting is constrained by the fact that all large audit firms in Pakistan have active consulting businesses which compete directly with AbacusConsulting. It is not considered prudent, given the prevalent

Observations in Report	Reference	Comments by AbacusConsulting
		market dynamics, to have a competitor to audit our accounts.
4. The position of Director Finance has never been filled. Director Operations heads the function	p31 (3.)	Director Operations is, in fact, Director Finance. The term 'Operations' is used at the Company to include Administration, Support and Finance functions
5. No formal project costing mechanism is in place.	P33 (8)	Project costing is a critical practice undertaken before submitting a proposal for any and all assignments. There are comprehensive tools and mechanisms followed strictly at the Company - for which evidence has been provided to the KPMG team. However, given our line and magnitude of work, the allocation of indirect costs is not made to the projects, but rather to practice areas undertaking those projects. Furthermore, this practice is consistent with best practice costing methods used in the global professional services industry.
6. ...apart from one of the accounts executives, no key accounts and finance personnel has obtained formal training on SAP R-5 solutions application.	P35 (11.2 b))	The said accounting staff has been trained to operate the SAP system as end-users/ operators, for which they have been engaged. Since they are not SAP implementers or consultants they do not require to be certified SAP experts. Furthermore, comprehensive user manuals have been provided to all staff using our SAP system.
7. No proper fixed assets register is maintained by Abacus consulting (Pvt.) Ltd	P36 (11.5 b))	Agreed –the specific gaps identified in the fixed assets records will be addressed. The company being assessed is AbacusConsulting Technology (Pvt) Ltd
8. Director Operations is entrusted with various responsibilities....	P37 (11.11)	Director Operations is essentially responsible for 'Administration' and 'Accounting & Finance' functions with all its natural subsets.
9. HR function is also responsible for carrying out administrative functions of the organization which include procurement of office equipment and fixtures, managing usage of office	P40 (3.1 b)) P 43	No procurement is carried out by HR. All procurement is done under Operations dept.

Observations in Report	Reference	Comments by AbacusConsulting
resources, etc.		
10. The position of Director – HR is currently lying vacant.	P43	See point 1 above.
11. HR staff strength has decreased during previous three years despite overall growth in the number of group employees during the period. HR staff has decreased from thirteen employees in the FY 2009 to seven in FY2011	P43	Overall HR staff is 21 strong, including 7 at the Head Office (for staff strength of approximately 300) and 14 at GDC (for staff strength of approximately 1150). Given the continuing automation and the launch of AbacusCloud in the last quarter of 2011, we expect much greater levels of productivity from our HR function.
12. Certain per diem payments, amounts paid are not in compliance with the policy...	P44	Per diems differ from project to project and depend on clients negotiated rates. For all other projects and general corporate travel the corporate Per Diem policy applies.
13. Certain salary payments were not made in accordance with approved pay scales	P44	The pay scale schedule referred to was out dated. The updated schedule is provided as attached.
14. Based on our review of the minutes of meetings... (FFC) have raised issues with respect to the quality of HR deployed on the project	44 (2.2 b))	Observation is based on incomplete information. The FFC project was a huge project in Islamabad and the project records were maintained in Islamabad not Lahore. The issues mentioned in the viewed minutes were subsequently resolved. Evidence available in multiple files is available in Islamabad.
15. Policy/ procedures in respect of hiring of International Consultants have not been developed	P45 (2.2 b)) P46 (2.4 bb)	AbacusConsulting does not normally directly hire international consultants. These are engaged on subcontract basis for projects. Their performance evaluation and other related HR policies and procedures are incorporated in the subcontracts signed with them. Furthermore, we understand that this is a USAID requirement and hence we agree to develop such policies in line with their guidelines.
16. An independent dedicated unit has not been established for monitoring and evaluation of administrative and project	p50 (1) p53 (2.1 b))	PMO is an independent and dedicated unit for monitoring and evaluation of projects and related administrative activities. All preparatory work has been done for its launch in September

Observations in Report	Reference	Comments by AbacusConsulting
<p>activities.</p> <p>An independent monitoring and evaluation function has not been developed.</p>		<p>2011. Before PMO this function was carried out by AbacusCentral (albeit at a relatively simpler level) which ensured compliance. PMO shall be a more comprehensive management unit, which would be automated through AbacusCloud by Q4 of 2011. Project Management and Monitoring & Evaluation have been an important part of our business ever since inception. We had best practice Project Management tools imbedded in our routine business development and delivery schedules. Over the years, the methodologies have evolved and we have refined them to suit each practice and client needs. Now we are in the process of transition from an older methodology to a newer one.</p>
<p>17. We found that the company neither prepare any project wise management accounts nor the comparison between actual and budgeted costs, targets/ milestones achieved, project delays etc highlighting problems faced and actions taken to address them.</p>	<p>P54 (2.2 b))</p>	<p>Detailed project documentation is developed for all projects. We develop a Job Order Costing (JOC) sheet prior to the start of every project. A project plan is prepared based on the JOC and project progress reports are issued and reviewed on a periodic basis.</p>
<p>18. Project delays</p>	<p>54 (2.4 b) A))</p>	<p>Project delays at KESC are generally a result of the strikes at KESC, law and order situation in Karachi and delays at client end.</p>
<p>19. The review of the minutes of the meetings dated 14th March, 2011 revealed that just after three months of the start of the project three of the expat consultants deputed on the project left the project without giving any notice i.e. one month as stipulated in their hiring contract resulting in significant delays to the project timelines.</p>	<p>54 (2.4 b) A))</p>	<p>With reference to KESC project, the expats leaving was the result of bomb blasts and law and order situation in Karachi which resulted in orders from the Embassy to leave immediately. The expats left despite their contractual obligations as mentioned in the Report. This is to be treated as force majeure.</p>
<p>20. No progress reports are</p>	<p>55 (2.4 b) A))</p>	<p>Detailed project progress reports are maintained</p>

Observations in Report	Reference	Comments by AbacusConsulting
maintained as are required by the PMO charter...		for the Project though not in the format required by the PMO Charter but in compliance with the ASAP project management guidelines under SAP. Project management and M&E methodologies vary from client to client. Various donors such as DfID have specific requirements that need to be complied with. Similarly SAP has its own ASAP methodology for its project implementations. AbacusConsulting's PMO guidelines are applicable on other projects that do not have specific compliance requirements.
21. No evidence of the Project change requests as required by the PMO charter manual and the agreement have been maintained	55 (2.4 b) A)	This observation is made in reference to KESC-ISU project. Change Request logs are maintained and regularly updated, as per the relevant SAP project management guidelines (see attachments as requested).
22. The Company has an insurance cover over its vehicles and electronic equipment only however other fixed assets of the Company are not insured.	P36 (11.5b)	The Company has full and comprehensive insurance on all fixed assets. (see attached policies). The Company is also insured against Professional Indemnity, on a global level, to the amount of approximately USD 9 million.
23. Annex J 'Profile of Key Management Staff'	P73	<p>The division of Experience Years between AbacusConsulting and externally are not correct for some of our key management staff. The correct division is as follows:</p> <ul style="list-style-type: none"> • Asad Ali Khan: 24 (Abacus); 23 (Ext.) • Abbas Khan: 10 (Abacus); 5 (Ext.) • Aamer Chaudhry: 16 (Abacus); 6 (Ext.) • Ali Shaukat: 23 (Abacus); 9 (Ext.) • Paul Batchelor: 6 (Abacus); 37 (Ext.) • Arshad Iqbal: 7 (Abacus); 18 (Ext.) • Alliya Haidar: 11 (Abacus); 5 (Ext.) • Murtaza Ali Khan: 6 (Abacus); 5 (Ext.) • Inayat U Koreshi: 9 (Abacus); 12.5 (Ext.) • Fatima Asad-Said: 14 (Abacus); 1 (Ext.) • Naveed Hussain: 10 (Abacus); 2.5 (Ext.)

Comments on Mapping Exercise

Based on the Mapping Exercise of the Company, KPMG have presented their recommendations and expected Action Points in the Report. We understand that these Action Points are to be included as post-obligation conditions in the Agreement to be entered between the USAID and AbacusConsulting. Our comments on the Mapping Exercise (ref p18) are as follows.

Recommendations	Action Points	Comments by AbacusConsulting
<p>1. Strengthening of Governance Structure</p> <ul style="list-style-type: none"> • An internal audit function, with adequate authority and independence, should be developed. 	<p>Internal audit function should be established. The internal audit function should employ adequate staff with appropriate qualifications. Scope of internal audit department should extend to entire operations of the Company with direct reporting line to the top management.</p>	<p>An Internal Audit function shall be created at the Project level if so desired.</p> <p>We will also be happy to consider establishing an Internal Audit function at AbacusConsulting as a matter of best practice. However, we need clarity from USAID on whether they deem it mandatory at the Project Level or the Corporate Level.</p>
<p>2. Capacity building of finance department</p> <ul style="list-style-type: none"> • The finance department should be strengthened in terms of its HR capacity. Appropriately qualified finance staff should be hired with appropriate sub-ordinate level staff. • Adequate segregation of duties within the accounting function should be ensured. • Compliance with policies and procedures should be ensured 	<ul style="list-style-type: none"> • An analysis of the existing staff capacities of the finance staff should be carried out. On the basis of analysis, job descriptions and eligibility criteria should be established. • The existing structures as well as policies and procedures should be modified in order to ensure appropriate segregation of duties. • Fixed assets records should be reviewed and updated to ensure that adequate records are maintained in accordance with legal requirements laid down by applicable laws and regulations. • Director Finance should review the bank reconciliation statements. • Policies and procedures relating to payment authorization and maintenance 	<p>Agreed.</p>

Recommendations	Action Points	Comments by AbacusConsulting
	of records should be complied.	
<p>Strengthening of procurement processes</p> <ul style="list-style-type: none"> • Policies and procedures should be modified to provide adequate guidance over contract execution and contract management. • Adequate segregation of duties within the procurement function should be ensured. 	<ul style="list-style-type: none"> • A centralized procurement function/ forum should be established with adequate representation from relevant departments. • The procurement policies and procedures should be revised to adequately provide guidance over contract execution and management. 	<p>Agreed.</p>
<p>Capacity building of human resource department</p> <ul style="list-style-type: none"> • HR policies and procedures should be strengthened. Compliance with HR policies and procedures should be ensured. 	<ul style="list-style-type: none"> • A review of the HR selection processes should be carried out to identify design and implementation weaknesses. A performance evaluation mechanism in respect of international consultants should be developed and implemented. • Training programs for employees should be arranged to ensure adequate professional development of Company's HR. • Scope of internal audit function should include review of compliance with HR policies and procedures. 	<p>The HR policies in force are quite sound with robust selection procedures and training provisions in place (for both internal and external training). However, there may be instances where these processes are not documented appropriately. Efforts shall be made to ensure compliance in terms of documentation and completion of files.</p>
<p>Strengthening of monitoring and evaluation mechanism</p> <ul style="list-style-type: none"> • An independent monitoring and evaluation mechanism should be developed. 	<ul style="list-style-type: none"> • An independent monitoring and evaluation department should be established. The monitoring and evaluation function should closely coordinate with the Internal Audit department to ensure oversight and verification of 	<p>An independent monitoring and evaluation unit has been established. The Company is currently in transition from a previous model to the new PMO which is a distinct improvement on the previous. The PMO shall ensure compliance on project</p>

Recommendations	Action Points	Comments by AbacusConsulting
	<p>financial aspects of project activities.</p> <ul style="list-style-type: none"> Reporting requirements as stipulated by Company's policies and procedures should be complied. The project monitoring mechanism shall ensure compliance with reporting requirements as well as a mechanism for carrying out followup of previously identified observations. 	<p>delivery and administration.</p>

Comments on Risk Assessment Matrix

Our comments on the risk status awarded to us (ref p9) are as follows:

	Core Function	Rating	Comments by AbacusConsulting
1.	Governance and Management Structure	Medium	<p>Given the solid structure and track record of AbacusConsulting, the sound policy framework, concerted efforts made at all levels to ensure operational transparency, and KPMG’s own view of the “strong management and oversight structure” and “regular monitoring and review by the BoD”, it seems a bit harsh to be awarded a Medium risk evaluation.</p> <p>As highlighted above, our external audit arrangement is a result of the constraint we have that all large audit firms have consulting arms competing with AbacusConsulting. Our Auditors, though not a top-tier firm, is an independent firm of chartered accountants, which should not add to our risk profile.</p> <p>The internal audit function shall be created at the Project level. The Company is also willing to weigh options for Internal Audit at the organizational level if so required.</p> <p>It is our opinion that the latter two areas should be evaluated against the second core function of ‘Financial Management and Accounting System’, as under the current method the Company is being penalized twice for the same issues.</p>
2.	Financial Management and Accounting System	Medium	No comments.
3.	Procurement System	Medium	No comments.
4.	Human Resource Function	Medium	<p>We have a strong HR function established at the corporate level, with considerable enforcement of policies and record maintenance post-2009.</p> <p>The number of HR staff should be viewed according to the staff strength it is required to service. A 21-strong HR department, given the significant automation achieved and on the cards, appears to be more than sufficient to support approximately 1450 employees.</p>

Core Function	Rating	Comments by AbacusConsulting
5. Absorptive Capacity	Medium	No Comments
6. Monitoring & Evaluation	Medium	<p>We do not agree with the observations made against this function, especially the last statement which in all fairness should be removed.</p> <p>As mentioned above there is an independent and dedicated unit, PMO, responsible to ensure project and related administrative compliance. The new PMO system's launch is planned for September 2011, a few days from today. The predecessor unit of PMO, AbacusCentral, has been carrying out many of PMO's functions heretofore, and we are in transition to the new system. PMO Charter guidelines and templates are a refinement of the previously used ones, however project management policies, methodologies and tools have been in use by Project Managers at AbacusConsulting for the past fifteen years or so. Job Order Costing (JOCs), Project initiation forms, progress reports, various logs and checklists have been regularly used and maintained by our Project Managers.</p> <p>Also, as explained earlier, project management methodologies may differ from client to client as some clients or implementation partners may require compliance to their own policies and methods, in which case their particular policies are adhered to.</p>
<p><i>In the backdrop of the forgoing comments, you are requested to re-consider lowering the Risk Ratings in some of the categories.</i></p>		