WORKSHOP ON USAID G2G PROGRAM
FINANCIAL MANAGEMENT WITH
AUDIT PERSPECTIVE

Department of Auditor General of Pakistan & USAID
Assessment and Strengthening Program

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## Acronyms

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<tr>
<td>ACA</td>
<td>Agency Contracted Audit</td>
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<td>AGP</td>
<td>Auditor General of Pakistan</td>
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<td>ASP</td>
<td>Assessment and Strengthening Program</td>
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<td>CB</td>
<td>Capacity Building</td>
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<td>CSOs</td>
<td>Civil Society Organizations</td>
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<td>DAGP</td>
<td>Department of Auditor General of Pakistan</td>
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<td>EAD</td>
<td>Economic Affairs Division</td>
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<td>EPPA</td>
<td>Enhanced Partnership with Pakistan Act</td>
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<td>FAM</td>
<td>Financial Audit Manual</td>
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<td>FAPs</td>
<td>Foreign Aided Projects</td>
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<td>FWO</td>
<td>Frontier Works Organization</td>
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<td>G2G</td>
<td>Government to Government</td>
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<td>GoP</td>
<td>Government of Pakistan</td>
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<td>HEC</td>
<td>Higher Education Commission</td>
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<tr>
<td>KLBA</td>
<td>Kerry Lugar Berman Act</td>
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<td>KPRP</td>
<td>Khyber Pakhtunkhwa Reconstruction Program</td>
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<td>OFM</td>
<td>Office of Financial Management</td>
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<tr>
<td>MSP KP</td>
<td>Municipal Services Program Khyber Pakhtunkhwa</td>
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<td>NHA</td>
<td>National Highway Authority</td>
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<tr>
<td>PAC</td>
<td>Public Account Committee</td>
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<tr>
<td>PaRRSA</td>
<td>Provincial Reconstruction, Rehabilitation and Settlement Authority</td>
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<td>PDs</td>
<td>Project Directors</td>
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<td>Pakistan Enhanced Partnership Agreement</td>
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<td>Project Management Units</td>
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<td>Quality Control Committee</td>
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<td>RCA</td>
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<td>Rural Support Programmes Network</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WAPDA</td>
<td>Water and Power Development Authority</td>
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Executive Summary

A three days consultative workshop on USAID G2G program financial management with audit perspective was organized jointly by USAID and DAGP through USAID funded Assessment & Strengthening Program (ASP). The primary objective of the workshop was to facilitate DAGP management and USAID funded project teams to better understand Government to Government (G2G) project financial management and audit requirements. The focus of the workshop was to enable DAGP auditors design better audit procedures with an outcome of value-adding audits for USAID projects.

The workshop evolved a consensus in strengthening the financial management of G2G awards to minimize the audit objections, completion and timely closure of audit. A way forward based on various recommendations was agreed in the workshop. The workshop highlighted the need to increase coordination between USAID and DAGP during the audit planning, execution and reporting phases. It also put forth concrete recommendations for strengthening the Pre-Audit and Internal Audit Systems within the projects, training of DAGP and project staff on USAID specific project audit requirements, and formalization of the entrance & exit meeting process in USAID G2G project audits.

The workshop provided opportunities to Auditors and Project Teams to interact with each other to share their experiences and evolve a common understanding on audit requirements of both Government of Pakistan and USAID. Orientation on US Office of Inspector General (OIG), fraud awareness, USAID Audit management and resolution process were useful in creating awareness on various US government regulations with respect to audit.

This report provides a summary of the various presentations made during the course of the workshop and encapsulates key discussion points to enable the reader to understand the background of issues and suggestions put forward to resolve the issues. The last section of report sums up various action points agreed by the participants; as a way forward and take away of the workshop.

In order to make this report a guiding documents for officials not present during the event, detailed presentations have also been added as annexure of the report.
Workshop on G2G Financial Management

Background

The DAGP is conducting financial audits of USAID/Pakistan projects which are continuously increasing in number and greatly assisting in strengthening the accountability and project management of USAID’s development assistance to Pakistan. The Office of Inspector General audit reports for G2G (Government to Government) projects of recent years highlighted various control weaknesses and compliance issues related to financial management of the USAID funded G2G awards/projects. There are also delays in execution and finalization of audits and there are few OIG requirements which are not met. In this purview, this workshop has been organized to bring all stakeholders on board and discuss in detail all aspects related to financial management of USAID G2G program with specific audit perspective.

Venue and Participants

A 3 days workshop/training on "Financial Management of USAID funded G2G awards with audit perspective" was held on July 21-23 in Lahore as a joint collaboration of USAID and DAGP through ASP-RSPN. The workshop was attended by senior officers of DAGP, USAID and Project Directors (PDs) of Project Management Units (PMUs). The reason for bringing the three stakeholders on one platform was to understand the audit requirements from the perspectives of both DAGP’s and USAID's and to discuss the bottlenecks faced in performing the successful audits.

The Project personnel joined the workshop on the second day of the event and actively participated in the discussions. The total number of the participants on the first day of the event was 36. The number of participants on the second and third day rose to 49. The list of the participants is attached as Annex A (document is accessible at: https://drive.google.com/drive/folders/0B1aTJKu5yTkUSkFSU3VvdzVqOU0).

Workshop Objectives

Following were the major objectives of workshop;

1. To enable DAGP auditors design better audit procedures and processes to include USAID/OIG audit requirements and also directly contributing to the DAGP mission of ensuring transparency, accountability and good governance.
2. To facilitate project managers and DAGP staff better understand the USAID funded G2G project financial and audit management requirements.
3. To explore and brainstorm the relevant audit and financial management procedures and requirements for addressing current bottle necks in the financial management of the program/projects.
Workshop Day 1 Presentations and Discussion

Mr. Shiraz Ashraf, financial analyst USAID commenced the workshop with a brief welcome to the participants and the chief guests Mr. Javaid Jehangir, Additional Auditor General of Pakistan and Mr. Zachary Harkenrider, US Counsel General. He touched upon the purpose and main outcomes expected of the three-day event; emphasized for an active participation for making most out of the planned sessions.

Detailed program schedule is given at Annex B and the document is accessible at https://drive.google.com/drive/folders/0B1aTJKu5yTkUSkFSU3VvdzVqOU0

Welcome Speech (DAGP and USAID)

Mr. Javaid Jehangir, Additional Auditor General of Pakistan in his opening remarks appreciated the role of International Development Partners, especially USAID for its continuous assistance in developing activities which enabled DAGP achieve excellence over the course of the years. He expressed confidence that the funds provided to the people of Pakistan are tax payers’ money, and the accountability of the expenditures needs to be ensured.

DAGP is executing the audit of 16 USAID funded projects to ascertain the transparency and internal controls; in close coordination with the relevant USAID offices. Mr. Javaid Jehangir in closing expressed hope that the workshop that the workshop will earnestly strive to address the critical issues of audit and objections raised in the USAID projects along with delays in closure of audits.

On behalf of USAID, Mr. Zachary Harkenrider, US Counsel General welcomed the participants and appreciated the ongoing partnership of Department of the Auditor General of Pakistan with USAID to conduct financial audits of USAID funded projects. He mentioned that it has significantly contributed towards effective implementation of the U.S. development assistance to Pakistan; reflecting USAID’s reliance upon the DAGP and USG trust on the local institutions.

This year, the DAGP will audit over $180 million of U.S. Government’s development funds in Pakistan provided to Projects. This workshop will provide auditors with the opportunity to
discuss modalities needed to effectively oversee this large investment. He shared an overview of the development projects funded by USAID over the last few decades. USAID’s historic trend in funding energy sector of Pakistan, including WAPDA (Water and Power Development Authority) back in the 1960s and the recent assistance provided to the provincial government in addressing energy crises has resulted in saving US $429 million for the distribution companies. He applauded the DAGP’s role in strengthening accountability and transparency in Pakistan. In his closing remarks Mr. Harkenrider shared high hopes for a more strengthened partnership with DAGP in coming years leading towards a joint effort in helping people of Pakistan through effective oversight of development projects.

DAGP Introduction

The welcome speech was followed by the presentation of DAGP’s Deputy Auditor General. An overview of the types of audit performed by DAGP was given; Provincial Audit Wing being the focal window for all the Foreign Aided Projects (FAPs) in the DAGP. There are 11 Field Audit Offices (FAOs) performing audits related to Foreign Aided Projects. The steps involved in FAP audit were discussed; starting from issuance of letters by Provincial Audit Wing to EAD/Development partners till the finalization of Annual Audit Plans by FAOs. The Provincial Audit Wing issues FAP audit report(s) to EAD & Development Partner(s) after formal approval of AGP.

Currently, there are 22 development partners including USAID where DAGP is providing audit support. The total number of development projects is 205 for the current year. Mr. Zia Ur Rehman also pointed out some issues faced by DAGP in performing audits relating to timely receipt of list of projects, receipt of financial statements from IAs, use of proper format, non-cooperation from the auditees etc. The session ended with a way forward and future initiatives that can be taken to improve the audits, including:

- Continuous interaction with the USAID
- Capacity Building of DAGP according to USAID Audit requirements
- Timely provision of Financial Statements to be pursued by USAID

USAID Introduction

Mr. Shiraz Ashraf gave the second presentation of the day on USAID projects in Pakistan. He commenced the presentation by articulating USAID Pakistan’s goal and focus areas which include energy, economic growth, community resilience, education and health. He stated that USAID development objectives are coherent with Pakistan vision 2025. It was informed that US
congress has appropriated US $ 4.5 Billion funds under Kerry Lugar Berman Act (KLBA) implemented by various agencies; however, 80%-90% of the funds are being utilized by USAID. A list of various on-going and completed development projects, complimenting USAID development goals, was presented. The details related to USAID’s G2G projects implemented under the energy, economic growth & agriculture, vulnerable population and education sector were also shared.

**USAID Funding and Implementation Mechanism by Ms. Priya Cariappa, Resident Legal Officer**

There are two types of funding and implementation mechanisms used by USAID i.e. Project Assistance and Program Assistance. The G2G assistance falls under the project assistance and is also referred to as on-budget assistance by the Government of Pakistan. The program assistance is also called “Non-Project Assistance” (NPA), which generally constitutes the provision of emergency funding to counter short term constraints on the economy. In addition, it includes balance of payments support and provision of local currency in support of a country’s budget for G2G projects.

There are two partnership agreements signed between GoP and US Government are Enhanced Partnership with Pakistan Act (EPPA) and Pakistan Enhanced Partnership Agreement (PEPA). Under EPPA, authorized appropriations are made to promote an enhanced strategic partnership with Pakistan. The Act’s section 103 mandates that the Office of Inspector General (US) shall “audit, investigate, and oversee the obligation and expenditure” of EPPA funds.

The types of G2G projects with reference to funds transfer fall under the categories of ‘Fixed Amount Reimbursement Agreements (FARA)’ and Cost Reimbursement Agreements’. Project Implementation Letters (PILs) are used to ‘Sub-Obligate Funds’ and contain the details of implementation and risk-mitigation requirements, specifications, payment mechanisms and milestone/activity target completion dates.

USAID expects DAGP (through its Audit) to ensure compliance with PEPA, Activity Agreement and PILs during the audits. Similarly, examination of the flow of funds to check for proper fiscal management, competitive procurement and application of rules and regulations and reporting requirements needs to be monitored during the audit process. It was suggested that USAID funded projects should be managed through GoP’s SAP system. It was emphasized that USAID should explore the integration aspects of projects with PIFRA SAP system; involving in-depth coordination and liaison with Controller General of Accounts (CGA) office.

**OIG Session by Ms. Naila S. khan, OIG Auditor and Mr. Nathan Lokos, Director OIG**

The OIG team briefly described OIG’s mandate to conduct and supervise audit activities relating to agency programs & operations; perform investigative activities. OIG’s goal specific to USAID is to promote improvements in the way USAID works for attaining sustainable development
while maintaining global interests. OIG apart from investigation conducts the financial and performance audits of the agencies. The financial audit is bifurcated into RCA (Recipient Contracted Audit) and ACA (Agency Contracted Audit). The MoU signed with the Auditor General of Pakistan entails the financial audit process covering development of audit plans, SOW development and audit reporting.

The participants were briefed on how to perform audits in accordance with OIG Guidelines. The risk assessment and types of risks were explained. One of the participants added that at many instances the risk assessment is not done because the financial statements are not provided in timely manner by the PMUs. OIG Guidelines were also shared with the participants.

**QCR Findings by Ms. Naila S. Khan**

The Quality Control Review (QCR) findings are related to the transactions which are not documented. One of the major finding of the QCR states that “SAls should promote learning and training for all staff to encourage their professional development and to help ensure that personnel are trained in current developments in the profession”. Regarding the training programs at DAGP, it was noted that staff training is being followed but there is no obligation regarding mandatory audit hours. An important QCR finding is the absence of formalized process to cope with the fraudulent activities. A summary of the suggestions for the DAGP with reference to the QCR was presented which includes formalized staff training, compliance testing with rules and regulations, written policies for staff independence, risk assessments and close coordination of DAGP with NAB.

**USAID – OIG Fraud Awareness Briefing by Mr. Taylor & Jawwad Aziz (OIG Investigators)**

A brief session on fraudulent activities and their types that are classified as illegal by OIG, such as bribery and giving gift to public officials was held. Few examples were shared where the companies submitted erroneous invoices for bid solicitation. The participants were briefed on USAID anti-fraud hotline which encourages the citizens to pursue corruption related complaints.
Workshop Day 2 Presentations and Discussion

The second day of the workshop focused on G2G programs, audit plans, audit management and audit resolution processes.

Assessment & Strengthening Program – A Brief Overview by Mr. Nazar R Rathore, Director Capacity Building

ASP project is designed by USAID to support USAID portfolio of development aid as cross-cutting intervention. ASP-RSPN program components include Pre-Award Assessments, Capacity Building, Validation and Research. Pre-Award Assessments are carried out for the identification of gaps in operational areas and risk mitigation framework is developed. The capacity building interventions can be classified as entity level interventions or strategic level interventions to address institutional development issues. Validation corroborates the effectiveness, implementation and sustainability of the capacity building activities. ASP-RSPN has supported approximately funds worth US $ 2,000 million of USAID’s assistance.

ASP has built partnerships with key government organizations including the Auditor General of Pakistan, Controller General of Accounts and Finance Departments of the provincial governments. Establishment of internal audit in KP and support in setting up of PPRAs are notable milestones achieved by ASP. ASP’s role in broader institutional development process was also discussed. It was pointed out that ASP’s platform can be used to transform the Project Design process of the Planning Commission along with other strategic avenues.

MOU signed between OIG, USAID and DAGP by Mr. Shiraz Ashraf, USAID

The Memorandum of Understanding signed between OIG, USAID and DAGP on April 26, 2007 provides the basis of annual audits of USAID funded projects by the SAI in Pakistan. According to the MOU, DAGP will perform or contract for audits of the funds provided under USAID funding agreements with Government of Pakistan. The MOU also states that the audits will be done in accordance with the “Guidelines for Financial Audits Contracted by foreign Recipients” issued by OIG. In addition, the SAI agreed to audit USAID projects in accordance with the US Governments Audit Standards. The schedule of audits for current year was also discussed in detail at the end of session.

USAID Audit Identification Process by Mr. Muhammad Arshad, USAID

The factors used while planning the audits includes risks, statutory requirements, origin &
type of IP, type of instruments and spending levels. There are four basic G2G audit plan elements; award type and number, spending level, award start/end date and reasons for including/not including in the Audit Plan. The audit plan approval goes through three tiers. In the first tier input is provided by the office of the financial management. The reviewed version then goes through the technical team input and in the third tier the final approval is given by the USAID’s mission management. Audit plans are shared with Economic Affairs Division (EAD), OIG, Mission Management and DAGP. USAID’s Audit Cycle starts in October every year; DAGP’s Audit Cycle begins from July.

**Project Discussion: FATA, PaRRSA and MSP-KP by Mr. Waqas Aziz, USAID**

For G2G Projects in FATA and Khyber Pakhtunkhwa, there are two implementation mechanisms used by USAID i.e. fixed amount reimbursement mechanism and cost reimbursement mechanisms. FATA infrastructure project spans from 2010-2018. This project is implemented using FAR reimbursement mechanism. FATA secretariat and NHA (National Highway Authority) are the partners in the project and the project is being implemented by Frontier Works Organization (FWO). Issues related to Project Implementation Letters (PILs) related to the FATA infrastructure project were discussed. In Khyber Pakhtunkhwa Reconstruction Project (KPRP) PaRRSA is the lead implementing partner; project being implemented using both FAR and cost reimbursement mechanism. Various PILs of this program were elaborated to the participants. Municipal Services Program Khyber Pakhtunkhwa (MSP-KP) is another significant G2G project implemented by USAID through Local Government and Rural Development Department – KP. The project uses both FAR and cost implementation mechanism.

**Project Discussion: WAPDA & HEC by Mr. Muhammad Arshad, USAID**

The G2G awards of WAPDA and HEC were the main focus of this session. WAPDA is the implementing partner of Tarbela Dam Repair and Maintenance Project Phase-II. It is $ 25 million Project for the replacement and rehabilitation of equipment that will enhance the life of the Tarbela hydropower plant by at least 15-20 years. Cost reimbursement implementation mechanism is being used in this project. Various aspects of the PILs were discussed which include costs details, guarantee contribution, procurement, PIL amendments, risk mitigation plan, reporting and audit. Another G2G award, the contributions of which have been highly applauded, is the Merit and Need Based Scholarship Program being implemented by Higher Education Commission (HEC). It is a $ 36 million project that provides opportunity to talented but financially disadvantaged students for education costs at higher education institutions. This project utilizes the cost reimbursement mechanism.

**Audit Management at USAID by Mr. Muhammad Arshad, USAID**

The audit management at USAID starts with pre-audit steps which consist of audit identification, intimation and SOW clearance. It was explained that the SOW is developed by USAID before the actual audit execution. The SOW contains all the relevant details about the project and reporting requirements expected as a result of the audit. The audit process has four major steps
which are; entrance conference, interim meetings, draft report and exit conference. USAID officials requested the AGP’s officials to inform USAID (through a copy) of all correspondence including intimation letter, dates of entry and exit meetings so that they can pursue the project management for provision of all the necessary information for audit, participation, and timely responses to audit observations. The final audit report submitted is checked by OFM (Office of Financial Management), submits to OIG and OIG grants the approval of the report. The DAGP and project team role in audit coordination was discussed in detail.

### Audit Management Process at DAGP by Mr. Azhar Hameed, Director General Audit Sindh

The audit management process of foreign aided projects consists of planning, execution, conclusion and follow-up. In the planning phase a list of approved foreign aided projects is received from AGP office which is then included in the draft audit plan. The draft audit plan is submitted to the AGP for approval. The management is intimated of the audit at the beginning of the Audit Year (in July). The audit teams are then mobilized and introductory meetings with the management take place. The audit team submits the requisition for the auditable record/information and conducts the audit and issues observation memos (OM). In the exit conference the OMs are discussed with the management. The draft audit report is submitted to DAGP for review by Quality Control Committee. The report is finalized after incorporating QCC comments and is submitted to AGP for approval. The audit report is issued to the development partners by DAG (PA Wing) as per given timeline (31\textsuperscript{st} March for USAID projects). The report is also shared with the project management side and their comments are obtained against each observation.

The response to the issues/findings in the OIG/USAID report on review of DG Audit Federal Government report on the Project titled “Merit and Need Based Scholarship Project” was discussed at the end of session. It was reiterated that compliance with the guidelines of Financial Audit Manual (FAM) should be ensured in all audits.

### Audit Resolution Process in DAGP by Mr. Bilal Majeed, DG Audit (WAPDA)

Audit resolution is the process employed in monitoring the steps that must be taken to remedy the weaknesses discovered in the accounting controls of an organization during an audit. The role of the principle accounting officer (PAO) was highlighted. As per “System of
Financial Control and Budgeting’, the Secretary shall be the Principal Accounting Officer of the Ministry/Division, Attached Departments and Subordinate Offices in respect of the expenditure incurred against the budget grant(s) of the Ministry/Division. Departmental Audit Committee is the intermediate forum for audit resolution and Public Accounts Committee (PAC) is the highest forum for audit resolution. The PAC is composed of 23 members. The sanctity of the audit can be ensured through the categorization of the observations as per their seriousness. The primary function of PAC is to examine the Auditor General’s Reports. PAC is answerable only to the National Assembly of Pakistan.

Audit Resolution Process in USAID by Mr. Muhammad Arshad, USAID

The audit resolution process within the USAID starts with a discussion on the audit report by the Mission management. The reviewed report is then submitted to OIG. The OIG approves the report and makes recommendations for mission and provides an action plan. The mission reviews the recommendations and takes feedback from technical and program teams. The QC and procedural actions are agreed during the audit resolution process. The management decision is then submitted to OIG. OIG concurs with mission management decisions. Mission gathers evidence of completion of actions. Later the mission submits closure action to DC.

The audit timelines were discussed and the participants were informed that the OIG review takes 1-2 months from submission of report. The mission provides its action plan within 30 days from issuance of the report. The mission management decision is reached within 90-180 days after the issuance of report. The closure is done within 365 days after management decision. One of the participants inquired about the compliance on the audit recommendations. It was emphasized that if the audit report highlights any loopholes, the OIG team visits the particular project/program to check as whether the loopholes have been addressed or not.

Common USAID G2G Audit Findings/Issues by Mr. Shiraz Ashraf, USAID

The common audit finding/issues in the banking and funds managements were highlighted. One of the common audit objections is not adhering to the assignment account requirements. In response to this objection it was elaborated that there is generally no reauthorization of revolving funds because of which the auditor raises objections. The audit objections in the procurement & contracting, expenditures/payments, project execution, taxes, assets, accounting and audit were discussed. Mr. Shiraz stated that tax exemption from EAD (Economic Affairs Division) for USAID funds is required because it is agreed as part of MOU between USAID and GoP that USAID projects are GST exempted.
Workshop Day 3 Presentations and Discussion

The third day of workshop mainly covered the areas related to Audit Guidelines for foreign funded projects, Assignment Account/Revolving Funds Account (RFA) SOPs and a panel discussion on DAGP’s Strategic Plan.

Audit Guidelines for Foreign Funded Projects by Mr. Nazar R. Rathore

The audit guidelines for foreign-aided projects were developed with the assistance of ASP in partnership with DAGP in 2014. Under the MoU signed between Regional Inspector General Manila, USAID Pakistan and the SAI/DAGP Pakistan in 2007, all parties have agreed that the SAI Pakistan will conduct audit of funds provided under USAID funding arrangement. The developed guidelines provide comprehensive details of the broad arrangements agreed under the MoU including the scope of audit, terms of engagement, auditing and reporting requirements of USG along with procedures for closure of audit. The guidelines ensure that while adhering to requirements of the donor agencies, the specific requirements of home country systems are also met. The guidelines provide a structured approach for closure of audit recommendations, through exit conferences having participation of officials from donor agency, project and audit team; further auditor’s review of the status of corrective measures taken on findings and recommendations reported in previous audits. Mr. Rathore explained that the guidelines are mainly in harmony with FAM. Some relevant USAID/OIG requirements have also been incorporated in the guidelines.

Mr. Shiraz Ashraf added that USAID is a public organization and all US-based public organizations are subject to audit. USAID’s audit is governed by the law of United States. The audit reports pertaining to USAID projects are available online on USAID’s website for public access. Mr. Azhar Hameed suggested that a chapter which delineates the preventive and corrective measures for addressing audit observations may also be made part of the guidelines.

Assignment Account/Revolving Funds Accounting by Mr. Ayaz Khan DG Audit AJK

The session has been rated as very useful by the participants; on GoP’s Assignment Account and its toolkit which has been developed through the assistance of ASP. The presentation was divided into two parts. The first part included details on the Government accounting system in
Pakistan, assignment account/revolving fund account (RFA) and stakeholders in the opening and operation of the assignment account. The second part of the presentation elaboration of the chart of accounts & accounting entries and reporting of assignment account. The similarities and differences between the assignment account and personal ledger accounts were discussed. The salient features of assignment account were elaborated. The participants were informed that assignment account is basic requirement for all the development projects either financed through loans or grant amounts, opened at a designated branch of the National Bank of Pakistan. The controlling ministry initiates opening of Assignment Accounts/RFA on request of Project Directors. Ministry of Finance gives approval and Instructions for opening and operation of these accounts. Accounting offices under CGA Authorize placement of funds in the Assignment Account as budgetary allocation and also account for expenditure under Assignment Account and RFA for merging with Annual Financial Statements prepared by CGA. State Bank of Pakistan is another important stakeholder which receives and initially accounts for foreign exchange receipt for the Project Account.

**Commitment Accounting**

Mr. Ayaz Khan, DG Audit Azad Kashmir also delivered a brief presentation on commitment accounting. The general policy regarding commitments was discussed as how it is used to control large and irregular expenditures and to fill a commitment form (form c) which is to be sent to DAO/AG/AGPR. In the presentation various terms were defined for example “funds available”, “Appropriation”. The Appropriation control register, Application of Commitment Accounting and the Commitment Recording Process were elaborated. At the end of the presentation the “Revival of Commitments” was elaborated which explained the process of how to treat commitments at the end of the year.

**DAGP Strategic Plan 2015-2019 by Mr. Zia ur Rehman DAGP and Mr. Nazar R. Rathore ASP**

The DAGP strategic plan 2015-2019 was developed with the assistance of ASP-RSPN. Mr. Zia Ur Rehman and Mr. Nazar R Rathore gave an overview of the strategic goals defined for DAGP in the plan. There are five prioritized issues and goals for the strategic plan 2015-2019; improving financial and organizational independence, development of financial and institutional capacity, developing communication and cooperation with internal and external stakeholders, use of modern audit techniques/ technologies and improving internal governance.

The last day of the workshop ended with an overview of the way forward and vote of thanks by Mr. Shiraz Ashraf.
Training Outcomes and Way Forward

Copious recommendations/suggestions were indicated during the discussions and presentation by USAID, DAGP and PDs all directed towards improving internal controls, process improvement of internal audit and decreasing discrepancies in the financial management of the G2G projects. The significant training outcomes are as follows;

1. Linking of projects with SAP system in future

   **Responsibility:** USAID & CGA responsibility

   DAGP suggested that transactions recording through SAP system are to be mandated by the Development Partner.

   Mr. Shiraz stated that a detail study and many meetings were held on this previously but it was ultimately not incorporated as the partner organizations said that SAP is not tailored according to their needs. Some partners stated that in fact their own systems have not been incorporated fully into SAP. However, the participants were re-assured that USAID will once again analyze the feasibility of linking USAID projects with SAP system.

2. Inducting right persons & strengthening Pre-Audit and Internal Audit Systems in Projects

   **Responsibility:** USAID & PMUs

   The workshop repeatedly highlighted the need of enhancing the capacity of project staff in financial management, procurement, internal audit and Pre-Audit functions. The possibility of requesting to Auditor General of Pakistan to appoint staff from the Audit Department in projects was also explored. USAID will continue to build the capacity of PMU staff on basic operational areas.

3. Increased coordination between USAID and DAGP on USAID project audits

   **Responsibility:** USAID and Govt

   MoUs, Loan Agreements, Project Appraisal Documents (PADs), SOPs and Guidelines are to be shared with AGP/DG Audit timely

   It was advised that USAID may be pursued before the audit by DAGP for all the project related data and documents as they have access to most of the project related data whenever, there is delay in the data provision for audits by PDs.
4. Development of Financial Statements on proper formats  
**Responsibility:** USAID & PMUs

Classification of expenditure in major, minor and detailed heads does not exist, e.g., a variety of expenses is booked under a single head, “Office related Expenses”. PMUs and developing partner need to look into this.

5. Training of DAGP and project staff for USAID specific project audit requirements. Training of project staff on bank reconciliation, book keeping, RFA and financial statements  
**Responsibility:** USAID, DAGP & PMUs

Properly trained, well educated staff with hands on experience should be inducted in the projects. In many instances there is lack of knowledge of auditee staff on Accounting Procedures and Rules/ Regulations. Auditee Staff is not familiar with format of financial statements and helped by audit team for its preparation at times. It has been observed that no symmetry is found in the financial statements prepared by the different PMUs. Basic training to Project staff is to be imparted, e.g., preparation of budget, reconciliation process, book keeping, financial statements as per agreed format.

Mr. Shiraz stated that US $ 2 million have been granted to DAGP for the capacity building of the staff. Training has been planned on bank reconciliation in September. The concerned will be informed as soon as the training is finalized.

6. Timely completion of Financial statements by Projects and submission to DAGP  
**Responsibility:** PMUs/USAID

Project Authorities should submit provisional financial statement at the time of finalization of annual audit plan so that proper time could be allocated to ensure audit deliverables.

7. Audit team access to the project MIS  
**Responsibility:** PMU

Audit team should be given access to the online system (MIS). Project Authorities are not authorized to disclose username/password of online designated account to the Audit Team, whereas, Audit Teams are unable to verify loan account status maintained with Donor.

8. Formalization of the Entrance & Exit Meeting process in G2G project audits with USAID  
**Responsibility:** DAGP, USAID

USAID to be intimated a week or two before the due dates of such meeting so that they can ensure their presence in such conferences.

9. Dissemination of recovery amount information with DAGP  
**Responsibility:** USAID
USAID to report the details to DAGP of the amounts recovered through the audits of DAGP of USAID awards. The reported figures will be shared by DAGP with PAC in the yearly reports. These figures will add to the yearly milestones/achievements of DAGP.

10. Timely reply on audit findings  
**Responsibility:** PDs  
As per the DAGP explanation the management response is lackadaisical in rectifying the weaknesses and resolving the issues pointed out in audit observations.

11. Timely completion of audit planning and identification of audit sample  
**Responsibility:** USAID  
USAID will make arrangements to provide such details earlier than the stipulated time to concerned DAGP officials.

12. Timely development of Audit SOWs and approval by USAID  
**Responsibility:** USAID and DAGP  
Efforts with regards to the timely development and approval of the audit statement of work will be ensured.

13. Research on tax issues on grant projects  
**Responsibility:** USAID and ASP  
The research will focus on the FATA&NHA awards and the in-depth analysis of the tax issue related to projects operated in such territories.

14. Clarity on GST related issues is required regarding USAID projects  
**Responsibility:** USAID  
USAID project are exempted from certain taxes which include sales tax amongst others. The training can be conducted on GST related issues for the PMU staff members.

15. Finalization of Audit Guidelines for USAID Projects  
**Responsibility:** DAGP  
Meticulous follow-up is required to close this activity. The report is in draft form for the last two years. Deputy Auditor General assured that the guidelines will be finalized in consultation with USAID.

The workshop was concluded with the certificate distribution ceremony.

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*All workshop related documents, presentations and Annexures mentioned in this document are accessible at https://drive.google.com/drive/folders/0B1aTJKu5yTkUSkFSU3VvdzVqOU0*
Feedback from Participants/Evaluation Study

Results against the key questions of data collected on feedback questionnaire from the workshop participants are as follows:

The following key suggestions were also shared by the participants to be made part of any future events/workshops:

1. Government Accounting Code
2. Finance division, State Bank and NBP participation
3. Session on Assignment Account related to Autonomous bodies e.g. WAPDA Projects
4. Input from executing agencies; actual problems and challenges faced
5. GST exemption procedures/guidelines
6. Case Studies to be included
7. Specific Workshop needs to be done on “Accounting of USAID funds in SAP System” involving all stakeholders
Annex A – Participants List

Annex B – Program Schedule

Annex C – Workshop Day 1 Presentations

Annex D – Workshop Day 2 Presentations

Annex E – Workshop Day 3 Presentations