



Report on Pre-Award Assessment of Mehran University of Engineering and Technology (MUET)

February 2014



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Ernst & Young Ford Rhodes Sidat Hyder

Pre-Award Assessment Report

Mehran University of Engineering and Technology (MUET)

February 2014

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List of acronyms used

ABC	Advisory Building Committee	MUET	Mehran University of Engineering and Technology
ACR	Annual Confidential Reports	MUCET Khairpur	Mehran University Campus for Engineering and Technology
ASP	Assessment and Strengthening Program	OTF	Orientation Training Form
BPS	Basic Pay Scale	PMU	Project Management Unit
CASW	Center for Advance Studies in Water	PMES	Project Monitoring and Evaluation System
CMS	Campus Management System	QMS	Quality Management System
CSO	Civil Society Organization	RA	Resident Auditor
DAC	Department Accounts Committee	RSPN	Rural Support Programmes Network
DoF	Directorate of Finance	Senate	Governing body of MUET
FR	Feasibility Report	SGI	Self-generated income
ESTA code	Civil Establishment Code of Pakistan	SOPs	Standard Operating Procedures
EYFRSH	Ernst & Young Ford Rhodes Sidat Hyder	SPPRA	Sindh Public Procurement Rules
FY	Financial Year	TNIF	Training Need Identification Form
HEC	Higher Education Commission	USAID	United States Agency for International Development
HRM	Human Resource Management	SOP	Standard Operating Procedures
ICPC	Information Communication and Processing Centre	USG	United States Government
IT	Information Technology	UDWP	MUET Development Working Party
M&E	Monitoring and Evaluation	VC	Vice Chancellor
MIS	Management Information System	XEN	Executive Engineering
MRC	Management Review Committee		

Overall Conclusion



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28 February 2014

Our assessment on Pre-Award Assessment of Mehran University of Engineering and Technology (MUET)

We have made a review and evaluation of the managerial capacity and internal control systems of the Mehran University of Engineering and Technology (MUET) using those criteria established by USAID / Pakistan under task order number ASP-CPO/A&C/Pre-Award – MUET/13-2013 dated 30 December 2013. 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 the MUET.

The management of MUET is responsible for establishing and maintaining systems of internal controls and financial management. In fulfilling this responsibility, estimates and judgments are required to be made by the management to assess the expected benefits and related costs of control procedures. The objectives of a system of internal controls is 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 and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. We understand that the objective of those financial management and internal control procedures comprehended in USAID's criteria is to provide similar assurance.

Based on this knowledge and the review and evaluation conducted by our firm, we believe that MUET's current policies and procedures are sufficient for USAID / Pakistan's purposes, assuming satisfactory compliance, except for the conditions described in section 1.1.1 which we believe would be material weaknesses. The level of risk identified as a result of our assessment is considered to be **Moderate to High**.

Further, nothing came to our attention that would cause us to believe that the MUET does not have the managerial, administrative and financial capabilities to carry out the proposed USAID funded activities.

Ernst & Young Ford Rhodes Sidat Hyder

1. Executive Summary

- 1.1 Pre-Award Recommendations
- 1.2 Overall Assessment of Areas Under Review

1.1 Pre-Award Recommendations

We understand that USAID's level of reliance on MUET systems, operational and internal controls to manage donor funds shall be based on the results of this assessment, testing of essential financial and administrative processes and internal controls (including those designed to ensure compliance with applicable laws and regulations). Based on our review, we have rated our overall assessment as '**Moderate to High**'. Conclusions with respect to individual areas of assessment and issues are documented in section 1.2 to the report.

The above conclusion is based on our review and testing of key controls and processes as discussed in section 3 of the report. Based on our assessment of MUET as per the objectives specified in section 2.3 of the report, we have identified certain conditions as key conditions and other conditions in order to facilitate the stakeholders / users of this report (including USAID and MUET) to establish timelines / work plan to improve and strengthen MUET's internal controls framework / environment.

1.1.1. Summary of Key Recommendations

The following are summary of key recommendations for the project under consideration by USAID to be implemented by MUET:

General Recommendations

- i. Funding shall come through a separate bank account as it has been the case in most of the recent donor funded projects implemented by MUET.
- ii. A separate Project Management Unit (PMU) within the Institute of Water Resources Engineering and Management (or any other concerned department) may be established to ensure proper implementation of USAID sponsored project in a timely manner.
- iii. As MUET management has no prior experience of managing USAID funds, awareness sessions should be organized for the concerned staff to ensure they understand USG and USAID requirements, guidelines, regulations and reporting requirements.

Legal Structure (Governance and entity level controls)

Sr. No.	Key Issues	Key Recommendations
iv.	Absence of an independent (post) internal audit function.	An internal audit function should be established by MUET, which should be independent of day to day management functions (including any pre approvals or pre audits). The internal audit function should have a direct reporting line to the Senate (governance body at MUET) or any of its designated committee(s) to maintain its objectivity and independence, with an administrative reporting line to Vice Chancellor. The internal audit function should be responsible to undertake periodic audits based on an approved risk based internal audit plan.
v.	There is no formally documented and approved policy on Health, Safety and Environment.	A well versed Health, Safety and Environmental policy should be developed to cover at minimum

Sr. No.	Key Issues	Key Recommendations
		<p>the following aspects:</p> <ul style="list-style-type: none"> ▶ Integration of environmental issues into planning and decision making processes; ▶ Anticipation, minimization and mitigation of environmental damage and recommendation of alternatives; and ▶ Maximize human safety in laboratories, workshop, building and hostels.
vi.	Lesser Syndicate and Academic Council meetings than the requirement of Act 1977.	MUET should convene Syndicate and Academic Council meetings at least on a quarterly basis as required by the Act 1977. Alternatively, there should be a mechanism to approve deferral of such meetings to next quarter, if it is considered that lesser number of meetings is required due to no specific agenda items for the meeting.

Financial Management and Internal Control Systems

Sr. No.	Key Issues	Key Recommendations
vii.	No mechanism to prepare weekly / monthly cash flow forecasts for donor funded projects.	The management should devise a formal mechanism to prepare periodic (such as monthly) cash forecasts both for specific (donor or HEC funded) projects and day to day operations of MUET. This will enable the management to use its cash resources more efficiently and will ensure smooth progress of project and other activities.
viii.	Bank reconciliations are not prepared on a timely basis for all the bank accounts.	Bank reconciliation statements should be prepared, reviewed and approved for all the bank accounts of MUET at least on a monthly basis.
ix.	Books of accounts for MUET and projects have not been compiled for the financial year 2012-13.	MUET should prepare a monthly financial reporting package of the USAID project along with bank reconciliation statements. This financial reporting package should also be reviewed by Finance and Planning Committee of MUET.
x.	There is no documented policy / mechanism for allocation of direct and common cost to various projects.	MUET should define / document specific criteria for identification of direct and common project costs and allocation of such costs to various projects. Appropriateness of such cost allocation should be periodically reviewed by independent monitoring teams.

Sr. No.	Key Issues	Key Recommendations
xi.	Absence of a consolidated financial management, accounting and reporting manual to cover all the applicable rules / policies and SOPs in one document.	All the applicable finance related guidelines, policies and procedures currently used by MUET to guide its financial management, accounting and reporting process should be consolidated in the form of a comprehensive financial management, accounting and reporting manual and the same should be approved by the Syndicate.
xii.	Annual accounts statements not prepared in accordance with Financial rules (updated March 2004) of MUET.	MUET should prepare financial statements as per applicable financial reporting standards and it should be audited (at least for the USAID funded project) by an independent external audit firm having satisfactory QCR rating from Institute of Chartered Accountants of Pakistan.
xiii.	There are unresolved audit observations (from the audit of MUET's annual accounts statement) amounting to PKR 1,011.24 million for the financial year ended 30 June 2012.	A meeting should be organized with Director General Audit Sindh to discuss and resolve all the pending audit paras (amounting to PKR 1,011.24 million) on the Annual Accounts Statements for the year ended 30 June 2012.
xiv.	There is no formal disaster recovery and business continuity plan in place at MUET.	A clear and robust data backup, business continuity and disaster recovery plan should be developed and implemented.
xv.	<ul style="list-style-type: none"> ▶ Lack of adequate controls over fixed assets and inventories and no consolidated fixed asset register is maintained. ▶ Assets are not insured except for vehicle to avoid the risk of any major losses. 	A consolidated fixed assets register should be maintained for the assets procured under various projects. Further fixed assets should be physically tagged and periodic physical verification should be performed for such assets. MUET management should also obtain insurance cover for all its significant assets as per USAID requirements to avoid the risk of any major losses in case of man-made or natural disaster.
xvi.	No automated system in place for maintenance of financial records of MUET.	MUET should ensure the new automated system (Campus Management System) is functional by 31 December 2014 (as currently planned) or earlier.

Procurement Systems

Sr. No.	Key Issues	Key Recommendations
xvii.	Director Finance designated as Principal Procurement Officer (PPO) for recurring purchases resulting in lack of segregation of conflicting duties.	Director Finance or any individual from the Directorate of Finance should not be involved in procurement related activities.
xviii.	No consolidated procurement plan is prepared to document the procurement activities for the year along with timelines for procurements.	A consolidated procurement plan should be prepared based on various project procurement needs.
xix.	No procedures / mechanism defined to check compliance with conflict of interest guidelines, as per SPPRA rules 2010 and MUET code of conduct.	The Management should define specific procedures / mechanism to check compliance with the conflict of interest guidelines as provided in the MUET code of conduct and SPPRA rules 2010.
xx.	Lack of approved policies and procedures related to sub-award / contracting activities.	MUET should develop specific policies and procedures to provide guidelines related to the sub-award of any project related activities.
xxi.	Procurement policies and procedures detailed in the Financial Rules have not been updated after adoption of SPPRA Rules 2010.	The Management should update the current procurement policies and procedures documented in the Financial Rules with the requirements of SPPRA rules 2010 as directed by the Syndicate in its meeting held on 14 May 2011.

Human Resource Systems

Sr. No.	Key Issues	Key Recommendations
xxii.	Absence of a consolidated Human resource management manual to cover all the applicable rules / policies and SOPs in one document.	All the applicable HR related guidelines, policies and procedures currently used by MUET to guide its human resource management process should be consolidated in the form of a comprehensive Human Resource Management manual and the same should be approved by the Syndicate.

Project Performance Management

Sr. No.	Key Issues	Key Recommendations
xxiii.	Absence of independent monitoring and evaluation over project activities.	<ul style="list-style-type: none"> ▶ An independent monitoring and evaluation mechanism for the project activities should be established which should submit periodic reports to Syndicate for review. ▶ Policies and procedures for monitoring and evaluation should be formally documented and approved by the Syndicate.
xxiv.	Absence of a consolidated project management manual to cover all the applicable rules / policies and SOPs in one document.	All the applicable project management guidelines, policies and procedures currently used by MUET to guide its project management process should be consolidated in the form of a comprehensive Project Management manual and the same should be approved by the Syndicate.

Organization Sustainability

Over the past 3 years (2011-13) MUET's overall absorptive capacity index (which is an indicator of ability to utilize the allotments received) has improved from 46% to 112% as tabulated in section 3.6. of the report. Overall we understand that MUET has carried out projects cumulatively worth PKR 2,098 million based on the past three years' performance. The stated project performance levels can be maintained and organization absorptive capacity can be enhanced by considering following key measures:

- i. MUET should enhance its capacity to generate required reports / MIS to be used for internal project management and donor reporting through implementation of an automated system '**Campus Management System**', which as per the management is planned to be completed by December 2014.
- ii. MUET may need to enhance its human resource capacity for implementation of USAID project through undertaking project specific hiring.

1.2 Overall Assessment of Areas Under Review

1.2.1. Overview

Assessment and Strengthening Program (ASP) is a five-year USAID funded initiative for undertaking institutional strengthening of Pakistani institutions in the public sector, Civil Society Organizations (CSOs) and private sector. The program is being implemented by the Rural Support Programmes Network (RSPN). The program aims to strengthen the management capacity of Government and CSOs for transparent and accountable utilization of USAID resources to enhance aid effectiveness. This program mainly focuses on building the capacities of USAID’s local implementing partners which are faced with institutional capacity issues that considerably slow down the pace of socioeconomic development.

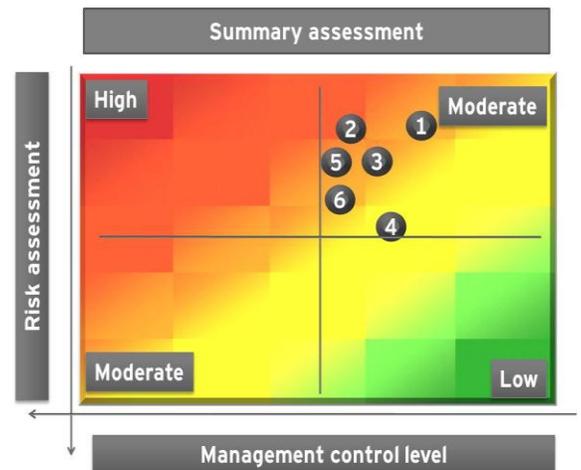
This Pre-Award Assessment of the MUET has been performed to determine whether MUET has sufficient financial management, organizational, and technical capacity to manage USAID funds in accordance with USG and USAID requirements and identify risks and potential mitigation measures which may be incorporated into the award through Special Award Conditions.

1.2.2. Summary of Pre-Award Assessment

Based on our review, we assess the overall risk level to be **Moderate to High** keeping in consideration the information, documents and explanation provided to our team by MUET management during the field work carried out from 7 January 2014 to 24 January 2014.

The table and heat map provides our risk assessment of each area under review:

S. No.	Area	Assessment Rating
1	Legal Structure (Governance and entity level controls)	Moderate to High
2	Financial Management and Internal Control Systems	Moderate to High
3	Procurement Systems	Moderate to High
4	Human Resource Systems	Low to Moderate
5	Project Performance Management	Moderate to High
6	Organization Sustainability	Moderate to High



2. Background

- 2.1 Introduction to MUET
- 2.2 Participants of this Assessment
- 2.3 Objectives of this Assessment
- 2.4 Scope and Methodology
- 2.5 Work Procedures Performed

2.1 Introduction to MUET

The education policy of 1972 provided for up-gradation of Sindh University Engineering College to the level of a University of Engineering and Technology. Accordingly, Mehran College was first declared as additional campus of University of Sindh headed by a Pro-Vice Chancellor in July 1976 and later upgraded to the level of independent University on 1st March 1977 through an Ordinance issued by the Government of Sindh. The Ordinance was later converted into “*Mehran University of Engineering and Technology Act 1977*” (the Act 1977) by the Sindh Assembly. The new University was named as Mehran University of Engineering and Technology (MUET). As per the Act 1977 (amendments incorporated up to June 2012), MUET shall be a body corporate having perpetual succession and common seal and may, by the aforesaid name, sue or be sued.

2.1.1 Vision statement

To increase the access and quality of teaching and research in order to contribute more effectively towards building up of indigenous Science and Technology capability for sustainability rapid socio-economic development and to become a world class institution.

2.1.2 Mission statement

MUET is committed to produce high quality professionals at different levels to uphold the integrity, honor and dignity of professionals and fulfill their responsibility by contributing most effectively towards building up of the scientific and technological development of the country. It aims further, to develop new environment and culture to equip it graduates with better understanding of ethics, moral and human values to serve the society better and to find solutions to its social and economic problems and to enhance its prosperity and well-being.

To support the mission, the Act 1977 provides following key powers to MUET:

- ▶ To provide for instructions and research in, and advancement and dissemination of knowledge of, engineering, technology and such other allied subjects as may prescribed;
- ▶ To prescribe courses of studies to be taught in MUET and colleges;
- ▶ To hold examination and confer degrees, diplomas, certificates and other academic distinctions;
- ▶ To confer degrees on persons who have done independent research under prescribed conditions;
- ▶ To co-operate with other universities or public authorities in such manner and for such purposes as it may determine; and
- ▶ To institute and award fellowships, scholarships, bursaries, medals and prizes in the prescribed manner;
- ▶ To establish teaching departments, colleges, faculties, institutes, centers of excellence, museum and other centers of learning for the development of teaching and research and make such arrangements for their maintenance, management and administration, as it may determine.

2.1.3 Goal statement

MUET has a greatly cherished ambition is to be grouped among the 100 best universities in the world by year 2017, in terms of the quality of its programs, faculty, research and other resources. Looking ahead, MUET aims to bring Business and Management Sciences in the University to broaden its focus from Engineering towards Business and Management.

2.1.4 Institute of water resources engineering and management

In 1987, MUET recognizing the crucial role of irrigation in the agriculture sector throughout Pakistan and the different water related issues faced by the country launched a postgraduate program for specialized needs of the irrigation and drainage system. Key highlights of the program are:

Offers full time and part time program for M.E, M.Phil. and Ph.D.	Introduction of Hydraulic and soil and water testing libraries
Introduction of short courses, trainings, workshops and seminars	Five Ph.Ds. and large number of Master's in water sector have graduated
Focus on human resource development and applied research	Liaison with international and national institutes in water sector

2.1.5 Powers of MUET

As per the Act 1977, following are the major powers of MUET:

- ▶ Provide for instructions and research in, and advancement and dissemination of knowledge of, engineering, technology and such other allied subjects as may be prescribed;
- ▶ Confer degrees on persons who have done independent research under prescribed conditions;
- ▶ Affiliate or disaffiliate colleges in the prescribed manner;
- ▶ Co-operate with other universities or public authorities in such manner and for such purpose as it may determine;
- ▶ Institute and award fellowships, scholarships, bursaries, medals and prizes in the prescribed manner;
- ▶ Receive and manage property transferred, and grants, bequest, trust, gifts, donations, endowments and other contributions made to MUET, and invest any fund representing such property, grants, bequest, trust, gifts, donations, endowments or contributions in such manner as it may deem fit; and
- ▶ Provide for the printing and publication of research and other works.

Brief performance of MUET is mentioned in Annexure 1.

2.2 Participants of this Assessment

This assessment was conducted by Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) for and on behalf of USAID; Pakistan through ASP-RSPN under task order number ASP-CPO/A&C/Pre-Award – MUET/13-2013 dated 30 December 2013 to complete the Pre-Award Assessment necessary for recipients (in this case MUET) receiving financial support.

Our assessment of MUET was based on desk reviews of key information provided to us by management, interviews and discussions with key management and operational personnel, walkthroughs of critical transactions, and testing of key controls as considered appropriate. The assessment commenced on 07 January 2014 and field work concluded on 24 January 2014.

Current state understanding is based on our interviews and review of documentation provided to us by the management. Key findings have been discussed and management comments have been obtained from relevant personnel of MUET for each area under review.

A comprehensive list of the key people we had meetings with, along with their contact information, forms part of Annexure 2 to this report.

2.3 Objectives of this Assessment

The objective of the Pre-Award assessment is to provide reasonable assurance to USAID / Pakistan that MUET has an acceptable organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures, practices and:

- ▶ can meet project goals and objectives;
- ▶ can adequately safeguard, monitor and efficiently utilize resources;
- ▶ can obtain, maintain, and fairly disclose reliable data and information;
- ▶ has the institutional framework for sustainability; and
- ▶ can comply with applicable laws and regulations.

The specific objectives are as follows:

- ▶ Determine current and possibility of future compliance with the USG rules and regulations;
- ▶ Evaluation of organization's capacity for receiving future higher assistance based on a comprehensive absorptive capacity analysis;
- ▶ Determine whether 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;
- ▶ Assessment of the organizational capacity to manage USAID advance funding mechanism as per USAID regulations; and
- ▶ Performance of walk through(s) and tests on sample basis of the financial and procurement systems.

This report provides an assessment of MUET absorptive capacity and following key areas as required under the scope of work and based on our discussions with ASP-RSPN and USAID:

- ▶ Legal Structure (Governance and entity level controls);
- ▶ Financial Management and Internal Control Systems;
- ▶ Procurement Systems;
- ▶ Human Resources Systems;
- ▶ Project Performance Management; and
- ▶ Organization Sustainability.

This report has been structured to provide an overall assessment of the internal controls structure of MUET as a whole and for each of these areas in the ensuing chapters (please refer to Section 3 below). Key findings as reported in Section 3 of this report have been discussed with management and written comments against each have been obtained and incorporated.

2.4 Scope and Methodology

Our methodology has been based on the assumption that in order to be eligible for an award, the prospective recipient must either have in place, or have the capacity to have in place, identified fund management, project management and accountability systems, processes, and personnel. We have

benchmarked MUET to the minimum requirement of such capacity as outlined in the USAID guidelines and better practices. Our scope and methodology for the assessment of MUET on this premise is outlined in Annexure 3 to this report.

2.5 Work Procedures Performed

To ensure professional quality, this assignment is conducted in line with general attestation standards. Those standards require to plan and perform the review to obtain sufficient, competent evidential matter to provide a reasonable basis for the conclusions. Those standards also require maintaining independence in mental attitude and exercising due professional care in conducting and reporting the conclusions. Specifically, we have performed following work procedures:

- ▶ Assessed current and possibility of future compliance with the USG rules and regulations as mentioned in Annexure 4);
- ▶ Reviewed and tested MUET's internal controls, including segregation of duties, handling of cash, loaning procedure, contracting procedures, personnel and travel policies to ensure reasonableness and in accordance with applicable cost principles;
- ▶ Reviewed and tested assets management and procurement systems, as well as policies and procedures for administration and monitoring of loan accounts;
- ▶ Performed specific analysis of the absorptive capacity of MUET to manage the USAID funds at a certain level;
- ▶ Reviewed and assessed the MUET's internal controls system, relevant policies and procedures, organization's technical capabilities and quality assurance capabilities;
- ▶ Reviewed the organization's established roles and responsibilities to perform and the ability to maintain the necessary management competencies in planning and carrying out assistance programs;
- ▶ Reviewed the correspondence and working papers, for the establishment of Center for Advance Studies in Water (CASW), such as MoU signed between USAID and HEC, HEC correspondence with MUET and MUET strategic plan for CASW for the period from January 2014 to December 2018;
- ▶ Reviewed MUET's planning and budgeting mechanism, process for preparing the project / program financial and progress reports; adequacy of charts of accounts, organizational charts and accounting systems descriptions.
- ▶ Reviewed the cost sharing mechanism and assessed MUET's methodology for assigning a monetary value to the in-kind support;
- ▶ Reviewed and assessed the human resource policies and procedures, procurement policies and procedures; warehousing and distribution procedures for materials and performed test of controls as necessary;
- ▶ Reviewed MUET's financial management system to assess the timely conduct of audits and timely and appropriate resolution of audit findings and recommendations; and
- ▶ Reviewed the status of actions taken on findings and recommendations reported in prior audits of MUET.

3. Detailed Assessment of Current State of Individual Areas

- 3.1 Legal Structure**
- 3.2 Financial Management and Internal Control Systems**
- 3.3 Procurement Systems**
- 3.4 Human Resources Systems**
- 3.5 Project Performance Management**
- 3.6 Organization Sustainability**

3.1 Legal Structure (Governance and entity level controls)

Overall Area Rating	Number of Findings			
Moderate to High	High	Moderate to High	Low to Moderate	Low
	01	01	02	01

Summary of Key Findings:

Sr. No.	Key findings identified during assessment	Issue rating
1	Absence of an independent internal audit function.	High
2	There is no formally documented and approved policy on Health, Safety and Environment.	Moderate to High
3	Incomplete composition of the Senate and the Syndicate as per Act 1977.	Low to Moderate
4	Lesser Syndicate and Academic Council meetings than the requirement of Act 1977.	Low to Moderate
5	Organograms for some of the departments / directorates and MUET as a whole have not been updated.	Low

3.1 Legal Structure (Governance and entity level controls)

3.1.1 Local Organization Definition

MUET is incorporated under the "Mehran University of Engineering and Technology Act 1977" (the Act 1977) by the Sindh Assembly. As per the Act 1977 (amendments incorporated up to June 2012), MUET shall be a body corporate having perpetual succession and common seal and may, by the aforesaid name, sue or be sued.

As per the Act 1977, the principal place of MUET is Jamshoro, Sindh, Pakistan.

The Senate is the policy making authority of MUET and has the functions conferred on it under the MUET's laws and regulations. All the members of the Senate are citizen of Pakistan and majority of the Senate representatives are holding Government Offices in Pakistan.

3.1.2 Legal Requirements

Based on discussion with management, we understand following are the key laws, rules and regulations applicable to MUET:

- ▶ Mehran University of Engineering and Technology Act 1977;
- ▶ The Statutes passed by the Senate;
- ▶ The Regulations passed by the Senate;
- ▶ Sindh Public Procurement Rules Act 2010 (SPPRA);
- ▶ Compendium Rules;
- ▶ New Accounting Model; and
- ▶ Financial rules of MUET updated March 2004.
- ▶ Civil Establishment Code of Pakistan (ESTA Code);

MUET has a Resident Audit Section responsible to identify all the applicable laws / regulations and ensure all the concerned departments are complied with the same.

3.1.2.1. MUET tax status

As per clause 58A of the second schedule of Income tax Ordinance 2001, Income of a university or other educational institution being run by a non-profit organization existing solely for the educational purposes and not for the purposes of profit shall be exempt from income tax. We have been informed that based on the above, MUET also claims exemption from the applicable levy of income tax and duties on import of books and equipment by specifically requesting the tax authorities.

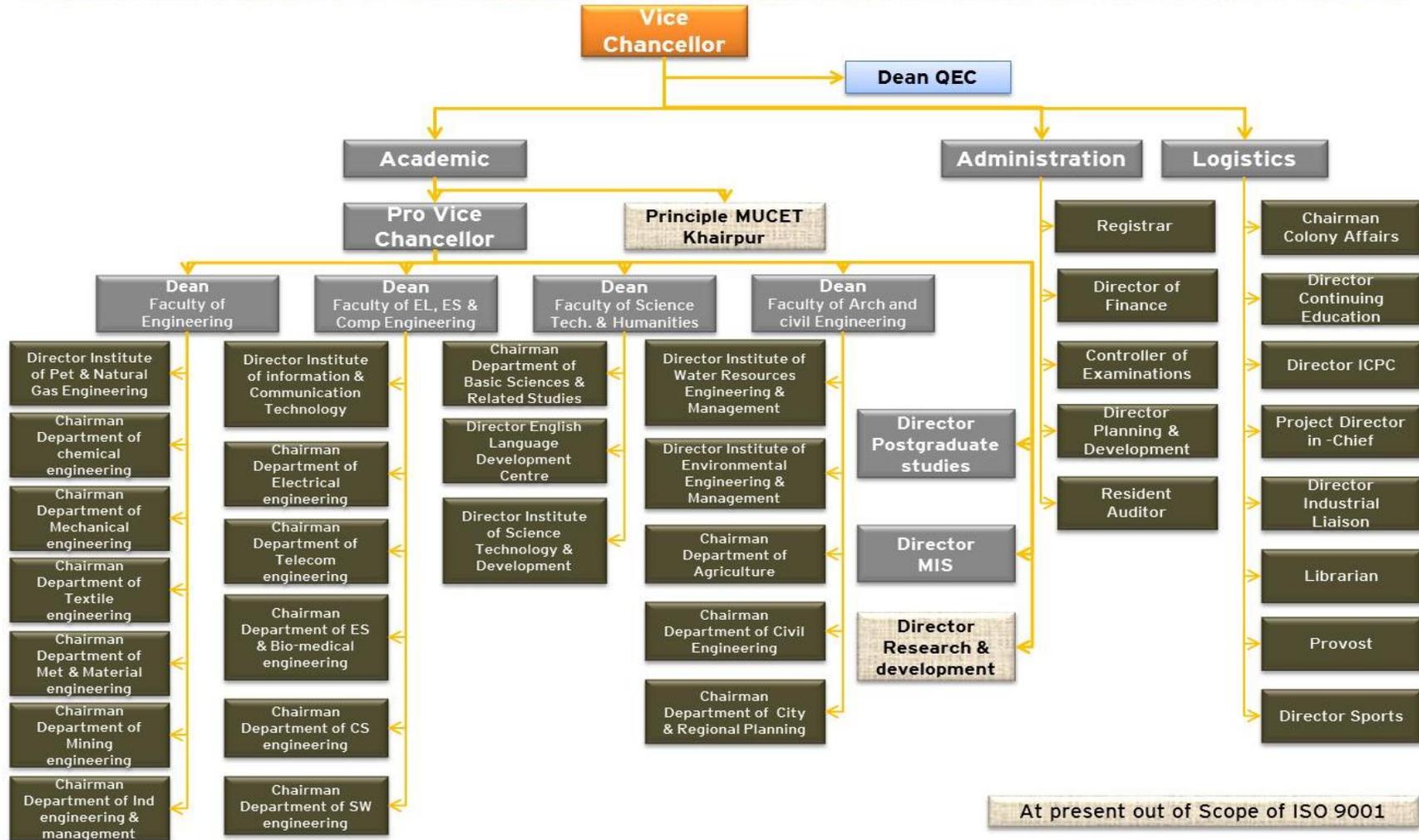
Further, as per a recent development, the Finance Act 2013 has added a clause 236(i), according to which there shall be collection of advance tax at the rate specified in Division XVI of Part-IV of the First Schedule i.e. 5% on the amount of fee paid to an educational institution. Advance tax under this section shall not be collected from a person where annual fee does not exceed two hundred thousand rupees. The term "fee" includes, tuition fee and all charges received by the educational institution, by whatever name called, excluding the amount which is refundable. MUET is currently not paying any tax on its income other than the advance tax as mentioned above. Further, MUET is also liable to pay sales tax on its various procurements of goods as per the Sales Tax Act, 1990 and on services under Sindh Sales Tax on Services Act, 2011.

3.1.3 Organizational Structure

The education department of Government of Sindh issued the First Statute 1977 (the Statute) vide OSD (HE)/12/2-77. The Statute prescribed the composition, roles and responsibilities, and delegation of authorities of various committees mentioned in the Act 1977. Additionally, various statutes and regulations were issued for the smooth operations of MUET.

3.1.2.2. MUET structure

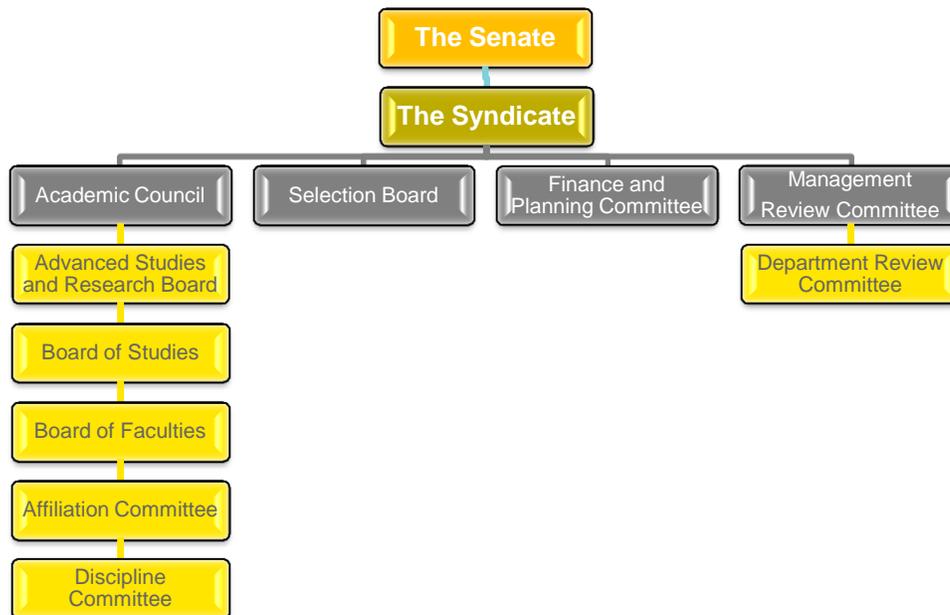
The approved organization structure as provided to us by the management of MUET is as follows:



3.1.4 Governance

We understand that MUET is a public sector organization governed by the laws and statutes approved by the Government of Sindh and Sindh Provincial Assembly in the form of the legislation as described in section 3.1.2 above. The powers and authorities of different authorities are clearly mentioned in the Act 1977 approved by the Sindh Provincial Assembly.

Additionally, majority of members in the Senate and Syndicate are nominated by different Government Departments including Governor of Sindh, Education Minister of Sindh, High court Judge and members of Sindh Provincial Assembly. Accordingly, the governance structure at MUET is able to exercise objective independent judgment on MUET's affairs and promotes transparency and efficiency of operations which in line with the international better practices on Corporate Governance. As per the Act 1977 following shall be the authorities of MUET:



3.1.4.1. The Senate

The Senate is the policy making authority of MUET and has the functions conferred on it under the MUET's laws and regulations. The Senate oversees all major decisions concerning the conduct of MUET affairs, including staff appointments and welfare, student welfare and discipline, financial matters and the physical and academic development of MUET.

As per the Act 1977, the Senate shall have the powers:

- ▶ to consider and pass statutes;
- ▶ to consider and approve the annual report, the Annual Accounts Statements and the annual and revised budget estimates;
- ▶ to appoint members to the Authorities in accordance with the provisions of the Act 1977;
- ▶ to delegate any of its powers to an Authority or Officer or a Committee or Sub-Committee; and
- ▶ to perform such other functions as may be prescribed by Statutes.

The Senate is required to meet at least once a year on the date to be fixed by the Vice –Chancellor with the consent of the Chancellor. Last meeting of the Senate was held on 10 December 2013 i.e. after 15 months from the previous meeting. Members of the Senate hold the office for the period of three years. Minutes of meetings are prepared by the Meeting Section of Registrar Office. All the minutes of meetings are presented in the next Senate meeting for approval.

Currently, 85 members are representing the Senate. The composition of the Senate is given below:

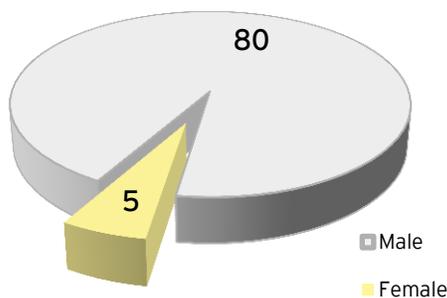
Composition requirement as per the Act 1977	Current Composition
The Chancellor	01
The Pro-Chancellor	01
The Vice Chancellor	01
All officers	05
All members of the Syndicate.	11*
All professors of MUET including emeritus professors.	58
Four MUET teachers other than professors, having at least 3 years’ service, to be elected by all MUET teachers.	04
All principals of affiliated colleges.	01
Two representatives of student unions, namely, the president of the students' union of MUET and one of the presidents of the students' union of the affiliated colleges.	-
The Chairman of the board of intermediate and secondary education, Hyderabad.	01
One registered graduate to be elected by all such graduates from amongst themselves.	**
Two persons from amongst the eminent engineers and experts in engineering and technology to be nominated by the Chancellor.	02

* The total members of the Syndicate are 15. However, the Pro Chancellor, Vice Chancellor and eminent engineers are shown separately in the above table.

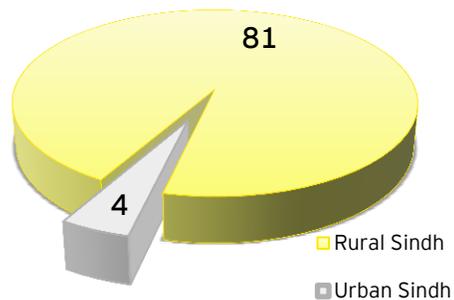
** The Offices of registered graduate is vacant since the incorporation of MUET.

Following is the gender and geographical composition of the Senate:

Gender based composition of the Senate



Geographical based composition of the Senate



3.1.4.2. The Syndicate

The Syndicate is the executive body of MUET and is, subject to the provisions of the Act 1977 and the Statute. It is responsible to exercise general supervision over the affairs and the property of the MUET.

As per the Act 1977, the Syndicate shall have the powers:

- ▶ to determine the form, provide for the custody and regulate the use, of the common seal of MUET;
- ▶ to hold manage, receive, acquire in any manner, or transfer by sale or otherwise, any moveable or immoveable property, on behalf of MUET;
- ▶ to hold, administer and control funds on behalf of MUET and, after giving due regard to the advice of the Finance and Planning Committee, invest such funds in Government securities or such other securities as may be prescribed;
- ▶ to consider the annual and revised budget estimates and advise the Senate thereon, and re-appropriate funds from one major head of expenditures to another;
- ▶ to cause to be maintained books of accounts of all financial transactions including the assets and liabilities of MUET;
- ▶ to enter into contracts on behalf of MUET;
- ▶ to provide buildings and other premises, libraries, furniture, apparatus, equipment and such other things required for MUET;
- ▶ to establish and maintain halls of residence or hostels for students and approve any place as hostel or lodging of students;
- ▶ to affiliate and dis-affiliate colleges;
- ▶ to admit colleges to the privileges of MUET and withdraw such privileges;
- ▶ to cause inspection to be made of colleges and teaching departments;
- ▶ to create posts in connection with teaching, research, extension, administration, training and for any other purpose related thereto;
- ▶ to appoint on the recommendation of the Selection Board, MUET teachers and employees to posts in BPS-17 grades and above the national scale of pay;
- ▶ to appoint emeritus professors on such terms and conditions as may be prescribed;
- ▶ to suspend, punish and remove from services, officers (other than Vice Chancellor), teachers and other employees in the prescribed manner;
- ▶ to appoint members to the Authorities in accordance with the provision of the Act 1977;
- ▶ to confer, subject to the approval of the Chancellor, Honorary Degrees in accordance with the conditions as may be prescribed;
- ▶ to propose drafts of Statutes for submission of the Senate;
- ▶ to consider and approve the regulations proposed by the Academic Council, or frame regulations after calling for the advice from the Academic Council;
- ▶ to cause to be prepared annual report as regards the affairs of MUET for submission to and approval of the Senate;
- ▶ to furnish report on matters called for by the Senate;

- ▶ to deal with the matters concerning MUET not provided for in the Act 1977 in any manner it may deem fit; and
- ▶ to delegate any of its powers to an authority or officer or a committee or sub-committee.

As per the Act 1977, the Syndicate shall meet quarterly in a year, however, in 2013, only two meetings were held (last meeting was dated on 20 September 2013 i.e. after four months from the previous meeting). Members of the Syndicate shall hold the office for the period of three years. Minutes of meetings are prepared by the Meeting Section of Registrar Office. All the minutes of meetings are presented in the next Syndicate meeting for approval.

Currently, 15 members are representing the Syndicate. The composition of the Syndicate is given below:

Composition Requirement as per the Act 1977	Current Composition
The Vice Chancellor	01
The Pro-Vice Chancellor	01
One member of provincial assembly, if any, to be nominated by the speaker of the assembly	01
Two members of the Senate to be elected by the Senate	02
The Chief Justice of the High Court of Sindh or a judge of the High Court nominated by him	01
Secretary to Government of Sindh, Education Department or his nominee not below rank of an Additional Secretary	01
One nominee of the Higher Education Commission	01
One Dean to be nominated by the Chancellor on the recommendations of the Vice Chancellor	01
One professor to be elected by the professors of MUET from amongst themselves	01
One associate professor to be elected by the associate professors of MUET from amongst themselves	01
One assistant professor to be elected by the assistant professors of MUET from amongst themselves	01
One lecturer with minimum service of two years to be elected by lecturers of MUET from amongst themselves	01
Three persons of eminence to be nominated by the Chancellor	01*
One principal of an affiliated college, if any, and one Principal of the constituent college, if any, to be nominated by the Chancellor	01
The president of the union	-
One aalim and, one woman not serving in any educational institution to be nominated by the Chancellor	_*

* The Offices of two eminence professors and one aalim are vacant and the letter to fill the casual vacancy is sent to the Chancellor by MUET.

There is an approved statute, dated 20 July 2011, regarding conduct of elections to the Authorities of MUET.

3.1.4.3. Key committees of MUET

Committee Name	Sub-Committee Name	Role of Committee
Academic Council		<p>Academic Council is the academy body of MUET and has powers to lay down proper standard of instructions, research and examination and to regulate and promote the academic life of MUET.</p> <p>As per the Act 1977, members of the Academic Council shall hold office for a period of three years and the Academic Council shall meet on a quarterly basis in a year. However, in 2013, only two meetings were held and last meeting was held on 31 December 2013 i.e. after five months from the previous meeting.</p>
	Advance Studies and Research Board	<p>The function of Advance Studies and Research Board is to:</p> <ul style="list-style-type: none"> ▶ advise authorities on all matters connected with the promotion of the Board; ▶ consider and report to the authorities on the institution of research degrees in MUET; ▶ propose regulations regarding award of research degrees; ▶ appoint supervisors for research students and to determine the subjects of their thesis; and ▶ recommend panels of names of paper setter and examiners for research examination after considering the proposals of the Board of studies. <p>As per the Statute, the Board shall meet as and when required however, in 2013, no meeting was held. Members of the Board shall hold the office for the period of three years.</p>
	Board of Studies	<p>There is a separate Board of Studies for each subject. The function of Board of Studies is to:</p> <ul style="list-style-type: none"> ▶ advise the authorities on all academic matters connected with instruction, publication, research and examination in the subject; ▶ propose curricula and syllabi for all degrees, diploma and certificate courses in the subject; and ▶ to suggest a panel of names of paper setters and examiners subjects concerned. <p>As per the Statute, the Board shall meet as and when required however, in 2013, no meeting was held. Members of the Board shall hold the office for the period of three years.</p>
	Board of Faculties	There are two separate Board of Faculties for Engineering and

Committee Name	Sub-Committee Name	Role of Committee
		<p>Technology. The function of Board of Faculty is to:</p> <ul style="list-style-type: none"> ▶ co-ordinate the teaching, publication and research work in the subjects assigned to the Faculty; ▶ scrutinize the recommendations of Board of Studies for appointment of paper setters and examiners; and ▶ consider any other academic matter relating to Faculty and report thereon to the Academic Council. <p>As per the Statute, the Board shall quarterly however, in 2013, the Board for each faculty was met once. Members of the Board shall hold the office for the period of three years.</p>
	Affiliation Committee	<p>The function of Affiliation Committee is to:</p> <ul style="list-style-type: none"> ▶ inspect the educational institute seeking affiliation with or admission to the privileges of MUET and to advise the Academic Council thereon; and ▶ inquire into complaints alleging breach of conditions of affiliation by affiliated colleges and to advise the Academic Council thereon. <p>As per the Statute, the committee shall meet as and when required however, in 2013, no meeting was held. Members of the committee shall hold the office for the period of two years.</p>
	Discipline Committee	<p>The function of Discipline Committee is to:</p> <ul style="list-style-type: none"> ▶ propose regulations to the Academic Council for the conduct of MUET students, maintenance of discipline and for dealing with cases of indiscipline. <p>As per the Statute, the committee shall meet as and when required however, in 2013, no meeting was held. Members of the committee shall hold the office for the period of two years.</p>
Selection Board		<p>Selection Board considers the applications received in response to advertisement and recommends to the Syndicate the names of suitable candidates for appointment to teaching and other posts.</p> <p>As per the Statute, the Board shall meet as and when required however, in 2013, four Board meetings were held and last meeting was held on 01 August 2013 i.e. two months after previous meeting. Members of the Board shall hold office for a period of two years.</p>
Finance and Planning Committee		<p>The function of Finance and Planning Committee is to:</p> <ul style="list-style-type: none"> ▶ Consider the Annual Accounts Statements and the annual and revised budget estimates and advise the Syndicate thereon;

Committee Name	Sub-Committee Name	Role of Committee
		<ul style="list-style-type: none"> ▶ Revise periodically the financial position of MUET; and ▶ Advise the Syndicate in all matters relating to planning, development, finances investments and accounts of MUET. <p>As per the Statute, the committee shall meet as and when required however, in 2013, the meeting was held on 09 July 2013 i.e. after 13 months from previous meeting. Members of the committee shall hold office for a period of three years.</p>
Management Review Committee		<p>Management Review Committee coordinates and controls the activities of the quality system being carried by different functional groups (Faculties / Institutes / Directorates / Departments / Sections) in MUET and to review the performance of the Quality System at regular intervals.</p> <p>As per the notification, the committee shall meet quarterly.</p>
	Department Review Committee	<p>Department Review Committee coordinates and controls the activities of the quality system being carried out by Teaching and Non-teaching departments / sections in MUET and to review the performance of the Quality System at regular intervals.</p> <p>As per the notification, the committee shall meet quarterly.</p>

3.1.5 Mehran University College of Engineering and Technology, Khairpur

The Government of Sindh (GoS) established a constituent college of Mehran University of Engineering & Technology named as “Mehran University College of Engineering and Technology, Khairpur Mir’s” (MUCET Khairpur). The college has been upgraded as a Campus of Mehran University of Engineering & Technology, Jamshoro, and renamed as “Mehran University of Engineering & Technology, Shaheed Zulfiqar Ali Bhutto Khairpur Mir’s Campus”. For administrative affairs the Pro Vice Chancellor of the campus reports to Vice Chancellor - MUET.

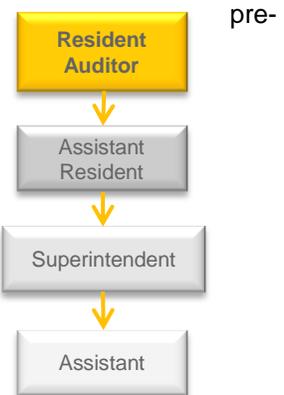
3.1.6 Control Environment

3.1.6.1. Pre-audit

MUET has a Resident Auditor (RA) Section, whose primary task is to perform audit of all the financial transactions of MUET. Additionally, RA is also one of the signatories on the annual accounts of MUET. MUET has an approved SOPs “auditing of bills” dated 02 August 2011.

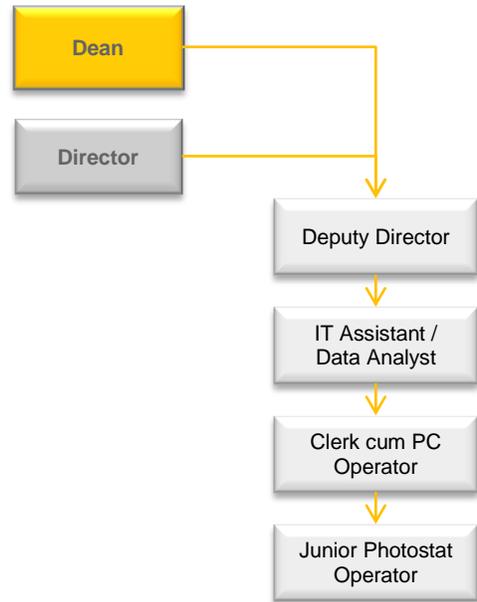
RA Section is headed by a BPS-18 grade officer, qualified as Master in Business Administration and associated with MUET since 1986 i.e. 29 years, who reports directly to the Vice Chancellor. Currently, there are 07 personnel working in the RA section.

RA is also responsible to coordinate with the external authorities such as Higher Education Commission (HEC) and Director General Audit Sindh.



3.1.6.2. Quality enhancement cell

MUET has a Quality Enhancement Cell (QEC) to ensure compliance with ISO 9001:2008 (Quality Management System) and coordinate with external monitoring authority (Lloyd’s Register Quality Assurance Limited) for ISO compliance. MUET obtained the Certificate of Quality Management System on 09 October 2012 valid till 30 September 2015. This certification ensures that MUET has all the documentation related to its operations prepared, organized and filed in a proper manner, which is critical for efficient management process, setting up the areas of responsibility across the organization, identifying more efficient and time saving process, highlighting deficiencies and reduction in cost.



Following is an overview of the current structure of QEC section:

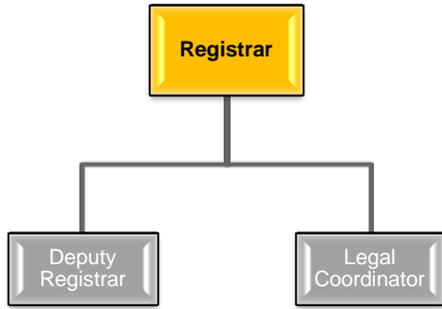
QEC also work as internal monitoring function for ISO compliance. QEC reviews the self-assessment of each department and performs follow up for the observations identified during external surveillance. External surveillance is performed bi-annually by Lloyd’s Register Quality Assurance Limited.

Last external surveillance was performed on 02 April 2013 and the report was issued on 16 May 2013. The said report was discussed in the 41st meeting of MRC dated 01 January 2014. Following is the extract of the meeting:

Issues identified in the surveillance report	Resolution in the MRC meeting
Automatic fire suppression system needs to be considered for the server room of ICPC, to deal with any fire emergency.	ICPC will make compliance up to 31 st January 2014 for the automatic fire suppression system.
Examiners’ evaluation feedback was not available with the Examination department as laid down in the procedures.	MUET will make changes in the concerned SOPs for examiners’ evaluation feedback, due to change of MUET academic system from term system to semester system

3.1.6.3. Legal department

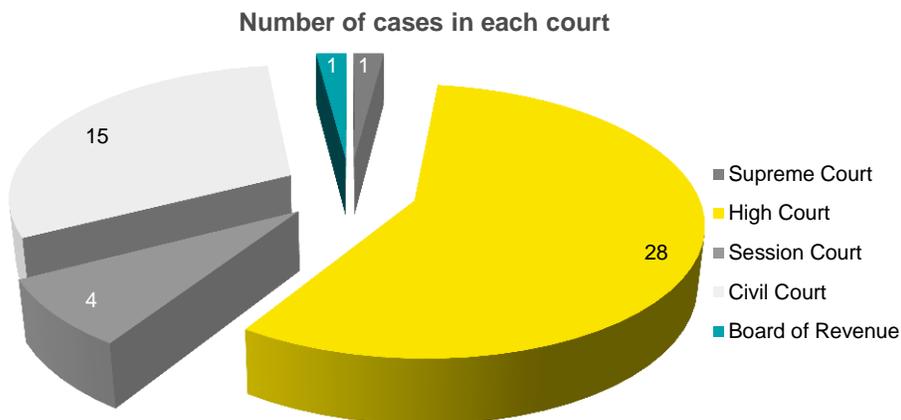
MUET has established legal department responsible for to advise on legal matters of MUET and defend the lawsuits against MUET. Legal department lead by the Registrar qualified as Ph.D. (construction safety and health management) and associated with MUET since 1998 i.e. 15 years. Following is the an overview of the current structure of legal department:



Following is the profile of the key team members of the Legal department:

Designation	Qualification	Experience (years)	
		MUET	Others
Registrar	Ph.D.	15	03
Deputy Registrar (Legal)	MA Economics	10	-
Coordinator (Legal)	MA, LLB	11	-

Below is the summary of cases being pleaded and agitated:



Based on consultation between the Registrar and legal department, MUET hires the services of solicitors to defend the law suits against MUET. We have been informed by the management that following type of lawsuits were made against MUET:

- ▶ Incorrect marks allocation in exams;
- ▶ Delays in promotion;
- ▶ Students failure in entry tests;
- ▶ Eligibility for enrollment; and
- ▶ Quota based enrollment.

3.1.7 Key findings in Legal Structure (Governance and entity level controls)**Moderate to High**

Detailed issues with EYFRSH recommendations and MUET comments are mentioned below.

1. Absence of an independent internal audit function.	Rating
Finding	High
<p>Currently, MUET has a resident audit department which performs pre audit of all the transactions and resident auditor is also one of the signatory on the MUET annual accounts, which we understand makes him part of the management / approval process and adversely impact objectivity and independence.</p> <p>We noted that MUET has not established an internal audit function, to regularly review and monitor the operational and financial activities of the organization and report its findings to the committee(s) independent of day to day management.</p>	
Implication(s)	
<p>Areas for risk management and internal controls may remain weaken and affect governance process for objective and independent evaluation of organization.</p>	
Recommendation(s)	
<ul style="list-style-type: none"> ▶ Internal audit can play an important independent and objective assurance role in an organization's governance processes, particularly in the area of risk management and internal controls. ▶ We recommend an independent internal audit function should be established for MUET to strengthen the existing internal controls framework and overall control environment. Further, the internal audit activity should not be designated the task to perform pre audits of every transaction, instead it should perform post audits based on an annual internal audit plan. Such plan should be prepared based on extensive risk assessment both at the entity and process level. The department should directly report functionally to Senate (governance body at MUET) or any of its designated committee(s) to make sure its objectivity and independence. 	
Management Comment(s)	
<p>We have already mechanism of Resident Auditor. Additionally, there is no practice of Internal Audit Mechanism in the Public Sector Organizations. Annual audits are performed by Director General audit Sindh and HEC.</p>	
Agreed Implementation Date	Responsible Person
Not Applicable	Not Applicable

2. There is no formally documented and approved policy on Health, Safety and Environment.	Rating
Finding	Moderate to High
<p>In 37th meeting of Management Review Committee (MRC) of MUET, vide its resolution No. 37.2 (i) dated 10 December 2011, a committee for the Health, Safety and Environmental (HS&E) was constituted. The ToRs of the committee are as under:</p> <ul style="list-style-type: none"> ▶ Conduct periodical surveys and identify the HS&E hazards issues in the campus especially laboratories, library, auditorium, canteens and hostels. ▶ Prepare SOPs of HS&E for various laboratories, workshop, building and hostels. ▶ Provide and maintain the firefighting equipment in all buildings of campus and hostels. ▶ Arrange training and seminars. ▶ Monitor and evaluate HS&E activities and submit reports to the Vice Chancellor. <p>Since the constitution of the committee, various HS&E proposals on laboratories, library, auditorium, canteens and hostels were presented in the meetings. However, till the date of our review, a formally documented policy on HS&E has not been developed by the committee.</p>	
Implication(s)	
<p>Absence of documented policy may reflect lack of governance over HS&E and result in reputational risk to the organization. Additionally, lack of documented guidelines on HS&E may result in litigations against MUET.</p>	
Recommendation(s)	
<p>HS&E committee should expedite the process to complete all the tasks mentioned in the ToRs. Additionally, a well versed HS&E policy should be developed to cover at minimum the following aspects:</p> <ul style="list-style-type: none"> ▶ Integration of environmental issues into planning and decision making processes; ▶ Anticipation, minimization and mitigation of environmental damage and recommendation of alternatives; and ▶ Maximize human safety in laboratories, workshop, building and hostels. 	
Management Comment(s)	
<p>We hereby agree upon the recommendations. A meeting with Co-Director will be convened to finalize the HS&E policy soon.</p>	
Agreed Implementation Date	Responsible Person

2. There is no formally documented and approved policy on Health, Safety and Environment.	Rating
Finding	Moderate to High
30 April 2014	Registrar and Co-Director IEEM

3. Incomplete composition of the Senate and the Syndicate as per Act 1977.	Rating
Finding	Low to Moderate
<p>We noted that the Act 1977 requires that one registered graduate (elected by all such graduates from amongst themselves) shall be the member of the Senate.</p> <p>However, we noted that in current composition of Senate, the office of registered graduate is vacant since the incorporation of MUET, which is not consistent with above mentioned required of said Act.</p> <p>Similarly, the Act 1977 requires those three persons of Eminence and One Aalim to be nominated by the Chancellor in the Syndicate. However, we noted that in current composition of the Syndicate, the Offices of two Eminence professors and one Aalim are vacant. We have been informed that a letter to fill the casual vacancy is sent to the Chancellor by MUET.</p>	
Implication(s)	
<p>The composition of Senate and Syndicate may not represent all the stakeholders of MUET as per the Act 1977.</p>	
Recommendation(s)	
<p>MUET should fill all the vacancies in the Senate and Syndicate to ensure compliance with the Act 1977.</p>	
Management Comment(s)	
<p>We hereby agree upon the recommendation, which will be implemented in the next meeting of the Senate.</p>	
Agreed Implementation Date	Responsible Person
Next meeting of the Senate, in 2014	The Registrar

4. Lesser Syndicate and Academic Council meetings than the requirement of Act 1977.	Rating
Finding	Low to Moderate
<p>The Act 1977 defines the number of meetings to be held for the Senate, Syndicate and Academic Council. Similarly, the Statute defines the meeting schedule of each sub-committee.</p> <p>We noted that in 2013, only two meetings were held for each of the Syndicate and the Academic Council, as against the Act 1977 requirement of quarterly meetings for each of the said committees.</p> <p>We have been informed that as no major agenda item was available for review therefore lesser meetings were held. Further, as specified in 3.1.4.3 above, MUET has established various sub-committees which are meeting on a regular basis to monitor the day to day affairs of MUET.</p>	
Implication(s)	
Lesser meetings may result in delays in taking key decisions.	
Recommendation(s)	
<ul style="list-style-type: none"> ▶ MUET should ensure compliance of the authorities meeting schedules as required by the Act 1977. ▶ If it is considered that lesser number of meetings is required due to no specific agenda items for the meeting, there should be a mechanism to approve deferral of such meetings to next quarter. 	
Management Comment(s)	
For Syndicate, meetings are called when sizable agenda items are available for discussions. Similarly, Academic Council is called for the preparation of Academic Policy.	
Agreed Implementation Date	Responsible Person
Not Applicable	Not Applicable

5. Organograms for some of the departments / directorates and MUET as a whole have not been updated.	Rating																		
Finding	Low																		
<p>MUET has an ISO 9001:2008 (Quality Management System) complied organogram (issued on 22 March 2011). The organogram covers the overall organization's structure and the individual structure for each department.</p> <p>However, we noted that various changes have been made in the organization structure which have not been reflected / updated in the respective organograms. For example, MUET merged three departments (Director Research & Development, Director Continue Education and Director Industrial Liaison) and established a new department "<i>Research Innovation & Commercialization</i>" (CERIC) dated 10 June 2013. However, the said changes have not been reflected in the current organogram.</p> <p>Additionally, organogram for "Directorate of Planning & Development" is not updated as per the actual hierarchy. Below is the brief comparison between the department organogram and actual practice:</p> <table border="1" data-bbox="207 821 1382 1234"> <thead> <tr> <th>Position</th> <th>As per Organogram</th> <th>Actual Practice</th> </tr> </thead> <tbody> <tr> <td>Advisor</td> <td>Available</td> <td>Eliminated</td> </tr> <tr> <td>PA to Director</td> <td>Available</td> <td>Vacant</td> </tr> <tr> <td>Superintendent</td> <td>One Person</td> <td>Two Persons</td> </tr> <tr> <td>Office Assistant</td> <td>Available</td> <td>Vacant</td> </tr> <tr> <td>Clerk cum PC Operator</td> <td>Two Persons</td> <td>Vacant</td> </tr> </tbody> </table>		Position	As per Organogram	Actual Practice	Advisor	Available	Eliminated	PA to Director	Available	Vacant	Superintendent	One Person	Two Persons	Office Assistant	Available	Vacant	Clerk cum PC Operator	Two Persons	Vacant
Position	As per Organogram	Actual Practice																	
Advisor	Available	Eliminated																	
PA to Director	Available	Vacant																	
Superintendent	One Person	Two Persons																	
Office Assistant	Available	Vacant																	
Clerk cum PC Operator	Two Persons	Vacant																	
Implication(s)																			
Absence of updated organogram could result in unclear hierarchy and responsibilities.																			
Recommendation(s)																			
<ul style="list-style-type: none"> ▶ MUET should update the organogram for each of the department and overall organization structure. ▶ The updated organogram should be approved by the Senate or any of its designated committee. 																			
Management Comment(s)																			
Observation noted for future compliance.																			
Agreed Implementation Date	Responsible Person																		

5. Organograms for some of the departments / directorates and MUET as a whole have not been updated.	Rating
30 June 2014	Director QEC

3.2 Financial Management and Internal Control Systems

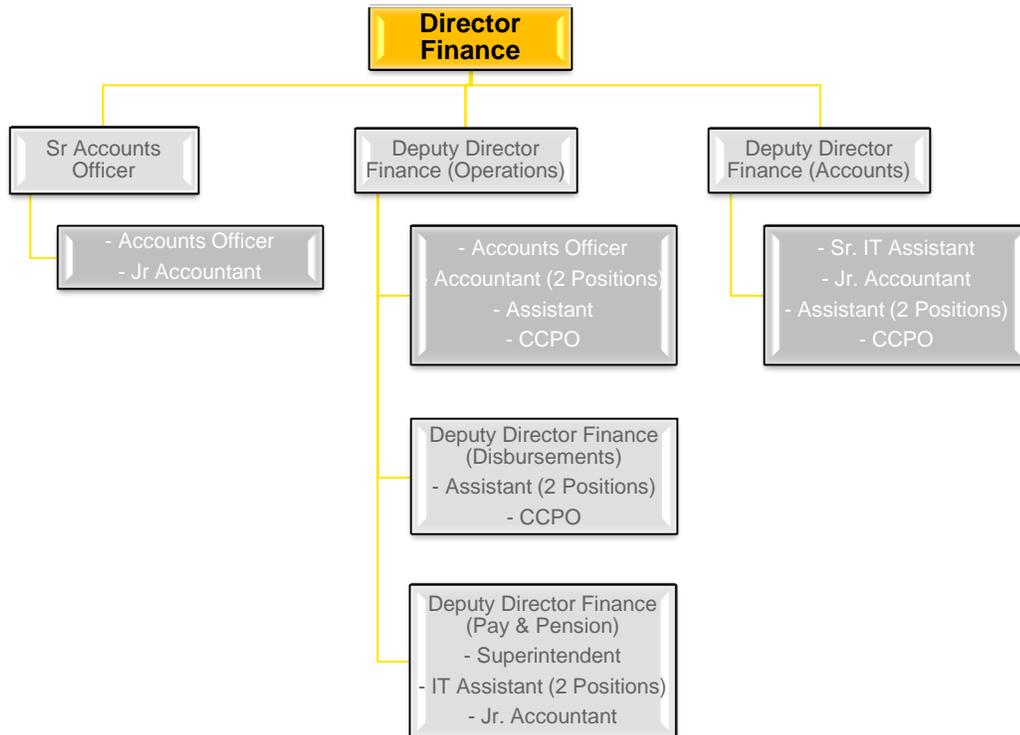
Overall Area Rating	Number of Findings			
Moderate to High	High	Moderate to High	Low to Moderate	Low
	04	05	05	-

Summary of Key Findings:

Sr. No.	Key findings identified during assessment	Issue rating
1	Bank reconciliations are not prepared on a timely basis for all the bank accounts. Also there are long outstanding reconciling items in bank reconciliation statements of certain bank accounts.	High
2	Lack of adequate controls over fixed assets and inventories and no consolidated fixed asset register is maintained.	High
3	Books of accounts for MUET and projects have not been compiled for the financial year 2012-13.	High
4	There is no documented policy / mechanism for allocation of direct and common cost to various projects.	High
5	There is no formal disaster recovery and business continuity plan in place at MUET.	Moderate to High
6	No automated system in place for maintenance of financial records of MUET.	Moderate to High
7	Annual accounts statements not prepared in accordance with Financial rules (updated March 2004) of MUET.	Moderate to High
8	There are unresolved audit observations (from the audit of MUET's annual accounts statement) amounting to PKR 1,011.24 million for the financial year ended 30 June 2012.	Moderate to High
9	No mechanism to prepare weekly / monthly cash flow forecasts for donor funded projects.	Moderate to High
10	Chart of Accounts are not aligned with few budget line items.	Low to Moderate
11	There is no practice to document assumptions / working for preparation of annual / revised budget.	Low to Moderate
12	Assets are not insured except for vehicle to avoid the risk of any major losses.	Low to Moderate
13	Delays noted in submission of utilization reports to HEC during the year ended 30 June 2013.	Low to Moderate
14	Absence of a consolidated financial management, accounting and reporting manual to cover all the applicable rules / policies and SOPs in one document.	Low to Moderate

3.2 Financial Management and Internal Control Systems

The Directorate of Finance (DoF) is headed by the Finance Director who reports directly to the Vice Chancellor MUET. DoF is a centralized function as all the MUET activities are performed / approved at the head office level for all its operations and project activities. Total sanctioned / approved and the current staff strength of the directorate of the Directorate of Finance is 24. Following is an overview of the current structure of Directorate of Finance:



3.2.1 Banking Relationship and Accounts

MUET maintains all its bank accounts with Habib Bank Limited Sindh University Branch. MUET is currently maintaining 26 bank accounts for various purposes. Authorized signatories for all the bank accounts, except the research / contingency bank accounts (as discussed separately below) are:

- ▶ Director Finance; and
- ▶ Registrar.

The management designates alternate signatory (s) for each account on ad hoc basis to ensure that in absence of one of the authorized signatory (s), an alternate signatory (s) is available to sign the cheques.

An internal memo is circulated to all the concerned personnel / departments approved by the Registrar detailing the reasons for temporary change in authorized signatory(s) and the name and designation of the alternate signatory(s). After the memo is circulated, a letter is issued to all concerned banks for change in authorized signatories by the Registrar. The letter is signed by the alternate signatory and attested by the Vice Chancellor.

3.2.1.1 Types of bank accounts maintained by MUET

a) Recurring accounts

Recurring accounts are maintained for the operational activities of the MUET. All receipts and payments of academic activities are carried out from 10 accounts maintained in HBL. 09 accounts out of 10 are saving accounts and one account is of current nature.

b) Development project bank accounts

Separate saving bank accounts are maintained for each project which are not of recurring nature. The interest incurred on the bank account is utilized on the same project. MUET has a total of 11 bank accounts for development projects.

c) Assignment account

An assignment account is opened for projects funded by Government of Sindh. The assignment account opened is of lapsable nature i.e. remaining balance at the year-end lapses and is not available for use in subsequent year.

d) Research project bank accounts:

Research bank accounts are opened for research projects which are of recurring nature. These accounts are saving in nature. MUET has a total of two bank accounts for research projects. The authorized signatories for the research bank accounts are:

- ▶ Principal Investigator; and
- ▶ Director Finance.

e) Contingency bank account:

A current bank account is maintained for petty cash expenses for each department / institute. The account is operated by Chairman (head of department / institute) who is only the authorized signatory of the account. The limit for a single transaction of PKR 500 applies to all contingency bank accounts.

Submission note is prepared by respective department head and is submitted to Director Finance and is approved by Vice Chancellor after recommendation of respective Dean. Advance is booked after the approval by the Directorate of Finance (DoF) and the amount is reimbursed to the respective department. Normally deposit of PKR 12,000 is made to each bank account.

As per the settlement terms agreed in the approved submission note, the Chairman submits the settlement of expenses made during the period. After review of supporting documentations a clearance certificate is issued by DoF to the relevant chairman after approval from the Director Finance.

f) Long term investments

MUET has a documented SOP for investment of funds. The investments are made from the self-finance income (this is the income generated from income from admissions and profit of long term investments), pension contributions and other funds. The projects funds are not used for investment purposes. These investments are generally made in fixed / term deposit. As of 30 June 2013 long term investment balance is PKR 1.8 billion.

A committee comprising of the following members is responsible for ascertaining / checking the MUET fresh and matured funds available for (re)investment:

- ▶ Director Finance – Convener;
- ▶ Resident Auditor – Member;

- ▶ Deputy Director Finance – Member;
- ▶ Internal Check Officer – Member; and
- ▶ Assistant Director Finance – Secretary.

The above mentioned committee prepares the proposal after collecting the details of the funds available for investment and the rates offered by different banks / Government Financial Investment Organizations. The proposal is submitted before the Investment Committee for final approval. The members of the investment committee are:

- ▶ Vice Chancellor – Convener;
- ▶ Director Finance – Member;
- ▶ Resident Auditor – Member;
- ▶ One Professor – Nominated by Vice Chancellor - Member
- ▶ Investment Expert – Nominated by Vice Chancellor - Member
- ▶ Deputy Director Finance- Secretary.

The decision of the investment committee is documented in relevant books of accounts i.e. Budget Books and Annual Accounts Statement and is reported to Finance & Planning Committee and Syndicate.

Accountant is responsible for keeping the records of the profit received which is periodically checked by Deputy Director Finance and countersigned by Director Finance. An investment register is maintained by the Deputy Director Finance to keep track and record of all the investments made by MUET.

3.2.1.2 Bank reconciliation statements (BRS)

Bank reconciliation statements are prepared by the Accountant on an annual basis for each account maintained by MUET. The same is reviewed by Deputy Director Finance; pre-audited by the Resident Auditor and approved by the Director Finance. All unusual items are investigated by Deputy Director Finance.

3.2.1.3 Opening and closing of project specific bank accounts

a) Opening of bank account

After the administrative approval is received from the donor for approval of the project, Project Director / Principal Investigator forwards an application to Director Finance for opening of separate bank account in project's name. The Director Finance reviews the application and forwards it for Vice Chancellor's approval. After the application is approved by the Vice Chancellor, a letter is sent to bank by DoF along with a list of supporting documentation for opening of bank account in project's name.

b) Closing of bank account

At the time of completion of project / activity, donor agency sends a letter to the respective Principal Investigator for closure of bank account and to transfer the remaining funds (if any) to the donor. Principal Investigator forwards the letter to the DoF. After the approval from the Vice Chancellor (Chairman of Syndicate), a cheque is prepared in the name of the donor agency for transfer of surplus funds along with a confirmation letter which is sent to the donor agency. DoF issues a letter to the bank requesting for the closure of account after the balance amount is transferred to the donor.

3.2.2 Accounting / Bookkeeping System

MUET is currently using MS Excel for recording of all the financial transactions. Sindh Public Procurement Rules Act 2010 (SPPRA), Civil Establishment Code of Pakistan (ESTA Code), Compendium Rules, New Accounting Model and MUET's Financial Rules are applicable on MUET. MUET has developed and is currently following detailed chart of accounts. The chart of accounts followed by MUET provides adequate bifurcation of receipts and payments into major receipt and disbursement categories. A separate account code is assigned for each project bank account. The accounting system can be divided into the following sub processes:

3.2.2.1 Accounting for revenue

Revenue of MUET (which amounted to PKR 1,735 million as of 30 June 2012) is divided into following major categories:

- ▶ Government grant;
- ▶ Under graduate studies;
- ▶ Post graduate studies;
- ▶ Other income; and
- ▶ Pension receipts.

Government grant

These are recognized when the cash is received in the relevant bank account of MUET. A separate cash book is maintained for each account.

All other sources

Revenue is recognized when the cash / cheque is deposited in the MUET bank account and challan is submitted to the relevant department. Separate account is maintained by accountant under supervision of Deputy Director Finance for Under Graduate studies and Post Graduate studies.

The receipt section of the Directorate of Finance receives all kinds of receipts through cheque / bank drafts. Bank deposit slips and bank challans. Entry is made in the cheque collection register and computerized subsidiary cash book. Assistant of receipt section submits the cheques / demand drafts along with cheque collection register to Deputy Director Finance for review. The signature of the payee is then obtained on the back of the cheque / draft. The cheques / demand drafts are submitted deposited into the bank after the above mentioned review and endorsement. After the bank advice is issued, entry is made in cash book and general ledger. The bank deposits slips and challans deposited in the bank are entered in to the cash book.

3.2.2.2 Accounting for payments

All the bills (invoice along with other supporting documentation) for payments are first forwarded to the Counter in-charge, who scrutinizes all the bills. The counter in-charge forwards the bill to the Accounts Assistant who verifies the bills and prepares a note sheet after making the entry into the concerned ledger.

The bills are then forwarded to Deputy Director Finance for review. After the review of the Deputy Director Finance the bills are forwarded to the Resident Auditor for pre-audit. After the pre-audit the bills are forwarded to Director Finance for approval. Director Finance approves the bills and approval for sanction of funds is obtained from the Vice Chancellor.

The concerned Assistant prepares the payment voucher and forwards the payment voucher along with the supporting documentation to Resident Auditor for pre-audit. After the pre-audit the payment voucher is forwarded to Deputy Director Finance for review. The payment voucher is then forwarded to Director Finance for authorization of payment.

After the authorization of payment by Director Finance, concerned Assistant prepares the cheque and makes an entry into the cheque issue register. The cheque along with the payment voucher and supporting documentation is submitted to the concerned authorized signatories for signing. After the cheque is signed, the Assistant updates the cash book and subsidiary ledgers.

3.2.2.3 Accounting for advances

MUET provide two kinds of Advances / Loans to its employees:

- ▶ Advance against salary;
- ▶ Welfare / Personal Loans for the purpose of following expenses:
 - ✓ Repair of house;
 - ✓ Car / Motorcycle Loan;
 - ✓ Purchase / Construction of House.

MUET has a documented SOP for Welfare loans for teachers, officers and employees of university. MUET welfare cell is responsible for collection and processing of all applications pertaining to personal loans.

a) Advance against salary

Advance against salary is provided to employee based on the following eligibility criteria:

- ▶ Regular employees of MUET from BPS-1 to BPS-22;
- ▶ At least one year of service after become regular employee;
- ▶ No disciplinary action taken / in process / taken against them;
- ▶ Priority given based on the nature of need of the employee.

Limit of the loan

- ▶ Equal to one and half basic pay;
- ▶ Minimum loan of PKR 8,000 and Maximum limit of PKR 45,000.

The advance provided will be interest free. However, 1% service charges are charged and are received with 1st installment.

Advance is provided for a maximum one year period. The recovery is made in 10 equal installments. No deduction is made in the month of Eid ul Fitr and Eid ul Azha. The employees are given the option to make the early settlement of advance. However, no new advance will be provided during the same fiscal year.

The applicant prepares the application on the prescribed application form. The application form duly recommended by the Chairman / Director / Sectional Head is submitted to Convener – Employees Welfare Cell.

The applications are processed twice each month. The first cycle starts from 1st of each month till 10th of the month. The second cycle starts from 25th of each month till 30th. In case of a holiday the next day after the deadline will be considered as target date.

The submitted applications are sent to the Registrar office and DoF by the Employees welfare cell for verification of the information provided by the applicants. After verification, Registrar office and DoF furnish the verified list within two days of submission.

The verified application is forwarded to Scrutiny Committee by Employees welfare cell. The committee scrutinizes the list / applications and forwards the list of eligible applicants to Registrar for approval. After approval, the list is submitted to Director Finance for approval. After approval, DoF disburses the funds as per the payment procedure mention above within two working days.

b) Welfare / personal loan

Loan is provided to employees based on the following eligibility criteria:

- ▶ Regular employees of MUET who possess residential plots in MUECH society
- ▶ At least 10 year of service after become regular employee;
- ▶ Employee who are under the age limit of 56;
- ▶ Employees who do not own any house in their name;
- ▶ No disciplinary action taken / in process / taken against them;
- ▶ Priority given based on the nature of need of the employee.

Limit of the loan

The category wise limit of loan is provided in the table below;

Sr. No.	BPS	No. of Loans	Amount per Loan (PKR)	Total Amount to be Disbursed (PKR)
1.	20-22	01	700,000	700,000
2.	17-19	02	600,000	1,200,000
3.	11-16	01	500,000	500,000
4	05-10	01	400,000	400,000
5	01-04	02	300,000	600,000

The loan provided is interest free. However, 1% service charges are charged and are deducted with each installment. 1/50th of the loan amount as a contribution to the house building facility account.

Loan is provided for a maximum 10 years or retirement whichever is less, subject to 60% of take home salary. The employees are given the option to make the early settlement of advance. However, no new advance is provided during the same fiscal year.

Disbursements

Loans are disbursed in three installments as follows:

S. No.	Installment	Milestone
1.	1 st installment	Erections of columns and masonry work
2.	2 nd installment	Completion of roof structure
3.	3 rd installment	Up to plaster and flooring

The applicant prepares the application on the prescribed application form. The application form duly recommended by the Chairman / Director / Sectional Head is submitted to Convener - Employees Welfare Cell. Scrutinizing Committee reviews each application. The committee comprises of the following members:

- ▶ Vice Chancellor;
- ▶ Registrar;
- ▶ Director Finance;
- ▶ Resident Auditor;
- ▶ Legal Advisor; and
- ▶ Assistant Registrar Legal.

After scrutiny category wise selection of the applications are held each year in the presence of the applicants and scrutiny committee as per number of marks obtained by each applicant as per the following criteria:

- ▶ 5 marks are allocated for every BPS grade starting from BPS -1;
- ▶ 5 marks for every year of completed service with MUET.

Successful applicants are required to start the construction work of their home up to plinth level and to furnish required documents of the property within 90 days. Monitoring committee evaluates the construction progress and recommends the release of tranches accordingly. The property on which house to be constructed is held as registered mortgaged.

3.2.2.4 Campus management system (prospective financial module)

MUET has recently contracted Ideal Distributions in June 2013 for the development and implementation of the computerized resource and financial management web based software called Campus Management System (CMS). As per the management the implementation of CMS is expected to be completed by December 2014. However, the management has not yet agreed an implementation plan with the vendor. The following modules have been integrated into the CMS:

a) Admission, academics and examination

Admission, academics and examination module covers student's entire academic cycle beginning from registration and admission, taking them through regular attendance, exams and results and ending with issuance of the degree / certificate.

Besides managing course programs and modules as well as the administration of students from point of admission to conferral, it also helps MUET in optimum utilization of its resources like academicians and other support staff.

Major objectives:

- ▶ Provides faculty, staff and students with user-friendly, customizable, self-serve access to real-time data.
- ▶ Builds a foundation for student systems that can be easily expanded to include the eventual implementation of Admissions, Academics and Examination.
- ▶ Provides workflow to improve and streamline business process flows with consistency and efficiency.
- ▶ Creates a single source for an integrated university-wide data repository through the centralized database for reporting and data analysis capabilities thus promoting information sharing across MUET.
- ▶ Maintains a robust, reliable infrastructure for sustaining all university services and supporting growth for new services.
- ▶ Accurate conversion of data to ensure the integrity and maintain the confidence in administrative applications.

b) Finance and accounting

Finance module has the following features:

- ▶ Chart of accounts;
- ▶ Document Templates;
- ▶ Trial Balance
- ▶ Cash book;
- ▶ General Ledger;
- ▶ Subsidiary ledger;
- ▶ Budgeting;
- ▶ Financial Reports;

The finance module has the functionality to maintain separate project specific data including cash book, ledgers and generate project specific financial reports.

- ▶ Benefits of the Finance Module will be:
- ▶ Improve decision making with real-time metrics and role-based dashboards.
- ▶ Improve productivity with greater visibility and more automated back-office processes.
- ▶ Ensure accountability and compliance with robust, auditable accounting.
- ▶ Eliminate IT costs and hassles associated with maintaining and upgrading traditional client-server software applications.
- ▶ Reduction in duplication of work.
- ▶ Data security with user id and password for each user.

- ▶ Adequate Data Insertion and Error handling procedures
- ▶ Generation of standard and typical reports which can also be exported to Excel, Word and PDF format.
- ▶ Multiple levels of security controls with security services to include identification, authentication, access control and administration.
- ▶ Access to vital information available online
- ▶ Report sharing with donors through client portal with limited access.

c) **Store and purchases**

Store and Purchase module includes:

- ▶ Indenting and approvals;
- ▶ Tendering and SPPRA process (built in rules);
- ▶ Vendor details;
- ▶ Purchase order and payments;
- ▶ Inventory receipt and issue templates and records.

d) **Human resource management (HRM)**

HRM module will cover the following main areas:

- ▶ Recruitment;
- ▶ Designations and Job descriptions;
- ▶ Personal details and trainings;
- ▶ Payroll and Advances;
- ▶ Attendance and Leave management;
- ▶ Tax management.

e) **Fixed asset management (FAM)**

FAM will cover the following main areas:

- ▶ Cost center wise detail of Fixed assets;
- ▶ Location of Fixed asset.

3.2.3 **Chart of Accounts, General Ledger and Financial Statements**

MUET is currently using Ms Excel for recording of all the financial transactions. MUET has developed and is currently following detailed chart of accounts. The chart of accounts followed by MUET provides adequate bifurcation of receipts and payments into major receipt and disbursement categories. A separate ledger is maintained for each major receipt and disbursement head and project bank account. However, accounting records and general ledgers of assets and liabilities are not maintained as only receipt and payment accounts is prepared on cash basis.

3.2.4 Budgeting and Variance Analysis

3.2.4.1 Annual budgeting

MUET prepares the recurring budget on annual basis, other than project specific budgets which are prepared for specific donors. The two components of the budget are:

Component	Amount as per Budget 2013-14 PKR in million
Receipts	
Government (HEC) Grant	798.2
Own sources such as tuition fee, self-finance admissions, tender fee, fines, bank profit	699.2
Payment Component	
Salary component	991.9
Other than salary expenditure (Revenue and Capital expenditure)	1,183.9

a) Budget types at MUET

- ▶ Development budget is prepared as per PC-1.
- ▶ Recurring budget is prepared on an incremental basis by taking past consumption into consideration.
- ▶ Research budget is prepared as follows:
 - ✓ HEC Grant on an incremental basis:
 - ✓ Self-Finance – Fund as per statutes (25% of self-generated income is allocated to research project).
 - ✓ Allocation from PC-1 (Research component from projects approved by Planning Commission).
 - ✓ Development projects (Individually funded by Donors).

b) Preparation and approval of annual budget

The budget estimates are prepared as per SOP “*Preparing the Budget Estimates*”. Strength of new employment and other relevant information as required by the budget section is obtained from each department by Deputy Director Finance. On the basis of the information furnished by the department, Deputy Director Finance prepares a draft budget. The draft budget is scrutinized by the Director Finance in consultation with the Vice Chancellor. The draft budget is then submitted to Finance & Planning Committee. After approval from the Finance & Planning Committee the budget is submitted to Syndicate for approval and a copy is also forwarded to HEC, after the approval from Syndicate the draft budget is submitted to Senate for final approval.

c) Alternative procedure for implementation of annual budget

In case of delay in approval of budget from Syndicate / Senate (the governance body of MUET), the Budget section prepares a submission note seeking approval to implement the draft budget until the

approval of budget from syndicate / senate. Director Finance submits a submission note to the Vice Chancellor for approval of the same under emergency power vested under clause 28 (iv) of the Blue Book 1986. Self-finance income is utilized to fund the activities until the approval of the final budget.

d) Alternative procedure for implementation of annual budget

In case of delay in approval of budget from Syndicate / Senate (the governance body of MUET), the Budget section prepares a submission note seeking approval to implement the draft budget until the approval of budget from syndicate / senate. Director Finance submits the submission note to the Vice Chancellor for approval of the same under emergency power vested under clause 28 (iv) of the Blue Book 1986. Self-finance income is utilized to fund the activities until the approval of the final budget.

e) Revised budget

A revised budget is prepared for the last quarter of each financial year (such as 1 April 2013 to 30 June 2013). The revised budget is based on the actual figures for the first nine months and expected figures for the last quarter. The revised budget is placed before the Finance and Planning committee and Syndicate for review and approval. After the said approvals the revised budget is forwarded to the Senate for final approval.

f) Current status of annual budget 2013-14

Budget for the year 2013-2014 was approved by the Finance & Planning Committee on 9 July 2013, approved by Syndicate on 20 September 2013 and approved by Senate on 10 December 2013. The first grant from HEC was received on 7 August 2013 amounting to PKR 53.213 million.

g) Project budget

Planning and Development Department of MUET prepares PC-1 for each project / scheme. Budgetary allocations for each year are incorporated and agreed with the respective donor in PC-1. Accordingly, cash plan and work plan is prepared each year by Project Director as per the budgetary allocations in PC-1. The cash plan and work plan is reviewed and approved by respective donor in consultation with respective Project Director.

3.2.4.2 Variance analysis

Monitoring of project budget is carried out by preparing utilization reports as per the requirements of the donors. Further, remaining budget under respective head is mentioned on each payment voucher by the Accountant. The same is reviewed by Deputy Director Finance and Resident Auditor during the review phase.

MUET prepares a utilization report on a quarterly basis for recurring budget. Utilization report compares the budget vs. actual expenditure for each quarter and also provides the cumulative expense for the year. We have been informed by the management that variance analysis is discussed in the meeting of the Finance and Planning Committee. The resolution on the variances are documented in the meeting minutes of the Finance and Planning Committee.

Further, a budget vs. actual expenditure report is also prepared on an annual basis by the DoF for internal use. The annual variance report is reviewed by Deputy Director Finance and approved by Director Finance.

Furthermore, remaining budget under respective head is mentioned on each payment voucher by the Accountant. The same is reviewed by Deputy Director Finance and Resident Auditor during the review phase.

3.2.5 Allowable and Unallowable Cost

MUET maintains separate bank accounts and financial records for restricted and unrestricted funds. Further based on PC1, project specific budgets, allowable / unallowable costs are identified and pre-approved by Resident Auditor.

MUET's finance / program personnel have appropriate level of understanding of the concept of restricted / unrestricted and allowable / unallowable expenses.

Further, we understand that with implementation of CMS module this process will be made more effective through system based control to keep a check over allowable and unallowable expenses for specific projects.

3.2.6 Direct and Indirect Cost

All finance related matters are handled by the central Directorate of Finance. Therefore, DoF has adequate understanding of direct and indirect / common expenses. Further, separate assistants are assigned to handle projects related to recurring projects, development projects and research project. This enables the accountants to have a good understanding of the common expenditures under each project category. However, MUET does not have any documented policy and procedures in place to segregate direct and indirect / common cost.

3.2.7 Internal Controls : Payments - Segregation of Duties

MUET has developed SOP for "payment of bills" which is approved by the Syndicate. The SOP covers all payments relating to recurring, research and project expenses and provides adequate segregation of duties in the payment process.

The table below summarizes the segregation of duties related to the payment process:

Activity	Control procedure / activity	Authorize	Custody of assets	Recording
Financial Transactions (Payments)				
Recording of transactions				Relevant Accountant
Review of transactions	Deputy Director Finance			
Pre-Audit of transactions	Resident Auditor			
Approval of transactions		Finance Director		

3.2.8 Internal Controls: Accounting Cycle - Segregation of Duties

The Financial Rules of MUET provides an adequate delegation of authority system and segregation of duties within the accounting cycle. The table below summarizes the segregation of duties related to the accounting cycle.

Activity	Control procedure / activity	Authorize	Custody of assets	Recording
Budget				
Preparation of budget	Deputy Director Finance			
Review of budget	Director Finance / Vice Chancellor	Finance & Planning Committee		
Approval of budget		Syndicate / Senate		
Monitoring of budget	Deputy Director Finance / Resident Auditor			
Bank Reconciliation				
Preparation of adjusting entries				Relevant Accountant
Approval of adjusting entries		Director Finance		
Preparation of bank reconciliations				Relevant Accountant
Review of bank reconciliation statement	Deputy Director Finance / Resident Auditor			
Approval of bank reconciliations	Director Finance			
Custody of financial records			Relevant Accountant	
Custody of cheque books			Cheque book custodian	
Financial Statements (Annual Accounts Statements)				
Preparation of Annual Accounts Statements	Relevant Accountant			
Review of Annual Accounts Statements	Director Finance			
Approval of Annual Accounts Statements		Finance and Planning Committee		

Activity	Control procedure / activity	Authorize	Custody of assets	Recording
Audit of Annual Accounts Statements	DG Audit Sindh			

3.2.9 Financial Records Management

Record management of MUET can be divided into the following sections:

3.2.9.1 Financial records maintenance

MUET maintains financial records including memorandum records for assets and liabilities in manual ledgers and Ms Excel worksheets. Payment vouchers along with supporting documentation are maintained by the relevant accountant and are kept in filing cabinets. Important documents are kept in cabinets / drawers under lock and key. Access to such cabinets / drawers is restricted to authorized personnel only.

Currently, MUET does not have an offsite backup storage facility for financial records and no disaster / business continuity plan is in place.

3.2.9.2 Assets management

a) Stores management

On the receipt of stores the concerned committee examines, counts, measures or weighs the items as the case may be. The Committee records a certificate to the effect that the quantities are correct and their quality is appropriate. The Store Officer receiving the items also fills up a "Material Receiving Report" to certify that he has actually received the materials and recorded them in the appropriate Stock Registers.

In case of goods that have been purchased on the request of a specific department, the Store Officer immediately informs the requisitioning department and dispatch the goods along with "Departmental Material Receiving Report" in triplicate, who returns two copies to the Stores section acknowledging the receipt of goods. On receipt of "Material Receiving Report" back from the requisitioning department, the Store Officer attaches one copy with the supplier's bill and preserves the second copy for record purposes, indicating the issue of goods to the department concerned. Necessary entries in the issue Register are also made.

Each department maintains suitable register(s) to record receipt and issue of consumable items. The receipt is recorded from the copy of Material Receiving Report along with the goods taken over from the main store.

b) Fixed assets management

We have been informed that respective sections / departments / institutes are responsible to maintain the list of allocated assets, however, there is no consolidated asset register / listing along with basis details (year of acquisition, acquisition cost, current location etc.) is maintained. Further, there is no practice to perform physical tagging of assets.

Entries into the departmental registers are made from the copies of Material Receiving Report from the store section. A proper inventory of stock is maintained in all the departments showing the number of assets received, the number disposed of (by transfer, sale and loss etc.) and the balance of each kind of asset.

If an asset is gifted to MUET, the receiving department prepares a “Gift Received Advice” in triplicate and send one copy each to store section and Directorate of Finance for stock entries of gift in the relevant Stock Registers. The receiving department retains one copy of advice for its record and makes necessary entries in the departmental stock register.

As per Financial Rules (section-XIII, clause 14.3), physical verification is required to be performed on an annual basis. However, we have not been provided with any evidence with respect to the physical verification exercise conducted annually.

c) Issuance of stock and physical verification

When materials / stock are issued for department use, the Store Officer ensures that an indent on the prescribed form has been made by a properly authorized person and examines it carefully with reference to the orders or instructions for the issue of stock. When materials are issued, a written acknowledgement is obtained from the concerned person or his authorized agent.

We have been informed that physical verification of all stock is made on yearly basis; however, no documentation is maintained with respect to the same.

Verification is made in the presence of an Officer responsible for the custody of the store or of a responsible person deputed by him.

As per the Financial rules, all discrepancies, shortages and damages as well as unserviceable stores are reported immediately to the Director Finance / Treasurer for taking the matter with the competent authority to write off the losses or order for fixing the responsibility.

3.2.10 Sources of Funding

MUET follows the practice to maintain a separate bank account for each project as detailed above. For all sources of funds separate bank account, cash books and ledgers are maintained. A separate accountant (having an adequate level of professional knowledge, skills and experience in job cost accounting, fund accounting) is designated for maintenance of records related to recurring, research and development projects.

MUET currently receives major funding from the Government of Sindh and the Government of Pakistan (through HEC) and also generates income from its own sources. From our analysis of financial data, we understand that its own generated funds make the projects sustainable and MUET has been able to use self-generated funds to bridge the gap between income and expenditure.

The MUET’s self-generated income (SGI) comprises of admission fee from self-finance students and the interest received from long term investments in TDR.

3.2.11 Financial Reporting

The Blue Book and Financial Rules of MUET provides adequate guidance and procedures (including prescribed format) to prepare monthly and Annual Accounts Statements. However, we noted that MUET prepares the Annual Accounts Statement on annual basis and the format prescribed in the Financial Rules is not followed.

3.2.11.1 Financial statements closing process

MUET follows cash basis of accounting for its accounting. Hard copy of receipt and payment registers are maintained and updated on a daily basis to reflect transactions undertaken in each bank account. At month end, the transactions undertaken during the month are entered into Ms Excel based cash books and ledgers and a consolidated trial balance is prepared on the basis of the same for each bank account. At the year end, Annual accounts statements are prepared by the accountant based on cash books, ledgers and consolidated trial balance. The same is then reviewed by Resident Auditor and Deputy Director Finance and approved by Director Finance. The Annual accounts statements are submitted for final approval to the Finance and Planning Committee.

Following is the status of books of accounts for the financial year 2012-13:

- ▶ Cash book for three accounts has been updated till April 2013 and for 15 bank accounts cash book has not been compiled since 1 July 2012.
- ▶ All the financial data of MUET is available in hard copy however, same is not updated in the Ledgers for 22 bank accounts.

For details please refer to Annexure 6.

In this respect we noted that MUET does not have formally documented financial statement closing process to ensure all transactions of the financial year are recorded in the correct period.

3.2.11.2 MIS reporting

The following table outlines the various kinds of reports prepared by DoF, MUET.

Sr. No.	Name of Report(s)	Frequency	Description	User(s) of Report
1	Annual Audit Accounts	Annually	Income and expenditure details for each bank account maintained by MUET with carried forward balance at year end.	Internal Management, Finance & Planning Committee, Syndicate and Senate
2	Utilization Report	Quarterly	Budget vs. actual expenditure details.	HEC
3	Variance Analysis Report	Annually	Budget vs. actual expenditure details.	Internal Management
4	Development Project Report	As per agreement	Budget vs. actual expenditure details, Operational targets achieved. Status of project.	Respective Donor

3.2.12 Audit and Review of Financial Statements

Director General Audit Sindh performs annual audit of MUET's Annual accounts statements and issues an audit report on the same. Director General Audit Sindh issued the draft audit report on the accounts of Government of Sindh for the financial year ended 30 June 2012 and identified significant audit observations cumulatively amounted to PKR 1,011.24 million, related to irregularities, excess payments to contractors, un-authorized expenses, non-recovery of penalties from contractors.

However, we have been informed by the management that DAC is not convened for the resolution of the audit findings identified by Director General Audit Sindh and MUET has recently received a letter from Director General Audit Sindh, dated 27 December 2013, requesting the preparation of working papers for the DAC meeting. Additionally, responses to resolve each of the finding have been prepared and now management waits a meeting time from Director General Audit Sindh to resolve the same. For details of unresolved audit observations please refer to Annexure 8.

Further, we have been informed by the management that annual audit of Director General Audit Sindh for FY 2012-13 is currently in process.

The Directorate General Audit Works (Federal), Islamabad performs the financial audit of HEC funded projects. The draft report for the year ended 30 June 2013 was issued on 02 October 2013. Following is the brief summary of HEC audit findings and resolutions made in the Department Account Committee (DAC):

Description	Resolution in Department Accounts Committee*	PKR in million
Irregular expenditures from budget (03 instances)	Audit findings were resolved based on the subsequent audit evidences.	290.88
Excess payments to contractors due to higher rates (12 instances)	All the audit findings were settled based on the justification of excess payments, subsequent audit evidences and recoveries made were amounted to PKR 3.622 million.	48.28
Non recovery of penalty from contractors (01 instance)	Audit finding is resolved based on the recovery of penalty from contractor amounted to PKR 5.366 million.	5.37
Non utilization of budget component (01 instance)	Audit finding is resolved.	590.00
Total findings of HEC's audit		934.53

* Obtained from draft audit report (reference No. MUET/ACCT/-13) dated 06 January 2014.

As per general practice within most of the public sector entities in Pakistan (MUET being one of them), there is no practice to engage an independent audit firm for the audit of financial statements. We have been informed by the management that MUET receives its annual budget from Government of Pakistan therefore, Director General Audit Sindh (Authority of Government of Sindh) is the responsible authority to conduct the financial audit of MUET however, in case of donor funded project MUET may appoint external auditors as approved by the donor.

3.2.13 Financial Management Personnel

Based on our review, we noted MUET's finance personnel including accountant(s) are adequately trained and has adequate qualifications and experience to maintain financial records.

Following is the profile of the key team members of the Directorate of Finance:

Sr. No.	Designations	Qualifications	Experience	
			MUET	Others
1	Director Finance	MBA, BE Mechanical and	12	6

Sr. No.	Designations	Qualifications	Experience	
			MUET	Others
		MA Economic		
2	Deputy Director Finance (Operations)	M.Com	6	13
3	Deputy Director Finance (Accounts)	MBA (Finance)	9	14

3.2.14 Cash flow Management

MUET prepares a cash plan for each year. Cash requirements for the year and expected expenditure are detailed in the cash plan. We have been informed that any short term shortfall in funding is financed through self-generated income of MUET. We have been informed by the management that periodic cash requirements are informally communicated between different departments of MUET and respective donor on regular basis. However, formal periodic cash flow forecast to access the immediate cash requirements is not prepared.

3.2.15 Key findings in Financial Management and Internal Control Systems

Moderate to High

Detailed issues with EYFRSH recommendations and MUET comments are mentioned below.

<p>1. Bank reconciliations are not prepared on a timely basis for all the bank accounts. Also there are long outstanding reconciling items in bank reconciliation statements of certain bank accounts.</p>	<p>Rating</p>
<p>Finding</p>	<p>High</p>
<p>MUET is currently maintaining 26 bank accounts to manage its operational / project activities. As per the clause 7.3 of the Financial Rules (updated in March 2004) <i>“The bank balance at the end of each month will be reconciled with the bank ledger and a reconciliation statement will be prepared at the end of each month”</i>.</p> <p>However, we noted that management prepares the bank reconciliation statement for each account on annual basis. Further, we noted that for FY 2012-13 reconciliation statements for only three bank accounts has been prepared, which have not been reviewed and approved till the date of our review, i.e. 23 January 2014.</p> <p>Further, based on our review of the bank reconciliation statements prepared for FY 2011-12 we noted long outstanding reconciling differences such as incorrectly debited / credited amounts and time bound cheques cumulatively amounting to PKR 1.11 million.</p> <p>For details please refer to Annexure 6.</p>	
<p>Implication(s)</p>	
<ul style="list-style-type: none"> ▶ Errors and omissions might not be identified and resolved in a timely manner. ▶ Cash book might not present a true and fair position of the MUET’s financial position. 	

1. Bank reconciliations are not prepared on a timely basis for all the bank accounts. Also there are long outstanding reconciling items in bank reconciliation statements of certain bank accounts.	Rating
Finding	High
Recommendation(s)	
<p>The management should ensure that:</p> <ul style="list-style-type: none"> ▶ Bank reconciliation statement is prepared each month for all the bank accounts (including accounts which are not used frequently). Further bank reconciliation prepared should be reviewed and approved in a timely manner. ▶ All reconciling items should be reviewed and followed up / resolved in a timely manner. For long outstanding items (say those beyond 3 months) should be assessed in detail and if required, necessary adjustments should be made in the books of accounts or matter should be resolved with the bank. ▶ In case any of the bank accounts which are not operative / dormant should be closed as these may be used for unauthorized activities. 	
Management Comment(s)	
The recommendations are agreed.	
Agreed Implementation Date	Responsible Person
28 February 2014	Director Finance

2. Lack of adequate controls over fixed assets and inventories and no consolidated fixed asset register is maintained.	Rating
Finding	High
<p>During our review, we noted that each section is responsible to maintain the list of allocated assets, however, there is no consolidated asset register / listing along with basis details (year of acquisition, acquisition cost, current location etc.) is maintained.</p> <p>Further, we observed that assets are not tagged and no details of the physical verification of asset as mentioned in the Financial Rules (section-XIII, clause 14.3) have been provided by the management.</p> <p>We also noted the following deficiencies while reviewing the inventory records of the Examination Department and Project Directorate and Finance Directorate:</p> <ul style="list-style-type: none"> ▶ Index was not properly updated / maintained ▶ Important information (date of receipt, intent number, date of issue etc.) is missing for few instances. ▶ Issuer / Reviewer signed were missing ▶ Description and acquisition cost columns are missing 	
Implication(s)	
<ul style="list-style-type: none"> ▶ Reconciliation between physical assets and records might not be possible. ▶ Track of items moved from one location to another might not be traceable. 	
Recommendation(s)	
<p>We recommend that management should develop a consolidated asset listing for all MUET assets which should contain all necessary information including the current location of the assets. Such list should be updated whenever the asset is moved / reallocated to different location, disposed of or on acquisition of new assets.</p> <p>Further, all assets of MUET should be tagged properly and periodic physical verification should be performed and documented for the review. Moreover, inventory records should be maintained / updated properly along with all necessary information.</p>	
Management Comment(s)	
Agreed with the recommendation.	
Agreed Implementation Date	Responsible Person
30 December 2014	Director Finance

3. Books of accounts for MUET and projects have not been compiled for the financial year 2012-13.	Rating
Finding	High
<p>MUET maintains 26 bank accounts to manage its operational and project activities. Hard copy of receipt and payment registers are maintained and updated on a daily basis to reflect transactions undertaken in each bank account. At month end, the transactions undertaken during the month are entered into Ms Excel based cash books and ledgers and a consolidated trial balance is prepared on the basis of the same for each bank account.</p> <p>However, the status of books of accounts for the financial year 2012-13 is as follows:</p> <ul style="list-style-type: none"> ▶ Cash book for three accounts has been updated till April 2013 and for 15 bank accounts cash book has not been compiled since 1 July 2012. ▶ All the financial data of MUET is available in hard copy however, same is not updated in the Ledgers for 22 bank accounts. <p>For details please refer to Annexure 6.</p> <p>Further, we have been informed by the management that annual audit of Director General Audit Sindh for FY 2012-13 is currently in process.</p>	
Implication(s)	
Financial decisions might be delayed due to non-availability of updated financial data.	
Recommendation(s)	
The management should ensure that cash book and ledgers for each bank account is updated on timely basis (be it daily / weekly / monthly as per the frequency of transactions). This will ensure that up to date data is available to the management for monitoring and decision making process.	
Management Comment(s)	
The recommendation is very much valid and appreciated. It is apprised that MUET is maintaining the cash books in timely manner of all those bank accounts which are most of recurrent / operational nature (as per attached Annexure 6 - highlighted); hence there is no delay in such accounts. However the delay is in rest of accounts which are non-recurrent nature. As it was informed that the process of compilation of accounts is on manual basis (MS Excel) and realizing the quantum of every day transactions, it is difficult to assemble the accounts well in time. It is worth to mention that after implementation of CMS the issue will automatically be resolved; as software is equipped with the hands-on reporting requirements. Till that we have accelerated the pace of compilation of accounts in timely manner. We also assure that all reporting to the donor agency will be made in timely manner.	

3. Books of accounts for MUET and projects have not been compiled for the financial year 2012-13.	Rating
Finding	High
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

4. There is no documented policy / mechanism for allocation of direct and common costs to various projects.	Rating
Finding	High
<p>OMB Circular No. A 21 provides principles for determining the costs applicable to research and development, training, and other sponsored work performed by colleges and universities under grants, contracts, and other agreements such as direct, indirect and common costs.</p> <p>During our review, we have been informed by the management that direct cost for each project is identified through project budget and MUET does not charge indirect costs to projects. Common cost incurred by the management on different projects is charged against the recurring budget of MUET.</p> <p>However, we noted that management does not have a policy to identify direct and common cost. Further, the management has not devised a mechanism to identify and allocate indirect incurred on various projects.</p> <p>We have been informed that the new automated system 'Campus Management System' would have features for allocation of common costs to different projects.</p>	
Implication(s)	
<p>Management might be able to allocate the common cost as per the contract agreement with the respective donor.</p>	
Recommendation(s)	
<p>The management should devise a mechanism to identify direct and common cost incurred on different projects and the same should be documented and approved in the form of a policy.</p> <p>Further, indirect / common costs incurred on each project should be allocated between different projects on a systematic and reasonable basis. The mechanism to allocate common costs between projects should be formally approved by the donor (where applicable) and documented.</p>	
Management Comment(s)	
<p>The Recommendations are in the best interest of University and agreed. In all projects including the project under discussion, the guidelines will be followed.</p>	
Agreed Implementation Date	Responsible Person
30 June 2014	Director Finance

5. There is no formal disaster recovery and business continuity plan in place at MUET.	Rating
Finding	Moderate to High
<p>The information / documentation related to MUET business / operations is being maintained in the following forms:</p> <ul style="list-style-type: none"> a) Physical papers and files containing all supporting documents and approvals; b) Various information modules including Cash Book, GL Accounting System, Payroll Module etc. are maintained in MS Excel; and c) Soft copies of documents / reports on standalone computers with the staff. <p>There is no adequate process in place to ensure proper backup of critical documents being maintained as stated above.</p> <p>Also, there is no formalised documented policy for business continuity and disaster recovery plan in place.</p> <p>We have been informed that new accounting system to be implemented by December 2014 will have facilities to perform periodic backups of all the financial data.</p>	
Implication(s)	
Critical financial information might be compromised and affect the organization ability to continue in post disaster operations.	
Recommendation(s)	
<ul style="list-style-type: none"> ▶ A clear and robust business continuity and disaster recovery plan should be developed, tested and implemented by MUET. ▶ Amongst other strategies, the plan should clearly document the mechanism for maintaining back up and subsequent retrieval of critical documentation / information. 	
Management Comment(s)	
The recommendations are appreciated. As afore-mentioned, the software is to be launched, have capacity of backup data of files. Although, almost all administrative cost centers of MUET has mechanism of storage / back-up of automated data e.g. Cash book, GL and all such data which is maintained on excel has its back-up on separate hard drives.	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

6. No automated system in place for maintenance of financial records of MUET.	Rating
Finding	Moderate to High
<p>During our review, we noted that MUET currently maintains its books of accounts on Ms Excel. Cash book and ledgers are prepared on Ms Excel for each project separately. Control registers such as cheque register, investment register etc. are maintained on manual ledgers. Such manual record maintenance is time consuming and prone to errors / omissions.</p> <p>We have been informed that a computerized financial management named Campus Management System (CMS) with fully automated finance module is currently being implemented throughout MUET and the system will be fully implemented by December 2014. Further, through notification no. Estt: Teach):/27 of 2014 dated 7 January 2014 a high level committee has been formed to facilitate the implementation of CMS.</p> <p>However, we noted that MUET has not agreed an implementation plan with the consultant (Ideal Distributions). Currently, the consultant has not provided the management of MUET with specific timelines for completion of the implementation process. Further, the user acceptance testing has not been initiated till the date of our review.</p>	
Implication(s)	
<ul style="list-style-type: none"> ▶ Financial records might be accessed by unauthorized personnel. ▶ Financial reports might not be available to management in a timely manner. 	
Recommendation(s)	
<p>The Committee formed for the implementation of CMS should ensure that:</p> <ul style="list-style-type: none"> ▶ Timelines for completion of implementation process are agreed with the consultant. ▶ There should be strong project management to ensure timely completion and data migration. 	
Management Comment(s)	
<p>We appreciate the recommendations. All pre-requisite infra-structure has already been obtained. We ensure implementation of CMS within short period of time. Management and all stake holders are eager to get it done as it is in the best interest of University and the Project under reference.</p>	
Agreed Implementation Date	Responsible Person
31 December 2014	Dean Fees (Convener of Implementation Committee)

7. Annual Accounts Statements not prepared in accordance with Financial Rules (updated March 2004) of MUET.	Rating
Finding	Moderate to High
<p>As per the Financial Rules section “<i>Audit and Accounts</i>” clause (k) “<i>The internal check section in consultation with the University Auditors Shall scrutinize and verify the Annual Accounts Statements as per its approved specimen prepared by the Accounts Section</i>”.</p> <p>We noted that the specimen of Annual Accounts Statements approved in the Financial Rules (updated March 2004) requires the management to show assets and liabilities at the year end. However, we have been informed by the management that since MUET follows cash basis of accounting statement of assets and liabilities is not maintained.</p> <p>Accordingly, Annual Accounts Statements shows surplus / shortfall carried forward from last year and receipt and payments for the current year and are audited by the Director General Audit Sindh office. However, management has not formally documented procedures for Financial statements closing process including the controls to be in place to ensure proper cut off transaction for each period.</p> <p>We have been informed that the Directorate General Audit Works (Federal), Islamabad performs the financial audit of HEC funded projects. However, there is no practice to engage an independent audit firm for the audit of financial statements of different projects and MUET as a whole.</p>	
Implication(s)	
Annual Accounts Statements might not present a true and fair position of different projects and / or MUET as a whole.	
Recommendation(s)	
<p>MUET should consider the following:</p> <ul style="list-style-type: none"> ▶ The basis of accounting as specified in above mentioned Financial Rules should be followed. However, if management plans to comply with cash basis of accounting (which is generally the practice within public sector entities in the country) then financial rules should be amended accordingly. It should be noted that accrual basis of accounting is considered generally acceptable as per International Financial Reporting Standards and better practices. ▶ The processes for closing books of accounts and each period (monthly, quarterly or year-end) and the nature of cut off procedures should be formally documented in the Financial Rules. ▶ Financial statements should be audited (at least for the USAID funded project) by an independent external audit firm having satisfactory QCR rating from Institute of Chartered Accountants of Pakistan. 	
Management Comment(s)	

7. Annual Accounts Statements not prepared in accordance with Financial Rules (updated March 2004) of MUET.	Rating
Finding	Moderate to High
The recommendations are agreed.	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

<p>8. There are unresolved audit observations (from the audit of MUET's annual accounts statement) amounting to PKR 1,011.24 million for the financial year ended 30 June 2012.</p>	<p>Rating</p>
<p>Finding</p>	<p>Moderate to High</p>
<p>During review of the audit report for the financial year ended 30 June 2012, we noted that Director General Audit Sindh identified significant observations, cumulatively amounting to PKR 1,011.24 million, related to irregularities, excess payments to contractors, un-authorized expenses, and non-recovery of penalties from contractors.</p> <p>We have been informed by the management that Department Accounts Committee (DAC) is not convened for the resolution of the audit findings identified by Director General Audit Sindh and MUET has recently received a letter from Director General (DG) Audit Sindh, dated 27 December 2013, requesting the preparation of working papers for the DAC meeting.</p> <p>For details please refer to Annexure 8.</p>	
<p>Implication(s)</p>	
<p>Such unresolved audit observations affects the financial transparency of financial statements of the entity.</p>	
<p>Recommendation(s)</p>	
<p>All such audit observations should be resolved at the earliest to ensure transparent financial book keeping. Additionally, all the financial transactions should be executed with ample supporting documents and in compliance with the rules and regulations applicable to MUET to avoid such audit observations in the audit report of Director General Audit Sindh.</p>	
<p>Management Comment(s)</p>	
<p>Responses to resolve each of the finding have been prepared and now management awaits a meeting time from Director General Audit Sindh to resolve the same. Additionally, MUET is hopeful that all the findings for unresolved audit observations will be dropped.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>At DAC meeting</p>	<p>Director Finance</p>

9. No mechanism to prepare periodic cash flow forecasts for projects.	Rating
Finding	Moderate to High
<p>During our review, we noted that Cash plans are prepared for donor funded projects each year. The Cash plan identifies the cash requirements for the year and expected expenditure to be incurred. In case any shortfall in funding is expected, adequate arrangements are made to finance the same through self-generated income of MUET.</p> <p>Further, we have also been informed by the management that weekly / monthly cash requirements and any expected shortfalls or excesses are informally discussed between different departments / institutes / sections of MUET and respective donor on regular basis. However, management has not devised a formal mechanism to prepare formal weekly / monthly cash flow forecasts to assess the immediate cash requirements for each project and take appropriate decisions and actions to bridge any expected shortfalls or invest any excess funds.</p>	
Implication(s)	
<ul style="list-style-type: none"> ▶ Inadequate cash management for donor funded projects may result in liquidity problems or loss of investment opportunities. ▶ Project activities may be delayed due to shortage of funds. 	
Recommendation(s)	
<p>The management should devise a formal mechanism to prepare periodic (such as monthly) cash forecasts both for specific (donor or HEC funded) projects and day to day operations of MUET. This will enable the management to use its cash resources more efficiently and will ensure smooth progress of project and other activities.</p>	
Management Comment(s)	
<p>The recommendation is appreciated. We ensure that the desired cash plans will be prepared in accordance with the guidance / procedure of donor agency. We will also try our best to implement the same in our development and recurring budget expenditures.</p>	
Agreed Implementation Date	Responsible Person
Immediate	Director Finance and Director Works and Services

10. Chart of Accounts are not aligned with few budget line items.	Rating
Finding	Low to Moderate
<p>Based on our review of the annual budget and chart of accounts maintained by MUET, we noted few budget lines items such as services for students, hostel rent and migration fee are not covered separately in the chart of accounts maintained by the Directorate of Finance, MUET.</p> <p>For details please refer to Annexure 7.</p>	
Implication(s)	
<ul style="list-style-type: none"> ▶ Recording of receipts and payments may not be consistent with the budget. ▶ Management may not be able to perform variance analysis of actual vs. budgeted expenditure in an adequate manner. 	
Recommendation(s)	
<ul style="list-style-type: none"> ▶ Chart of accounts should be updated to incorporate all the key budget line items. ▶ Management should also ensure that chart of accounts of the new system includes all the budget line items to allow adequate recording of all receipts and payments under respective budget head. 	
Management Comment(s)	
The recommendations are agreed.	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

11. There is no practice to document assumptions / workings for preparation of annual / revised budget.	Rating
Finding	Low to Moderate
<p>Financial Rules (updated March 2004) and SOP for preparing the budget estimates outline the procedures/guidelines to collect information from different departments to compile the annual / revised budgets.</p> <p>During our review, we noted that budget section collects the information from different departments of MUET for the purpose of preparing the annual / revised budget. However, the data collected is not collated / compiled into a systematic working that can be used / considered as base data for preparing the annual / revised budget.</p> <p>Further, the underlying assumptions / factors used for preparation of budget are not formally documented.</p>	
Implication(s)	
Budgets prepared might not be based on realistic assumptions.	
Recommendation(s)	
<p>The management should ensure that data collected for the purpose of preparation of budget is documented / converted into systematic working that can form the base for preparation of each budget. This will assist the management in better monitoring of budget and prepare any revised working for the budget.</p>	
Management Comment(s)	
We appreciate the recommendation. We ensure its implementation within our University process as well as for the Project to be launched.	
Agreed Implementation Date	Responsible Person
30 June 2014	Director Finance

12. Assets are not insured except for vehicle to avoid the risk of any major losses.	Rating
Finding	Low to Moderate
<p>As per the Financial rules, all the assets are recorded in the stock receipt and issue register by the concern Principal Procurement Officers. Furthermore, no consolidated record for the non-consumable stock (assets) is maintained by the management along with the basic details including acquisition cost of the assets.</p> <p>During our review, we were informed that non consumable stock (e.g. lab equipment, IT equipment, furniture and fixture) of the MUET are not insured except vehicles to avoid the risk of any major losses.</p>	
Implication	
Financial loss to MUET in case of any manmade or natural disaster / accident.	
Recommendation(s)	
We recommend that management should obtain insurance cover for all its significant assets to avoid the risk of any major losses in case of manmade or natural disaster.	
Management Comment(s)	
The matter has already been deliberated. But due to financial constraints, University has not been in position to bear the huge cost of all assets. However, recommendation is agreed and will be deliberated with the senior management / statutory bodies.	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

13. Delays noted in submission of utilization reports to HEC during the year ended 30 June 2013.	Rating																				
Finding	Low to Moderate																				
<p>We have been informed by the management that MUET prepares utilization report which compares budget vs. actual expenditure on quarterly basis. The utilization report is submitted to HEC at the end of each quarter. The utilization report outlines the annual budget / Revised budget for the year, expenditure for last quarter and cumulative expenditure for the year.</p> <p>However, we noted, substantial delays in submission of utilization reports to HEC.</p>																					
<table border="1"> <thead> <tr> <th data-bbox="204 625 399 730">Quarter</th> <th data-bbox="407 625 938 730">Period covered</th> <th data-bbox="946 625 1227 730">Submitted on</th> <th data-bbox="1235 625 1360 730">Delay in days</th> </tr> </thead> <tbody> <tr> <td data-bbox="204 741 399 804">1st Quarter</td> <td data-bbox="407 741 938 804">1 July 2012 to 30 September 2012</td> <td data-bbox="946 741 1227 804">21 February 2013</td> <td data-bbox="1235 741 1360 804">144</td> </tr> <tr> <td data-bbox="204 814 399 867">2nd Quarter</td> <td data-bbox="407 814 938 867">1 October 2012 to 31 December 2012</td> <td data-bbox="946 814 1227 867">28 February 2013</td> <td data-bbox="1235 814 1360 867">59</td> </tr> <tr> <td data-bbox="204 877 399 930">3rd Quarter</td> <td data-bbox="407 877 938 930">1 January 2013 to 31 March 2013</td> <td data-bbox="946 877 1227 930">5 June 2013</td> <td data-bbox="1235 877 1360 930">66</td> </tr> <tr> <td data-bbox="204 940 399 993">4th Quarter</td> <td data-bbox="407 940 938 993">1 April 2013 to 30 June 2013</td> <td data-bbox="946 940 1227 993">9 September 2013</td> <td data-bbox="1235 940 1360 993">71</td> </tr> </tbody> </table>		Quarter	Period covered	Submitted on	Delay in days	1 st Quarter	1 July 2012 to 30 September 2012	21 February 2013	144	2 nd Quarter	1 October 2012 to 31 December 2012	28 February 2013	59	3 rd Quarter	1 January 2013 to 31 March 2013	5 June 2013	66	4 th Quarter	1 April 2013 to 30 June 2013	9 September 2013	71
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4 th Quarter	1 April 2013 to 30 June 2013	9 September 2013	71																		
Implication(s)																					
Donor agency might not be able to take timely decisions on the projects' affairs.																					
Recommendation(s)																					
The management should ensure that the utilization report should be submitted to HEC in a timely manner at the end of respective quarter.																					
Management Comment(s)																					
We agree on the recommendations. Also it is assured that MUET will take good care of timely reporting to the stakeholders including US-Aid project. Also implementation of CMS will resolve this matter.																					
Agreed Implementation Date	Responsible Person																				
Immediately	Director Finance																				

<p>14. Absence of a consolidated financial management, accounting and reporting manual to cover all the applicable rules / policies and SOPs in one document.</p>	<p>Rating</p>
<p>Finding</p>	<p>Low to Moderate</p>
<p>We understand that financial management, accounting and reporting system of MUET is governed by the following SOPs (internally developed by MUET) and rules for various activities / functions of the Directorate of Finance:</p> <ul style="list-style-type: none"> ▶ Financial Rules updated March 2004, ▶ Preparing the Budget Estimates, ▶ Payment of Bills, ▶ Accounting for receipts, <p>However, we noted that there is no consolidated financial management, accounting and reporting manual developed to cover all the above rules / policies / SOPs in one document, for the ease of reference and its consistent application on different finance functions and transactions.</p>	
<p>Implication</p>	
<p>Finance personal may not be aware of all the rules / policies / SOPs for a particular DoF function / activity which may result in inconsistent practices.</p>	
<p>Recommendation(s)</p>	
<p>We recommend that MUET management should develop a comprehensive manual for its financial management, accounting and reporting process to consolidate all the applicable rules / policies / SOPs in one document for ease of reference and its consistent application on different finance functions and transactions.</p>	
<p>Management Comment(s)</p>	
<p>The recommendation is agreed.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>31 July 2014</p>	<p>Director Finance</p>

3.3 Procurement Systems

Overall Area Rating	Number of Findings			
Moderate to High	High	Moderate to High	Low to Moderate	Low
	-	04	03	-

Summary of Key Findings:

Sr. No.	Key findings identified during assessment	Issue rating
1	Director Finance designated as Principal Procurement Officer (PPO) for recurring purchases resulting in segregation of conflicting duties.	Moderate to High
2	No consolidated procurement plan is prepared to document the procurement activities for the year along with timelines for procurements.	Moderate to High
3	No procedures / mechanism defined to check compliance with conflict of interest guidelines, as per SPPRA rules 2010 and MUET code of conduct.	Moderate to High
4	Lack of approved policies and procedures related to sub-award / contracting activities.	Moderate to High
5	Procurement policies and procedures detailed in the Financial Rules have not been updated after adoption of SPPRA Rules 2010.	Low to Moderate
6	There are some inconsistent practices followed with respect to advertisement of procurements activities (above PKR 1 million) in the newspapers (as per requirements of SPPRA Rule 17).	Low to Moderate
7	List of pre-approved vendors is not maintained / implemented as per the Financial Rules (section XI) for the procurements of items below PKR 100,000.	Low to Moderate

3.3 Procurement Systems

3.3.1 Procurement Policies, Procedures and Practices

The policies and procedures relating to procurements are documented in the Financial Rules of MUET. MUET has adopted the Sindh Public Procurement Regulatory Authority (SPPRA) Rules in 2011 by the approval of the Syndicate. All the procurements since the adoption of SPPRA rules, except for library books, are executed as per the said rules.

MUET has no separate / specified procurement function; instead procurement activities for goods, works and services (either government or donor funded projects) are categorized into the following four types as per the section 11 of the Financial Rules:

Type of Procurement	Principal Procurement Officer (PPO)*	Responsible Department / Section	Description
Recurring purchases (except civil work)	Director Finance	Finance Directorate	The Director Finance is primarily responsible for the procurement of consumable stores, Office equipment, furniture, fixed assets, chemical & glass-wares. Computers and other stock and non-stock supplies against the funds provided in the Recurring Budget of MUET.
Project procurements and recurring civil work	Project Director	Project Directorate	This is the major component of the procurements required by MUET as it comprises all government and donor funded projects and civil works. The Project Director is responsible for procurements of stores, (e.g. equipment, furniture and vehicles) provided in approved development schemes against the funds provided in the Development Budget of MUET.
Purchases of examination material	Controller of examination	Examination Department	The Controller of Examination is primarily responsible for the procurement of various printed material and stationary articles for the Examinations Department.
Purchases of library books	Librarian	Library	The Librarian is primarily responsible for the procurement of books for the library in accordance with the Statutes regarding Constitution, Powers, and Duties of the Library committee against

Type of Procurement	Principal Procurement Officer (PPO)*	Responsible Department / Section	Description
			the fund provided in the Recurring and Development Budget of MUET.

* Principal Procurement Officer (PPO) is responsible / accountable for the respective procurements.

Due to procurement activities being carried out by various departments as specified above, we noted that there is no practice to prepare a consolidated procurement plan, except for the budget allocation for the procurements in the respective year. Hence there are no documented details (such as timelines, procurement method, relevant department for which purchases will be made) related to procurement transactions.

After approval of the competent authority is obtained for the purchase, PPO advises the Secretary of the appropriate committee to commence the formalities required for the purchase under the approved Statutes, Financial and other rules as applicable.

As per Financial Rules, the following committees are being constituted for the procurements of each type mentioned above for execution of procurement process transparently:

Classification of Procurements and Relevant Procurement Committees			
Recurring Purchases (except civil work)	Purchases of Project Directorate (including recurring civil work)	Purchases of Examination Department	Purchases of Library Books
Director Finance (PPO)	Project Director (PPO)	Examination Controller (PPO)	Librarian (PPO)
University Purchase Committee	Committees for Procurement of Stores	Purchase Committee for Examination Department	Library Committee

3.3.2 Compliance with Policies and Procedures – Reasonableness of Price

SPPRA and Financial Rules define the competitive procurement processes to ensure procurement transparency and economy. Procurement at MUET can be initiated through four different Principal Procurement Officers. Procurement execution has been documented in the following two categories (as SPPRA Rules are not applicable for the purchases of library books):

- Procurement inventories / assets and civil works (other than library books)
- Procurement of library books

3.3.2.1 Procurements of inventories / assets and civil works (other than library books)

Following procurement methods are used for all procurement activities as per provision of SPPRA Rules:

Method of procurement as per SPPRA Rules	Description
Single source procurement	Up to PKR 25,000 direct purchase can be made.
Three quotations method	PKR 25,000 – PKR 100,000 all purchases can be made using three quotation method.
All the procurements above PKR 100,000 are procured through competitive bidding procedures. There are various modes of competitive bidding as detailed below:	
Single stage – one envelope	In single stage – one envelope bidding the bid comprises one single envelope containing, financial proposal and technical proposal (if any).
Single stage – two envelope	In single stage – two envelope procedure the bid comprise a single package containing two separate envelopes. Each envelope contains separately the financial proposal and the technical proposal. Initially only the technical proposal is opened and no amendments in the technical proposal are allowed during the evaluation. After approval of technical proposal, financial proposals of the technically accepted bids are opened publically. The financial bids of technically non-responsive proposals are returned unopened. Whether to use single stage (single or two envelope method) depends on the item to be procured and decided by respective authorities. These methods are not distinguished on the basis of monetary values.
Two stage – bidding procedure	In two stage bidding procedure, at first stage the bidders submit, according to the required specifications, a technical proposal without price. During this method the procuring agency can revise, delete, modify or add any aspect of the technical requirements or evaluation criteria. Additionally, it can add new requirements or criteria not inconsistent with the rules that procuring agency communicated to all the bidders equally at the time of invitation to submit final bids, and sufficient time is allowed to the bidders to prepare their revised bids. In second stage those bidders whose technical proposals or bids have been technically shortlisted and who are willing to confirm their bids to the revised technical requirements of the procuring agency are invited to submit a revised technical proposal along with the financial proposal.
Two stage – two envelope bidding procedure	In two stages – two envelope bidding procedure, in first stage the bids are received in a single package containing two separate envelopes. Each envelope contains separately the financial proposal and the technical proposal. In this, bidders who are willing to conform to the revised technical specifications and whose bids have not already been rejected submits a revised technical proposal along with the original

Method of procurement as per SPPRA Rules	Description
	financial proposal, according to the technical requirement. This method is used where alternative technical proposals are possible, such as type of machinery or equipment or manufacturing plant.

** Procurement other than library books can be categories in to procurement of inventories / assets and civil works.*

a) Purchases of assets and inventories

Directorate of Finance:

In case of items which are held in regular stock, the Store Officer raises the Purchase Requisition based on the requirements of the respective departments and sends the same to Director Finance. For items which are not held as stock, requisition is prepared and sent to the Director Finance by the requisitioning department. The Director Finance, after review and checking the budget, prepares a complete case with specific budgetary code, head of expenditure and submits the same to the competent authority for obtaining proper approval.

Purchases up to PKR 25,000 is made from the local market by the Purchase Officer without inviting quotations or any other officer authorized by the concerned Principal Procurement Officer to purchase the item(s).

Purchases above PKR 25,000 and up to PKR 100,000 are made on the basis of at least three quotations obtained by the Secretary of the appropriate Purchase Committee from open market. Lists of approved vendors is not maintained (for procurements of less than PKR 100,000) as required by the Financial Rules. In case fresh quotations obtained are higher than the rates of the last purchase of same item(s), repeat order is placed provided there is a vendor's agreement in place.

We have been informed that in exceptional situations, when the quotations are invited from several suppliers / vendors but there is a poor response and only one or two quotations are received, the purchase is made from the lowest one. When there is no response, the purchase may be made from any firm by the Purchase Committee with prior permission of the Director Finance / Treasurer. The Convener Purchase Committee also certifies that the purchase made is at the minimum market rate.

Composition of purchase committee
<ul style="list-style-type: none"> ▶ A senior professor nominated by the Vice Chancellor – Convener; ▶ One teacher and one officer in the BS-19 or 20 working in any department or office to be nominated by the Vice Chancellor – Member; ▶ Chairman / Head of the Department / Section for which the items are being purchased – Member; ▶ Director Finance / Treasure – Member; and ▶ Purchase Officer – Secretary.

For procurements above PKR 100,000, the transaction is notified / advertised as per SPPRA rules and sealed tenders / quotations are obtained by an open tender system. Ordinarily, the number of tenders / quotations should be at least two. However, if the response is poor and less than two tenders / quotations are received, the tenders is re-invited with the approval of the Vice Chancellor. In case of re-invitation, if

the response is again poor, the purchase may be made from the lowest tender / quote submitted with prior approval of Vice Chancellor. When there is no response, the purchase may be made from any firm approved by the Purchase Committee with prior permission of Vice Chancellor. The Purchase Committee also certifies that the purchase made is at the minimum market rates. The Vice Chancellor may, at his discretion, dispense with re-invitation of the tenders / quotations, if he considers that such re-invitation is not in the interest of MUET.

Tender invitation

Tenders are invited through notification as per the SPPRA rules and notice of at least 15 days is given for receipt of tenders by the concerned officer.

Tender's validation and evaluation

- ▶ No tender is deemed valid unless:
 - ✓ It is sealed.
 - ✓ It is accompanied by earnest money equal to two percent of the amount of tender in pay order or Bank draft or the amount of earnest money is deposited in any manner as specified by the competent authority.
- ▶ The Vice Chancellor may in special cases, for reasons to be recorded in writing, waive off the conditions regarding the deposit of earnest money and call deposits.
- ▶ All sealed tenders / quotations are opened by the Secretary Purchase Committee at the place and time specified in the public notice, in the presence of the Convener and members of the Committee and such suppliers / contractors as may be present. The Convener and members of the Committee affix their signatures and date on every tender / quotation opened. The lowest tender / quotation is noted on the record forthwith.
- ▶ Comparative statement of rates quoted is prepared by the Secretary of the appropriate Committee through Store Officer and submitted to the Vice Chancellor or any other competent authority along with recommendations of the Committee, through the Director of Finance, for seeking proper approval of rates. For obtaining sanction of Committee, comparative statement is signed by all the members including Convener of the Committee. The Director Finance after approval, issues proper sanction giving description of the amount involved, the rates approved and the head of expenditure.
- ▶ Where the circumstances demand, a formal deed of agreement is executed between MUET and the suppliers / contractors.
- ▶ All agreements by or on behalf of MUET are signed by the concerned Principal Procurement Officer primarily responsible for procurement and attested by two witnesses, and bears the seal of MUET.
- ▶ All agreements are prepared on a stamped paper of appropriate value and where necessary, registered under the law for the time being in force for the registration of documents.

Procurement by the examination department

Purchases of examination department comprise mainly examination copies and marks sheets. Controller Examinations is the Principal Procurement Officer and also the Convener of the Purchase Committee, which comprise of the following:

Composition of Purchase Committee for Examination Department

- ▶ Controller of Examinations – Convener
- ▶ Director Finance – Member
- ▶ Internal Check Officer – Member
- ▶ One Officer of B-17 or above of the Examination Department to be nominated by the Chancellor – Secretary

The Committee scrutinizes the requirement of various sections of the Examinations Department periodically, and prepares a consolidated requirement to purchase various items preferably in bulk through a tendering process. The sectional In-charges submit the requirements to the Controller of Examinations at least three months in advance.

The Controller of Examinations prepares the tender document and makes appropriate arrangements for the tendering process as per the rules in consultation with the Director Finance.

The tenders are received by the Controller of Examinations and opened by the Purchase Committee for the examination department in presence of the tenderers participating in the opening of tenders.

Purchases are made by the Controller of Examinations through the Committee following the same procedures as detailed in section 3.3.2.1(a) above.

Procurement by the project directorate

Project Director is the Principal Procurement Officer for all purchases except books (e.g. Equipment, furniture and vehicles) provided in the approved development scheme / project carried out by the Project Directorate.

Project Directorate maintains lists of approved pre-qualified vendors / suppliers (updated through the approved policies and procedures for the pre-qualification of vendors / suppliers after every 3 years) for the procurements of items above PKR 100,000.

Procurements are made through the following committees:

- ▶ Equipment Selection and Tender Scrutiny Committee: is responsible for preparation of list of all items in line with approved scheme, scrutinize the tenders invited by the Project Director and make recommendation for the approval of “Equipment Procurement Committee”.
- ▶ Equipment Procurement Committee: is responsible for the examination and final decision on the recommendation of the “Equipment Selection and Tender Scrutiny Committee”.

Composition of the committees

a - Equipment selection and tender scrutiny committee:

- ▶ Dean of the concerned faculty – Convener
- ▶ Concerned Chairman/ Director – Member
- ▶ Two senior teachers from the concerned department / institute well familiar with the equipment to be

Composition of the committees

procured nominated by the Chairman of the concerned department / institute of MUET.

- ▶ Project Director – Secretary

b – Equipment procurement committee:

- ▶ Vice Chancellor – Chairman
- ▶ Dean of the concerned faculty – Member
- ▶ Concerned Chairman / Director – Member
- ▶ Two Emeritus Professors – Members
- ▶ Director Finance – Member
- ▶ Project Director – Secretary

All other rules and procedures including obtaining quotations and inviting tenders with respect to the procurements at Project Directorate are same as mentioned in section 3.3.2.1(a) above.

b) Procurement for maintenance / repair of building and other civil works

In addition to the civil works for development schemes / project, MUET incurs expenditure on the reservation (renovation / maintenance) of its building and structure under the classified head of “University Buildings”, Residential Buildings, Hostels and other structures and minor works.

“University Buildings” includes block of class rooms, laboratories, workshops, library, cafeteria, offices and sections. Residential Buildings consist of staff residences of all categories of employees and hostels are the building meant for lodging and boarding of students and teachers. Other structures include all roads and those buildings and structures which cannot be covered in the aforementioned three classifications. It also includes minor work for which separate and individual estimates are made by the Project Director and approved by the Vice Chancellor or the Director Finance.

The Project Director works out and prepares a detailed estimate of quantities of items under all classified heads of expenditure. This also includes the expenditure to be incurred on various purchases through imports / LCs as well as the purchases of stores / stocks included in the approved project scheme / PC-1 except books. The estimate is submitted to the Director Finance who checks the propose estimate of expenditures with the budget provision and processes it for obtaining the concurrence and administrative approval of the Vice Chancellor. When the Vice Chancellor accords his approval, the Director Finance issues proper administrative approval which is then communicated to the Project Director.

Consequent on the issuance of administrative approval by the Director Finance, the Project Director / Executive Engineer calls tenders for items and quantities approved by the Vice Chancellor.

Tenders are invited in as detailed in section 3.3.2.1(b) above, after the estimate has been approved and the amount has been sanctioned by the Vice Chancellor.

All tenders are opened in the presence of bidder or their agent at a time and place mentioned in the advertisement. In selecting the tender, the financial status of the individuals and firms tendering is also taken into the consideration in addition to other relevant factors.

An Advisory Building Committee (ABC) is appointed by the Vice Chancellor to scrutinize and check the tender received and make necessary recommendations thereon, for the estimate above PKR 1 million.

Total estimate is based on the tenders and rates recommended by the Project Director / ABC which is then forwarded to the Director Finance for obtaining specific sanction of expenditure, and approval of rates from the Vice Chancellor. When the rates are approved and the amount involved is sanctioned, the Director Finance issues proper 'Sanction of Expenditure'.

Composition of the Advisory Building Committee (ABC)	
Vice Chancellor	In Chair
Pro Vice Chancellor – MUET	Member
Pro Vice Chancellor - MUET, Khairpur Campus	Member
Dean of Concerned Department.	Member
Project Director Concerned	Member
Director Finance	Member
Member from Education Works Department, Government of Sindh	Member
Project Manager Concerned	Member
Expert of Electrical side	Member
One Professor nominated by Vice Chancellor	Member
Director (Works & Services)	Secretary

The Project Director after receiving the 'Sanction of Expenditure' issues work order to the contractor and advise them to execute proper agreement with MUET.

The procedures related to the execution of the project activities are discussed in the section 3.5 to this report.

3.3.2.2 Procurements of library books

Based on the allocated budget for procurement of library books in the Annual budget, the Library Committee further sub-allocates the allocated budget to the each department. The Librarian, member of Library Committee asks for requisition of books from each department on Performa of Acquisition informing them of the budget allocated to their department on an annual basis. The departments send the requisition request on the Performa Invoice which contains details of books which are to be purchased. The following is the composition of the Library Committee:

Composition of the Library Committee
<ul style="list-style-type: none"> ▶ One of the senior teachers nominated by the Vice Chancellor – Chairman ▶ Four teachers nominated by the Vice Chancellor – Member ▶ One teacher nominated by the Syndicate – Member ▶ Director Finance – Member

Composition of the Library Committee

- ▶ Librarian - Secretary

As per letter No. F.S.5-3/2012-P&R, Department of Libraries, Government of Pakistan, tenders are not required for the purchase of books / library material. Accordingly the Librarian through email sends Performa Invoice (RFQs) to the approved vendors without going for a tendering process. The vendors quote the prices of requested books which they can arrange, inform whether books are available at present and if not available, whether they would be able to arrange it for them.

The librarian prepares comparative statement and submits it to the Library Committee who approves the lowest quotes. The librarian places the order with vendors after seeking approval from the Chairman Library Committee. Deliveries of all books are received at Library and they are marked / highlighted on the Purchase Order placed along with making a receipt note so that the librarian knows which books are delivered. The deliveries are compared by the Librarian to the Purchase Order and Performa Invoice to ensure the correct quantity and books are delivered and to ensure the prices quoted on Performa Invoice match with purchase invoice.

Tagging and recording of books

Upon verifying the books' quantity and quality by the Librarian, they are sent to Physical Procession Section where they are tagged and recorded in the Online Public Access Catalogue (OPAC).

Issue and return of library books

- ▶ The user (student or teacher) search the book in the OPAC which will help him / her find the location of the book. The book is brought to the counter for issue and issued to the user. The system of issuance designed which enables them to know the custody of book.
- ▶ A book issued to student must be returned within due date, whereas for teachers there is no specific due date for return of book. On return of book, it is made as available in the OPAC and returned back to its location. In case the book is found damaged on return, send for rebinding and cost for the same is recovered from user.

3.3.3 Procurement and Sub-awards / Conflicts of Interest

As discuss above procurement guidelines of MUET are described in the Financial Rules of MUET. There are no current projects whereby MUET enters into sub award / contractual arrangements; hence there are no specific policies or procedures documented in this respect. MUET follows a code of conduct approved by the Senate on 14 October 2008. Code of conduct is communicated to all the departments / sections to ensure the compliance by all MUET employees. Code of conduct cover the guidelines on the following key aspects:

- ▶ Gifts
- ▶ Acceptance of foreign awards
- ▶ Subscriptions
- ▶ Lending and Borrowing
- ▶ Buying and selling of property
- ▶ Construction of building etc.

- ▶ Declaration of assets (moveable, immoveable, liquid)
- ▶ Speculation and investment
- ▶ Promotion and management of other companies
- ▶ Private trade, employment or work
- ▶ Unauthorized communication of official documents / information
- ▶ Nepotism and victimization etc.
- ▶ Delegation of authority

Further, MUET follows the SPPRA rules which requires avoiding conflict of interest in the following conditions:

- ▶ where a contractor, supplier or consultant provides, or could provide, or could be perceived as providing biased professional advice to a procuring agency to obtain an undue benefit for himself or those affiliated with him;
- ▶ receiving or giving any remuneration directly or indirectly in connection with the assignment except as provided in the contract;
- ▶ any engagement in consulting or other procurement activities of a contractor, consultant or service provider that conflicts with his role or relationship with the procuring agency under the contract;
- ▶ where an official of the procuring agency engaged in the procurement process has a financial or economic interest in the outcome of the process of procurement, in a direct or an indirect manner.
- ▶ However, there are no defined training plans for the procurement teams. Trainings are provided on a need basis. However, staff have adequate experience to carry out the procurement activities.

3.3.4 Key Findings in Procurement Systems

Moderate to High

Detailed issues with EYFRSH recommendations and MUET comments are mentioned below:

<p>1. Director Finance designated as Principal Procurement Officer (PPO) for recurring purchases resulting in segregation of conflicting duties.</p>	<p>Rating</p>
<p>Finding</p>	<p>Moderate to High</p>
<p>During our review we noted that there is no separate procurement function for managing recurring purchases (as explained in section 3.3.1 above) and currently Director Finance has been designated as the Principal Procurement Officer (PPO) for this purpose. Procurement of recurring purchase mainly comprise of consumable stores, Office equipment, furniture, fixed assets, chemical & glass-wares, computers and other stock and non-stock supplies against the funds provided in the Recurring Budget of MUET.</p> <p>We understand that the above cause lack of segregation of conflicting duties between procurement and finance function.</p>	
<p>Implication(s)</p>	

<p>1. Director Finance designated as Principal Procurement Officer (PPO) for recurring purchases resulting in segregation of conflicting duties.</p>	<p>Rating</p>
<p>Finding</p>	<p>Moderate to High</p>
<p>Lack of segregation in the procurement and finance functions, which may adversely impact transparency of procurement process.</p>	
<p>Recommendation(s)</p>	
<p>The procurement function should be segregated from the finance function to mitigate the risk related to segregation of conflicting duties and keep the procurement process transparent. For this purpose, procurement responsibilities should be designated to a separate function / department from Directorate of Finance.</p>	
<p>Management Comment(s)</p>	
<p>We appreciate the recommendation. But it will require changing in Financial Rules and Act of the University. The University has already taken initiatives to mitigate the risk and improve the procurement system. 1. The centralized procurement cell has been introduced and the HR requirements have also been fulfilled in the Annual Budget, however only its operation is pending. 2. The tender process has already been centralized at the office of the Director Works and Services.</p> <p>Further that the involvement of the Director Finance has been kept in-built in the University rules for not only procurement of supplies etc. but also for all other kinds of procurements; the theme behind is to see: the finances availability and allocation, cost, risk, utility and adherence of the relevant University / Govt. rules. However, we will place the matter before University statutory bodies.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>31 December 2014</p>	<p>Director Finance</p>

<p>2. No consolidated procurement plan is prepared to document the procurement activities for the year along with timelines for procurements.</p>	<p>Rating</p>
<p>Finding</p>	<p>Moderate to High</p>
<p>We noted that procurement activities at MUET are carried out by various departments such as Directorate of Finance, Project Directorate, Examination Department and Library.</p> <p>However, we have been informed that currently there is no practise to prepare consolidated annual procurement plan except for the budget allocation for the procurements in the respective year. Hence currently, there is no consolidated documented details maintained (such as timelines, procurement method, relevant department for which purchases will be made) related to the procurement transactions. For procurements of the Project Directorate, PC-1 and cash / work plan are considered adequate as a procurement planning tool.</p>	
<p>Implication(s)</p>	
<ul style="list-style-type: none"> ▶ Efficiency of the procurement process could not be assessed in the absence of procurement plan. ▶ Benefits of entering into bulk purchase agreements may not be availed. 	
<p>Recommendation(s)</p>	
<p>We recommend that based on the approved annual budget, designated person should develop a consolidated procurement plan that covers all the types / methods of procurements along with timelines of various key procurement activities.</p> <p>Procurement plan contents may comprise the following as a minimum:</p> <ul style="list-style-type: none"> ▶ Description of item to be procured ▶ Reference to budget allocation ▶ Reference to detailed planning document ▶ Planned time lines (month / week of the year) ▶ Department / Section / person responsible ▶ Key activities for procurement <p>Such procurement plan should be prepared in line with the approved budget and approved by the Syndicate / Vice Chancellor at the start of each year. Concern section should strictly monitor procurement activities timelines as planned to ensure that all procurement activities are initiated in a timely manner. We understand that in addition to making the procurement process efficient, procurement plan may also be used to identify opportunities for bulk purchases to avail bulk purchase discounts from vendors.</p>	
<p>Management Comment(s)</p>	

2. No consolidated procurement plan is prepared to document the procurement activities for the year along with timelines for procurements.	Rating
Finding	Moderate to High
All procurements are made according to time frame and schedule basis. However we agree that this needs to be documented.	
Agreed Implementation Date	Responsible Person
30 April 2014	Director Finance

3. No procedures / mechanism defined to check compliance with conflict of interest guidelines, as per SPPRA rules 2010 and MUET code of conduct.	Rating
Finding	Moderate to High
<p>We have been informed that MUET follows a code of conduct approved by the Senate on 14 October 2008 which also covers conflict of interest guidelines. Further, MUET follows the SPPRA rules which have also defined circumstances that may lead to a potential conflict of interest.</p> <p>However, there are no defined procedures or mechanism to check compliance with guidelines for avoiding conflict of interest as provided in the MUET code of conduct and SPPRA rules 2010 such as reporting / declaration from staff, monitoring / review of transactions and / or obtaining undertaking from the personnel involved in the procurement activities with respect to their compliance with conflict of interest guidelines.</p>	
Implication(s)	
<p>Potential conflict of interest in a particular procurement activity may not be identified and related risks may not be mitigated fully.</p>	
Recommendation(s)	
<p>We recommend that MUET management should define specific procedures / mechanism to check compliance with the conflict of interest guidelines as provided in the MUET code of conduct and SPPRA rules 2010 and also include them in the procurement policies and procedures. These may include:</p> <ul style="list-style-type: none"> ▶ Obtain an undertaking from the personnel involved in the procurement activities with respect to their compliance with conflict of interest guidelines ▶ Monitoring / review of a sample of transactions to check any potential conflict of interest matters. 	
Management Comment(s)	
<p>We appreciate the recommendations. However, we will place the matter before statutory bodies for deliberation.</p>	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Finance

4. Lack of approved policies and procedures related to sub-award / contracting activities.	Rating
Finding	Moderate to High
<p>During our review, we noted that there are no current projects whereby MUET has entered into sub award / contractual arrangements with any implementing partner. Further MUET currently has no documented and approved controls and procedures in place for the sub-award of any project related activities to other organizations.</p>	
Implication	
<ul style="list-style-type: none"> ▶ Activities may not be sub-awarded in an efficient, effective and economical manner. ▶ Objectives of the sub-award may not be achieved due to the lack of comprehensive guidelines. 	
Recommendation(s)	
<p>MUET should develop specific policies and procedures to provide guidelines related to the sub-award of any project related activities. Such policies and procedures should cover at a minimum the following aspects:</p> <ul style="list-style-type: none"> ▶ Pre-Award assessments of potential implementing partners, ▶ Guidelines on funding mechanism to be used, ▶ Maintenance of financial, accounting and operational related data and records, ▶ Capacity building support, ▶ Reporting and accountability (including the reporting templates / timetable / policies, audit requirements,) and ▶ Monitoring mechanism to track use of funds for sub-awarded activities. 	
Management Comment(s)	
Recommendations are agreed.	
Agreed Implementation Date	Responsible Person
31 December 2014	Director Works and Services

5. Procurement policies and procedures detailed in the Financial Rules have not been updated after adoption of SPPRA Rules 2010.	Rating
Finding	Low to Moderate
<p>Procurement policies and procedures of MUET for all the four types of procurements are described in the Financial Rules of MUET.</p> <p>We have been informed by the management that MUET has adopted the SPPRA Rules 2010 for all the procurements (except library books) as per the direction given in the 123rd meeting of the Syndicate held on 14 May 2011.</p> <p>Further as per the resolution no. 123.6 of the said meeting minutes, “nominated persons will look into the detail of its implications and some changes may be brought to the Financial Rules of the MUET”.</p> <p>However, we noted that no amendments have been made to the procurement policies and procedures documented in the Financial Rules after the adoption of the SPPRA Rules 2010 in line with the above direction of the Syndicate.</p>	
Implication(s)	
<ul style="list-style-type: none"> ▶ Procurements made might not be in compliance with the SPPRA Rules 2010. ▶ Concerned procurement staff might not be aware of the applicable procedures to be followed for different types of procurements. 	
Recommendation(s)	
<p>MUET management should update the current procurement policies and procedures documented in the Financial Rules with the requirements of SPPRA Rules 2010 as directed by the Syndicate in its meeting held on 14 May 2011.</p>	
Management Comment(s)	
<p>The recommendation is agreed. The committee has already been framed under convener ship of Director QEC.</p>	
Agreed Implementation Date	Responsible Person
31 July 2014	Director QEC

<p>6. There are some inconsistent practices followed with respect to advertisement of procurements activities (above PKR 1 million) in the newspapers (as per requirements of SPPRA Rule 17).</p>	<p>Rating</p>
<p>Finding</p>	<p>Low to Moderate</p>
<p>As per the notification of the amendment of SPPRA Rules dated 8 October 2013, clause 2, all procurement opportunities above one million rupees shall be advertised on Authority's website as well as in the newspapers as prescribed in the rule 17 (2).</p> <p>Currently, for development projects, a pre-qualification process is followed for the approved schemes' procurements by the Project Directorate. Invitation for pre-qualification above one million rupees is advertised on Authority's website as well as in the newspapers as required by the above rule. However, after completion of the pre-qualification process, Notice Inviting Tender (NIT) is only sent to the prequalified vendors without advertisement in the newspapers.</p>	
<p>Implication</p>	
<p>Inconsistency in following SPPRA Rules requirements may result in non-compliance with applicable rules.</p>	
<p>Recommendation(s)</p>	
<p>We recommend that MUET management should seek clarity from SPPRA on certain matters related to its rules to avoid any non-compliance. Such as whether to advertise all the procurement requisitions above PKR one million in the newspapers (as prescribed in SPPRA rules), irrespective of the fact a pre-qualification process has been performed.</p>	
<p>Management Comment(s)</p>	
<p>Recommendation is agreed.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>Immediate</p>	<p>Director Works and Services</p>

<p>7. List of pre-approved vendors is not maintained / implemented as per the Financial Rules (section XI) for the procurements of items below PKR 100,000.</p>	<p>Rating</p>
<p>Finding</p>	<p>Low to Moderate</p>
<p>During our review we noted that for procurements of less than PKR 100,000 by the Finance and Project Directorate, quotations are obtained from the open market.</p> <p>However as per the Financial Rules (section Xi), each Principal Procurement Officer needs to maintain and update a list of pre-approved vendors which is not currently in practice.</p>	
<p>Implication(s)</p>	
<ul style="list-style-type: none"> ▶ The quality of goods / services might not be up to the required standard. ▶ Procurement may not be completed in the efficient and timely manner. 	
<p>Recommendation(s)</p>	
<p>We recommend that a list of pre-approved vendors should be maintained for routine nature procurements and should be used by all Principal Procurement Officers as per the Financial Rules of MUET.</p> <p>Further, such a pre-approved vendors list should be monitored on a regular basis and updated based on vendor's performance as per MUET policies on a periodic basis.</p>	
<p>Management Comment(s)</p>	
<p>We will ensure to follow your recommendations.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>28 February 2014</p>	<p>Director Finance</p>

3.4 Human Resource Systems

Overall Area Rating	Number of Findings			
Low to Moderate	High	Moderate to High	Low to Moderate	Low
	-	01	04	03

Summary of Key Findings:

Sr. No.	Key findings identified during assessment	Issue rating
1	Various budgeted positions (including BPS-17 and above grade) are not yet filled.	Moderate to High
2	Contractual positions are not classified appropriately (in Administration, Teaching and Teaching Allied categories), similar to the permanent budgeted positions, for the annual budget for the year 2013-14.	Low to Moderate
3	A formal training plan is not prepared after performing the training need assessment exercise on an annual basis.	Low to Moderate
4	Same reference number for each employee is not used on the personal files and in payroll sheet / system.	Low to Moderate
5	Absence of a consolidated Human Resource Management manual to cover all the applicable rules / policies and SOPs in one document.	Low to Moderate
6	No practice is in place to require each employee to sign the code of conduct on an annual basis.	Low
7	ACR assessment is only shared with the respective employee in case of adverse ratings.	Low
8	Monthly payroll summary does not highlight summary of joiners / leavers during the month to ease the review process.	Low

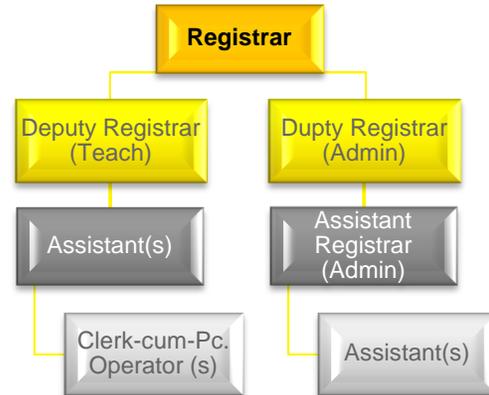
3.4 Human Resource Systems

3.4.1 Overall HR Policies and Procedures

Human Resource Management (HRM) at MUET is overseen by the Registrar office. MUET has documented human resource policies and standard operating procedures. The approved policies and procedures are applicable to all the functions of MUET, where the human resources are being utilized.

The approved policies and procedures cover the following:

- ▶ employee's hiring on contract and permanent basis,
- ▶ trainings of employees and appraisals and evaluations of employees.
- ▶ Compensation policies including grade and structure wise salaries, allowances, group insurance,
- ▶ pension and leave statutes.



3.4.1.1 HR planning

Budgeted positions for each year are defined in the annual budget of MUET as part of the overall annual budgeting process which is performed by the Finance Directorate. HR planning process is also completed by the Finance Directorate in Consultation with the Registrar office. The grade wise budgeted positions in the annual budget of MUET are bifurcated in the categories of teaching, teaching allied and administration positions except for the contractual position which are not bifurcated in to the above mentioned categories.

3.4.1.2 Hiring of personnel

The Syndicate is responsible and approves the hiring of personnel of BPS-17 and above, whereas Vice Chancellor approves the hiring the personnel up to BPS-16.

Following are the statutory documents also considered for the recruitments and appointments in addition to the above mentioned policies and procedures:

- ▶ First statutes 1977 (Contains Officers and Teachers Powers and Duties)
- ▶ Statutes for condition of services
- ▶ Statutes for eligibility criteria for faculty members
- ▶ Statutes for grant of Meritorious Professor
- ▶ Statutes for Emeritus Professor

The hiring of personnel at MUET is divided into three groups;

- ▶ Hiring of personnel from BPS-17 and above
- ▶ Hiring of personnel up to BPS-16.
- ▶ Hiring of personnel on contract basis.

3.4.1.3 Hiring of Personnel from BPS-17 and above

The Registrar receives the requisition from the concerned department / institute / faculty against any vacant position(s). After the approval of the Vice Chancellor, Registrar invites the applications for the position(s) by advertising in the daily newspapers with approval of the Vice Chancellor. The requirements and specifications for the said positions (e.g. minimum qualifications, experience and other requirements related to the position) are defined in position profiles.

The Registrar shortlists the applications and suitable candidates are called for written tests / interview before the Selection Board. The Selection Board consists of the following:

- ▶ The Vice Chancellor (Chairman);
- ▶ The chairman or a member of the Sindh Public Service Commission to be nominated by the chairman;
- ▶ The Dean of the faculty under which the appointment is to be made;
- ▶ The Chairman of the Teaching Department concerned; and
- ▶ One member of the Syndicate and two other members of eminence, to be appointed by the Syndicate, provided that neither of the three are employees of MUET.

The above mentioned members at (iii) and (iv) are not applicable for making selections of employees other than Teachers.

The Selection Board evaluates the applications / candidates and recommends along with suitable remuneration as per the pay scale statutes to the Syndicate the names of suitable candidates for appointment to teaching and other posts. The selected candidate is then issued the appointment order, which also includes the remuneration details, by the Registrar and is asked to report to the concerned Chairman / Head of Section / Director.

3.4.1.4 Hiring of personnel up to BPS-16

The Registrar receives the requisition from the department / institute / faculty of MUET against the vacant position(s). After the approval of the Vice Chancellor, Registrar advertises the required position in the local newspaper or CVs may also be solicited directly from various sources.

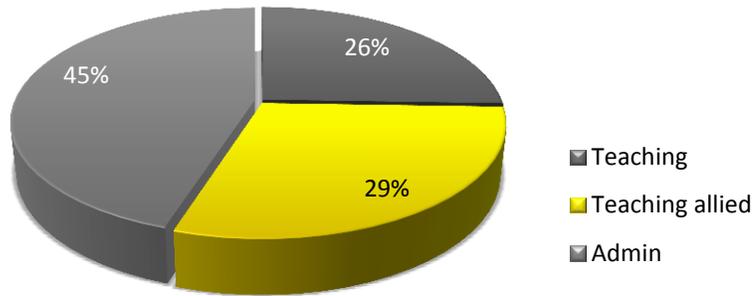
The shortlisted candidates are called for written test / interview with the Selection Committee, (constituted by the Vice Chancellor) who refers their recommendations along with suitable remuneration as per the pay scale statutes to the Vice Chancellor for approval. The selected candidate is then issued an appointment order, which also includes the remuneration details, by the Registrar and is asked to report to the concerned Chairman / Head of Section / Director.

3.4.1.5 Hiring of personnel on contract basis

The Vice Chancellor on the basis of the requirement received by the departments / sections approves to hire a person on contract basis either on daily wages or on fixed and consolidated pay.

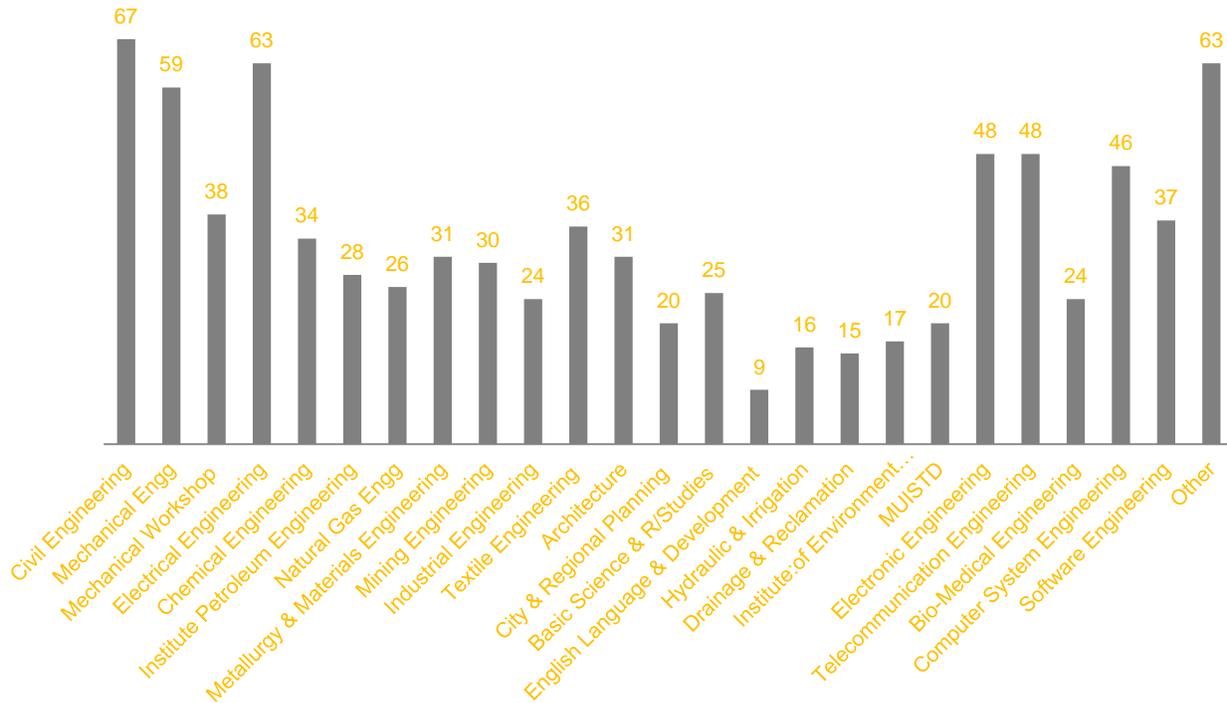
Vice Chancellor decides the remuneration of the contractual employees. The hiring of personnel on contract basis on fixed and consolidated pay is finally approved by the Syndicate on the recommendations of the Vice Chancellor. In case of urgency, the Vice Chancellor may hire a person by exercising the emergency powers vested upon him and report such action to the Syndicate. The selected candidate hired on a contract basis is then issued the appointment order by the Registrar and is asked to report to the concerned Chairman / Head of the Section / Director.

Break up of the total employees of MUET

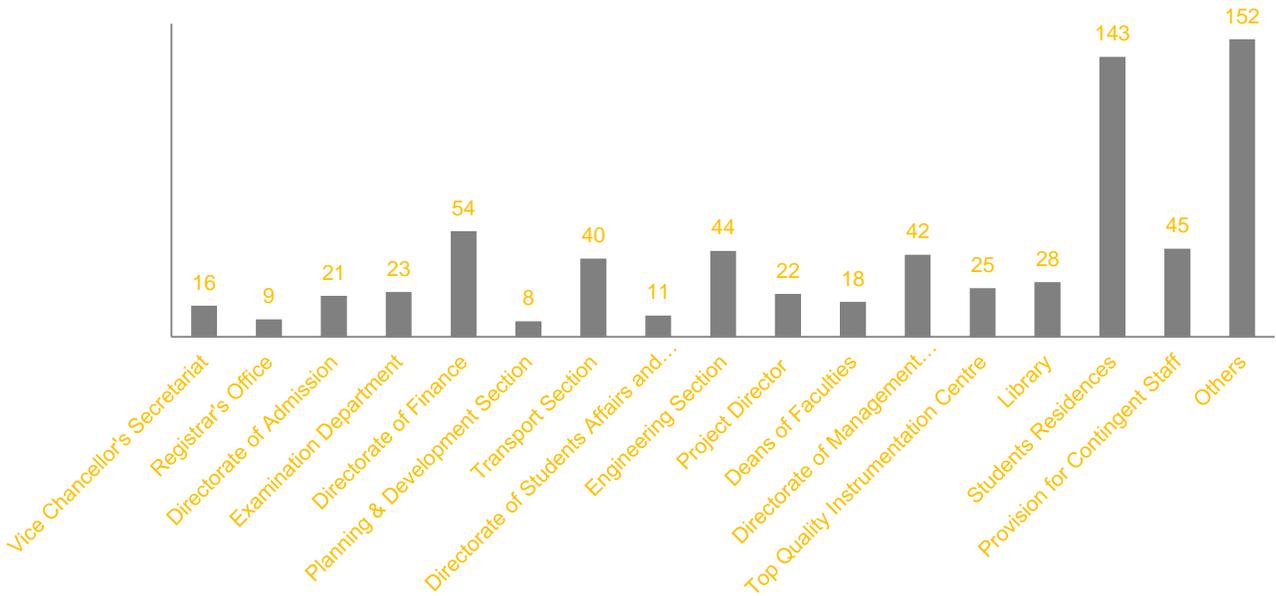


No formal employment contract / agreement (for permanent and contractual staff) is duly signed by the employer and employee, referring to all terms and conditions and policies and procedures (including code of conduct) is issued by the management. A joining report is submitted by the hired employee after joining the concern department / section which is then sent to the Registrar office for the filing in personal file. Following is the details of total of 855 staff working under academic departments (teaching and teaching allied):

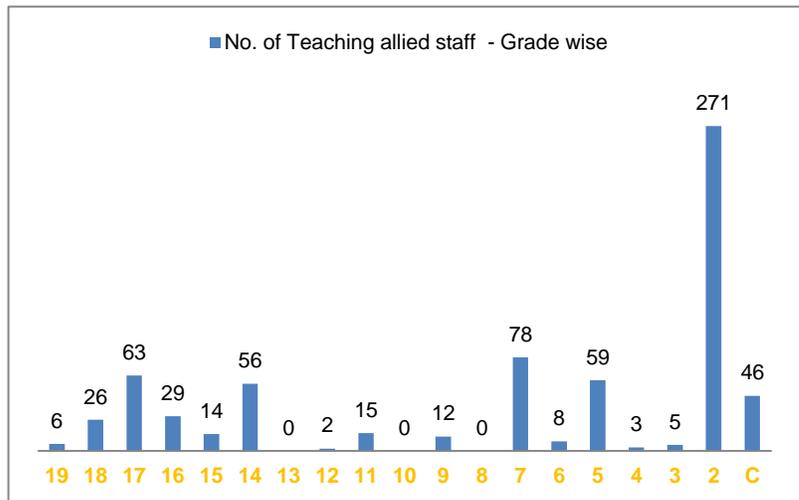
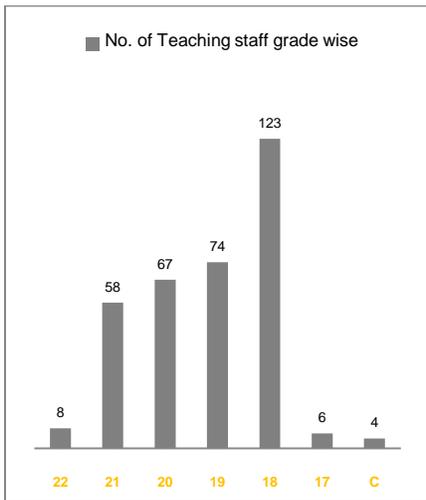
■ Staff in each academic department



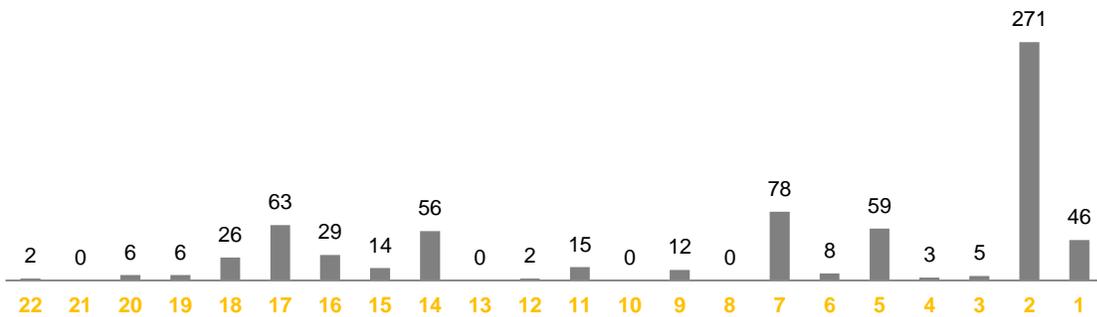
Staff in each non-academic department



Following is the Grade wise details of 340 staff working as teaching staff and 693 staff working as teaching allied staff at MUET:



No. of non-teaching staff - Grade wise



3.4.1.6 Evaluation, appraisals and promotions

At the end of each year, Registrar invites the Annual Confidential Reports (ACRs) of MUET personnel. The ACRs of the teaching personnel are filled by the concerned Chairman / Director and countersigned by the concerned Dean and the Vice Chancellor. The ACRs of Chairman / Director are filled by Dean concerned and countersigned by the Vice Chancellor. The ACRs of Dean are filled by the Vice Chancellor. For non-teaching personnel of teaching departments, ACRs are filled by the concerned Chairman / Director.

Vice Chancellor has the MP scale and is not subject to the ACR process. He is also the Chairman of the Syndicate. His office term is four years and his performance is evaluated by the competent authority at the time of reappointment.

For the non-teaching departments, the ACRs of the personnel from BPS-1 to BPS-16 are filled by the Section In charge (SI) and countersigned by the Head of Section. The ACRs of personnel from BPS-17 and above are filled by the Head of Section and are countersigned by the Vice Chancellor. The ACRs of the Heads of Sections are filled by the Vice Chancellor.

In case, the ACR of any staff has adverse (below average) remarks, it is communicated to him / her, otherwise the ACR is filed with the Deputy Registrar.

Each vacant academic position (e.g. Assistant Professor, Associate Professor, and Professor) is filled only after complying with the defined "Minimum Eligibility Conditions for the Appointment of Faculty in the Universities" by the Higher Education Commission. Non-teaching vacant positions are filled, 60% (maximum) from the internal promotions based on the seniority and 40% from the external hiring based on the minimum eligibility criteria defined for each position in the Human Resource policies and procedures.

3.4.1.7 Disciplinary procedures

In case where MUET's employee is accused of corruption or misconduct, Syndicate / competent authority decide whether in the light of the case or interest of justice, an inquiry should be conducted through an inquiry officer / committee. If the Syndicate / competent authority decides to proceed through inquiry officer / committee, such officer/ members are appointed by the Syndicate / competent authority. The competent authority may decide to dismiss or remove from service or reduce in rank the accused as per the rules on ground of nature and seriousness of the misconduct without executing the inquiry procedures.

It is not necessary that such officer / committee members belong to MUET but such members must be senior in rank to the accused.

The Syndicate / competent authority may suspend the accused during the inquiry period.

The inquiry officer / committee investigate into the charge and examine oral or documentary evidences in support of the charge, and / or matter stated in defense statement of the accused.

The inquiry officer / committee within 10 day of the conclusion of the proceeding or the period allowed by the Syndicate / competent authority, submits the findings and the grounds thereof.

The authority considers the report of the inquiry officer / committee to determine the penalty to be imposed and call the accused to show cause within a stipulated period of 15 days, as to why the proposed penalty should not be imposed or allowed him, if the accused wishes to be heard in person.

If the Syndicate / competent authority decide that it is not necessary to have an inquiry conducted through an inquiry officer / committee, such authority:

- ▶ By order in writing, inform the accused of the action proposed to be taken in regard to him and the grounds of the action; and
- ▶ Give him a reasonable opportunity of showing cause against him provided.

On receipt of the explanation of the accused if any, the Syndicate / competent authority determine whether the charge has been proved.

If it is proposed to impose a penalty, the Syndicate / competent authority may pass such orders as it may deemed proper, and convey the same to the accused.

3.4.1.8 Orientation, Training and Evaluation

a) Orientation

At the time of joining, the concerned Chairman / Head of Section / Director are responsible for the orientation and on job training of new employees. Orientation includes the following:

- ▶ Orientation on administrative policies (e.g. working hours, leaves, medical facility, disciplinary policies, etc.);
- ▶ Understanding of Quality Management System (QMS) including Quality Policy;
- ▶ Understanding of job responsibilities and authorities; and
- ▶ On the job training.

The orientation and training is recorded on an Orientation Training Form (OTF) which is then filed in the personal files maintained with the Deputy Registrar. All personnel are also required to sign off their Job Description which is also filed in the personal files of each employee along with the other documentations.

b) Training

MUET arranges Internal and External Trainings for their personnel and also sends them abroad (mainly teaching staff) from time to time. The responsibility of arranging the resources, and other related activities lies with the Director Planning and Development. He is responsible for the arrangement of the internal and external trainings. He maintains all the trainings records including training attendance and sends copy of the trainings records to the Registrar for the filing in personal file. Training needs of personnel are identified by their Chairman/ Head of Section / Director at least once a year by filling the Training Need Identification Form (TNIF) and sending it to the Director Planning and Development of MUET.

We noted that there is no practice to prepare a MUET wide training plan on the basis of TNIFs by the Planning and Development Department and training are currently arranged by the Planning and Development Department (mainly for the non-teaching staff) on need basis. The Vice Chancellor approves all the trainings.

3.4.1.9 Retirement, resignation and termination

In case of termination / resign / retirement, a formal intimation from the Registrar office is sent to the Payroll section to start the clearance process for the final settlement. In case of retirement, this intimation is sent 6 months before the retirement date. After clearance from all the departments, Deputy Director Finance (Pay & Pension) refers the case to the Resident Auditor. After the review of the Resident Auditor, Director Finance approves the final release of payment.

3.4.2 Staff Time Management

Time sheets are maintained at each section / department and there is no centralized attendance / time keeping mechanism (such as automated system for marking daily attendance of all employees, either a

card swapping mechanism or a bio-metric system) established for better monitoring and to enhance the controls over the compliance with employee's leaves entitlement. Further, MUET does not follow the practice of indirect costing and / or cost allocation hence management does not use time sheets for the allocation / distribution of staff cost among projects.

3.4.3 Payroll System

Payroll of the employees are prepared by the Payroll section working under the Finance Directorate. Pay scales for all positions are defined in the "Scales of Pay Statutes" having the maximum and minimum basic pay for each sanctioned position. Further it also contains the details of other allowances including fixed additional charge allowance for each position, senior post allowance, house rent, conveyance, qualification, travelling, entertainment, technical, computer, over time and special relief allowances. Further change in the pay scale and allowances are communicated to the Registrar office and Finance Directorate by the Department of Finance through notifications.

Superintendent in consultation with IT officer of Finance Directorate prepares the monthly payroll after receiving the attendance from each department. Leave records are checked with the Registrar Office for appropriate deductions as they are also keeping the leave records of all the employees. A summary of all deductions and amendments to the monthly payroll are highlighted separately in the monthly payroll (except leaver and joiners).

A copy all relevant orders (i.e. hiring, termination, retirement, promotion, increment orders) issued by the Registrar office are sent to the Finance Directorate (Deputy Director Finance – Pay & Pension) for the intimation and incorporation in the monthly payroll. Deputy Director Finance (Pay & Pension) reviews the final bill / monthly payroll before sending it to the Resident Auditor. In addition to the review of the current month's payroll, reconciliation with the last month's payroll is also performed by the Resident Auditor. After the review of the Resident Auditor, Director Finance approves the final release of the monthly payroll. Payment of the monthly payroll to all employees is made through online bank transfer by sending a transfer advice to the bank.

3.4.4 Travel Policies and Procedures

MUET follows the Manual of Travelling Allowance Rules duly approved by the Ministry of Finance which contains policies and procedures for domestic and international travelling by MUET employees. Manual of Travelling Allowance Rules covers the following key areas:

- ▶ Kinds of travelling allowance (Permanent, Mileage, daily, Actual etc.)
- ▶ Modes of Journeys (Rail, Sea, Road, Air)
- ▶ Events wise details of TA (Joining, Transfer, training or to attend some other official event)
- ▶ Categories of officers and non-official leaders and members of delegations for travelling, entertainment, transportation and other miscellaneous allowances outside Pakistan.

Respective section / department head provides the administrative approval of the travelling plan for each employee. For all employees of BPS-17 and above grade, final administrative approval for the travelling is provided by the Vice Chancellor. Administrative approval of the travelling for the employees up to BPS-16 Grade is provided by the Registrar.

Bill / claim for the approved travelling are then submitted to the accounts department in the Finance Directorate for the payment after deducting / adjusting the advance (if obtained). Deputy Director Operations after checking the travelling allowance claimed along with other expenditure submits the same to the Resident Auditor. Resident Auditor also checks the compliance of the travelling and other related allowances (appropriateness of rates used as per rules, number of days etc.) along with the due

approvals. After the review of the Resident Auditor, Director Finance approves the final release of payment.

All payments with respect to travelling expenses are processed and approved using same policies and procedures as detailed for the other transactions in section 3.2 of this report. Travelling expenses are paid separately to the employees through crossed cheques in the name of the employee.

3.4.5 Key findings in Human Resource Systems

Low to Moderate

Detailed issues with EYFRSH recommendations and MUET comments are mentioned below.

1. Various budgeted positions (including BPS-17 and above grade) are not yet filled.	Rating																									
Finding	Moderate to High																									
<p>During our review of the annual budget 2013-14 and payroll of MUET, we noted that there were various positions approved for the Teaching, Teaching Allied and Administration departments however, these positions are not filled till the date of the report and have been vacant for a significant period (more than 6 months). Below are the details of key positions (BPS 17 and above):</p>																										
<table border="1"> <thead> <tr> <th>Positions</th> <th>Teaching</th> <th>Teaching Allied</th> <th>Administration</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Budgeted</td> <td>395</td> <td>27</td> <td>132</td> <td>554</td> </tr> <tr> <td>Filled</td> <td>335</td> <td>19</td> <td>103</td> <td>457</td> </tr> <tr> <td>Vacant</td> <td>60</td> <td>8</td> <td>29</td> <td>97</td> </tr> <tr> <td>Vacant (%)</td> <td>15%</td> <td>30%</td> <td>22%</td> <td>18%</td> </tr> </tbody> </table>	Positions	Teaching	Teaching Allied	Administration	Total	Budgeted	395	27	132	554	Filled	335	19	103	457	Vacant	60	8	29	97	Vacant (%)	15%	30%	22%	18%	
Positions	Teaching	Teaching Allied	Administration	Total																						
Budgeted	395	27	132	554																						
Filled	335	19	103	457																						
Vacant	60	8	29	97																						
Vacant (%)	15%	30%	22%	18%																						
Implication(s)																										
Efficiency of different departments / faculties might be affected due to shortage of staff.																										
Recommendation(s)																										
We recommend that the management should act on priority to fill key vacant positions in Teaching, Administration and Teaching Allied categories with professional and experienced individuals. In case such positions (or some of these are not required) budget should be updated accordingly.																										
Management Comment(s)																										
This item was discussed in the meeting with authority and settled.																										

1. Various budgeted positions (including BPS-17 and above grade) are not yet filled.	Rating
Agreed Implementation Date	Responsible Person
Not Applicable	The Registrar and Director Finance

<p>2. Contractual positions are not classified appropriately (in Administration, Teaching and Teaching allied categories), similar to the permanent budgeted positions, for the annual budget for the year 2013-14.</p>	<p>Rating</p>
<p>Finding</p>	<p>Low to Moderate</p>
<p>During our review of the annual budget 2013-14, we noted that grade wise positions were budgeted for the Administration, Teaching and Teaching Allied sections. However we noted that 87 contractual positions, budgeted for the year 2013-14 were not bifurcated as Administration, Teaching and Teaching Allied, similar to the permanent budgeted positions, which may cause confusion / disagreement between the mentioned sections (departments and / or faculties) over the absorption of the budgeted positions.</p>	
<p>Implication(s)</p>	
<p>Management might not be able to determine the actual contractual staff requirement for teaching, teaching allied and administration functions.</p>	
<p>Recommendation(s)</p>	
<p>We recommend that the budgeted positions of contract staff should also be classified into Administration, Teaching and Teaching Allied categories so that each departmental and / or faculty In-charge can plan and hire the contract staff as per the assigned positions in the annual budget.</p>	
<p>Management Comment(s)</p>	
<p>We hereby agree upon the recommendation.</p>	
<p>Agreed Implementation Date</p>	<p>Responsible Person</p>
<p>30 June 2014</p>	<p>The Registrar and Director Finance</p>

3. A formal training plan is not prepared after performing the training need assessment exercise on an annual basis.	Rating
Finding	Low to Moderate
<p>During our review, we were informed that P&D department is responsible for the trainings of employees (mainly administration) and training need assessment has also been conducted by the P&D department. However, we noted that no documented training plan has been prepared for the employees and trainings are provided to the staff as and when required.</p> <p>Further, employee performance assessment (ACR) and training need assessment exercise are not interlinked, which may render the whole performance assessment process ineffective.</p>	
Implication(s)	
<p>Trainings to increase the competency and capacity of staff might not be provided in an effective manner.</p>	
Recommendation(s)	
<p>We recommend that the training need assessment should be carried out at the time of annual appraisals (ACR), so that any shortcomings of the employee and development needs are identified at that time and training requirements can be identified.</p> <p>Additionally, the training plan should be develop which should identify the timing of the training and same should be broken up in monthly components.</p> <p>There should also be a monitoring mechanism to ensure compliance with such training plan.</p>	
Management Comment(s)	
<p>Agreed with the recommendation.</p>	
Agreed Implementation Date	Responsible Person
30 June 2014	The Registrar and Director Planning and Development

4. Same reference number for each employee is not used on the personal files and in payroll sheet / system.	Rating
Finding	Low to Moderate
<p>During our review of the personal files, we noted that each employee files are assigned a unique reference number. However, while reviewing the payroll of the employees, we observed that employee reference numbers on the personal files are different from the employee's ID mentioned in the payroll sheet / system.</p> <p>Furthermore, documents submitted by the new employees are filed in employee personal file, however, there is no standard checklist maintained in personal files of employees to ensure that documents submitted by the employee are complete in all respects.</p>	
Implication(s)	
Lack of efficient control to trace employee in the payroll data with personal files.	
Recommendation(s)	
<p>We recommend that management should assign and use the same unique number on the personal files and in the payroll sheet / system, for each employee.</p> <p>Furthermore, Registrar section should develop a standard checklist for minimum documents to be maintained in the personal files of the employees.</p> <p>Additionally, a movement log should be maintained. The same should be filled when any document is taken out of the personnel file.</p>	
Management Comment(s)	
After the deployment of CMS, all employees will be assigned a unique ID.	
Agreed Implementation Date	Responsible Person
31 December 2014	The Registrar and Director Finance

5. Absence of a consolidated Human Resource Management manual to cover all the applicable rules / policies and SOPs in one document.	Rating
Finding	Low to Moderate
<p>We understand that human resource management of MUET is governed by the following SOPs (internally developed by MUET) and rules for various activities / functions:</p> <ul style="list-style-type: none"> ▶ Quality System Procedures (Human Resource) ▶ Standard Operating Procedures for Hiring of Personnel ▶ Standard Operating Procedures for Award of University Scholarships ▶ Leaves Statutes ▶ Travelling Policies and procedures ▶ Conduct of Employees ▶ Scale of Pays Statutes ▶ Position Descriptions ▶ Group Insurance Statutes ▶ Power and Duties of Officers and Teachers ▶ Efficiency and Disciplinary Actions ▶ Standard Operating Procedures for Trainings ▶ Evaluation of Teachers' Performance <p>However, we noted that there is no consolidated Human Resource manual developed to cover all the above rules / policies / SOPs in one document, for ease of reference and its consistent application on different HR functions and transactions.</p>	
Implication(s)	
<p>MUET employees may not be aware of all the rules / policies / SOPs for a particular HR function / activity which may result in inconsistent practices.</p>	
Recommendation(s)	
<p>We recommend that MUET management should develop a comprehensive manual for its Human Resource process to consolidate all the applicable rules / policies / SOPs in one document for ease of reference and its consistent application on different HR functions and transactions.</p>	
Management Comment(s)	
<p>We hereby agree upon the recommendation.</p>	
Agreed Implementation Date	Responsible Person
<p>Within 02 months from the date of the report</p>	<p>The Registrar</p>

6. No practice is in place to require each employee to sign the code of conduct on an annual basis.	Rating
Finding	Low
<p>During our review, we observed that Human Resource policies of MUET also include a detailed code of conduct.</p> <p>We understand that all the employees of MUET need to be aware of the code of conduct to execute their responsibilities in appropriate manners.</p> <p>As per management, code of conduct is shared with all departments / sections so that concern department / section head ensures the compliance of the employees working under that particular department / section. However, we noted that code of conduct is not signed by the employees and a signed copy is not filed in the personal files of each employee as evidence.</p>	
Implication(s)	
<p>Staff might not be aware of the requirements of the code of ethics and may engage in inappropriate activities.</p>	
Recommendation(s):	
<p>We recommend that code of conduct should be signed off by all employees at the time of their joining and then subsequently on an annual basis. The signed documents should be kept in the employees personal files. Further, periodic training / awareness sessions should be carried out to serve as a reminder / refresher of MUET's code of conduct.</p>	
Management Comment(s)	
<p>There is no system existence in MUET signing Contract each year. Because, in MUET we have Basic Pay Scale system which do not require any negotiation on pay, parks & others, as per rule of the Government.</p>	
Agreed Implementation Date	Responsible Person
Not Applicable	Not Applicable

7. ACR assessment is only shared with the respective employee in case of adverse ratings.	Rating
Finding	Low
<p>As per the Human Resource policies of MUET, an appraisal activity is performed for all employees at the end of each financial year and employees are assessed against the pre-defined criteria using the standard format of Annual Confidential Report (ACR).</p> <p>During our review we noted that ACR assessment is not shared with the respective employee for his/her feedback / concurrence on the assessment, except for the instances where the employees are rated as adverse or where evaluator specifically require to share the assessment with the concern employee.</p>	
Implication(s)	
<ul style="list-style-type: none"> ▶ Valuable input / improvement areas of the respective employees might be overlooked. ▶ Employees may get demotivation due to lack of appreciation by not communicating the good points. 	
Recommendation(s)	
<p>We recommend that ACR should be shared with concerned employees and specific feedback should be obtained in all the cases. This activity will help to improve performance of employees in their respective roles if his / her development needs are being fulfilled.</p>	
Management Comment(s)	
<p>As per Services Act, Only adverse remarks are communicated to the employee. However, above average remarks are never communicated.</p>	
Agreed Implementation Date	Responsible Person
Not Applicable	Not Applicable

8. Monthly payroll summary does not highlight summary of joiners / leavers during the month to ease the review process.	Rating
Finding	Low
<p>We noted that attendance of each section / department is maintained using the manual registers at each department / section and there is no centralized attendance system maintained which can also contribute to enhance the controls over payroll preparation.</p> <p>At each month end payroll sheet is prepared by the payroll section of the Directorate of Finance based on the manual attendance provided by the each department / section. Payroll sheet contains the teaching and non-teaching employee's payroll summaries including amendments, allowances and deductions.</p> <p>Payroll reconciliation is also performed to reconcile the current payroll amount with the last month's payroll. The payroll sheet along with the payroll reconciliation is then submitted to the resident auditor who performs pre-audit of the payroll. After per-audit, the resident auditor signs the payroll sheet and then it is submitted to the Director Finance for final approval and release of payroll.</p> <p>However, we noted that the payroll summary (along with the payroll sheet) submitted to the Director Finance does not include summary of changes with respect to leavers / joiners to assist the reviewer in quickly identifying the key changes to the current payroll in comparison to the last month's payroll.</p>	
Implication(s)	
Review of payroll sheet may take a longer time due to non-availability of summary of changes.	
Recommendation(s)	
<p>We recommend that summary of the leavers and joiners should also be included in the monthly payroll summaries of amendments to counter the risk that payroll amounts for leavers / joiners are correctly accounted for, in the monthly payroll sheet.</p> <p>Further, management should maintained centralized attendance system for better monitoring and to enhance the controls over payroll processing. We understand that management may implement an automated system for marking daily attendance of all employees (either a card swapping mechanism or a bio-metric system). Such system would also increase the controls over the compliance with employee's leaves entitlement.</p>	
Management Comment(s)	
The controls / recommendations will be implemented after the full deployment of Campus Management System (CMS).	
Agreed Implementation Date	Responsible Person

8. Monthly payroll summary does not highlight summary of joiners / leavers during the month to ease the review process.	Rating
Finding	Low
31 December 2014	Director Finance

3.5 Project Performance Management

Overall Area Rating	Number of Findings			
Moderate to High	High	Moderate to High	Low to Moderate	Low
	01	-	01	-

Summary of Key Findings:

Sr. No.	Key findings identified during assessment	Issue rating
1	Absence of independent monitoring and evaluation over project activities.	High
2	Absence of a consolidated Project Management manual to cover all the applicable rules / policies and SOPs in one document.	Low to Moderate

3.5 Project Performance Management

3.5.1 Project Management and Monitoring

MUET follows the documented standard operating procedures and guidelines for the execution / implementation of its development and non-development project activities which has been formally approved by the Senate. The SOPs and guidelines broadly cover the following aspects related to project execution / implementation:

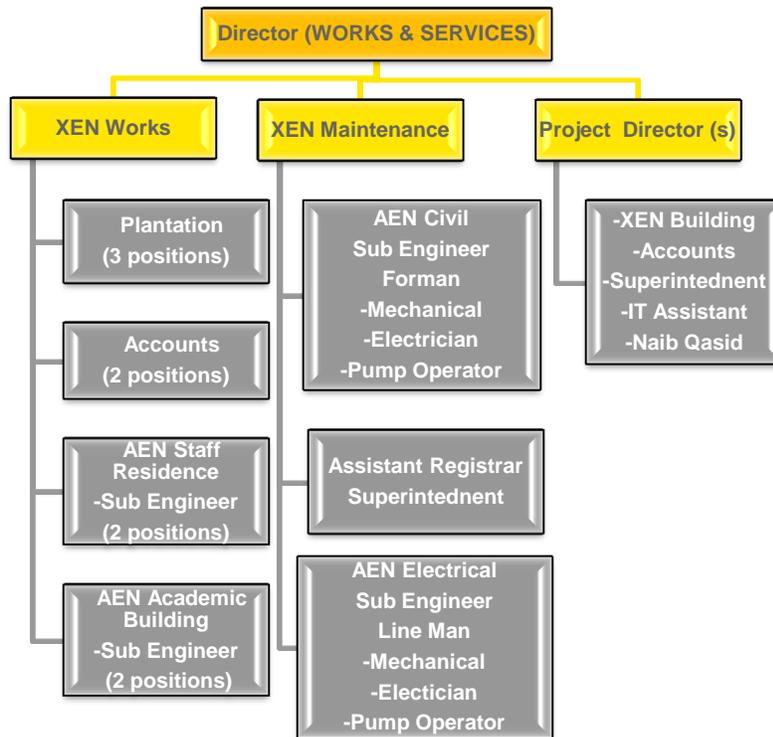
- ▶ Project execution and management;
- ▶ Reference of the related rules / policies and procedures;
- ▶ Details of the committees;
- ▶ Roles and responsibilities; and
- ▶ Approval and reporting.

With reference to the project management, projects activities at MUET can be mainly divided in following two categories:

- a) Development projects (which mainly include infrastructure development, civil and related works within MUET vicinity through self-financing and Government (HEC) / donor funds).
- b) Non-development project (which mainly include the research projects carried out by various department / institute of MUET through self-financing and Government (HEC) / donor funds).

3.5.1.1 Project Management of Development Activities

MUET has established a Project Directorate for the execution of the development project activities. Following is the departmental structure of the Project Directorate at MUET:



Project Directorate organizes and coordinates execution of all the development schemes of MUET including all the technical matters (planning, designing, estimations, tendering and any variations in the scope of work) related to the development schemes. Project Directorate also performs all repair, maintenance and recurring civil work of MUET through Executive Engineer (XEN) Maintenance. A separate PC-1 for each project / scheme is prepared by the Planning and Development Department of MUET. To initiate the process a Feasibility Report (FR) is prepared by the Project Directorate. The feasibility report outlines the benefits of the project for MUET and surrounding areas. FR is approved by the Vice Chancellor. The FR is sent to the concerned donor agency for review and comments.

After the approval of the feasibility report, draft PC-1 is prepared by the Planning and Development Department of MUET. The same is submitted to Director (Works and Services), Project Directorate for review. After the Director's review, draft PC-1 is reviewed by Pro Vice Chancellor and approved by the Vice Chancellor.

After the approval, the draft PC-1 is submitted to the HEC / donor agency for review, subsequent meetings are held and PC-1 is updated after mutual agreement of concerned stakeholders. After the approval of draft PC-1, the HEC / donor agency issues an administrative approval to MUET for initiation of planning activities for the project.

After the approval of the development project / scheme by Vice Chancellor and HEC / donor agency, the planning, budgeting, construction, phasing of programme and priorities are set by the Advisory Building Committee (ABC) of MUET. The ABC has been established by the Syndicate for overseeing the development projects. It has an approved ToRs in place and meets at a minimum on bi-annual basis. The following is the composition of ABC:

Composition of Advisory Building Committee (ABC)	
Vice Chancellor	In Chair
Pro Vice Chancellor – MUET	Member
Pro Vice Chancellor - MUCET, Khairpur Campus	Member
Dean of Concerned Department.	Member
Project Director Concerned	Member
Director Finance	Member
Member from Education Works Department, Government of Sindh	Member
Project Manager Concerned	Member
Expert of Electrical side	Member
One Professor nominated by Vice Chancellor	Member
Director (Works & Services)	Secretary

All schemes costing more than PKR 100 million (or any other value as agreed with the donor / HEC) have a dedicated Project Director, who can be appointed specifically for the project or may be designated from the existing employees. Projects below PKR 100 million are looked after by the Executive Engineer (XEN) Works.

The Director planning and Development MUET, on the recommendation of Advisory Building Committee and with the approval of the Vice Chancellor issues implementation/ execution letter to the concerned Project Director / XEN Works for procuring civil works (please refer the section 3.3 of this report for details of procurement process).

The contractors / firms for the development schemes pre-qualify for each scheme by the competent authority on the recommendation of the Advisory Building Committee by inviting applications through press in accordance with the nature of work involved in the development schemes. In case poor response is received from pre-qualified contractors, the exercise of pre-qualification is performed again with the approval of Vice Chancellor.

The concerned Project Director / XEN Works invites the tenders (by sending Notice for Inviting Tender – NIT) from pre-qualified contractors / firms as per the policies and procedures defined in the Financial Rules of MUET.

All bids are received by the Project Director / XEN Works for their scrutiny and recommendation.

The recommendation of the Project Director / XEN Works is further scrutinized by the Advisory Building Committee of MUET which makes recommendations to the Vice Chancellor for award of the work.

Concerned Project Director / XEN Works recommends the terms and conditions of the contract in general or in any specific or specialized work in consultation with the Director Planning and Development, Director Finance and concerned department/ institute for the approval of the Director Works and Services and Vice Chancellor.

The development project(s) / scheme(s) of MUET are executed by the Project Director / XEN Works under the supervision / guidance of the Pro-Vice Chancellor and Advisory Building Committee, unless the Syndicate directs otherwise in any particular case only. All procurements with respect to the development schemes are made as per the procedures defined in section 3.3 of this report.

Concerned Project Director / XEN Works visits the ongoing works to monitor the quality and quantity of works as per agreed drawings and specifications and reports to the Director Works and Services.

Monthly / quarterly / annual financial and physical progress reports are then prepared by the concerned Project Director / XEN Works based on periodical monitoring visits of the agreed targets / work for the completion of project.

Progress of the development project activities are reported to the Advisory Building Committee which meets at a minimum on a bi-annual basis. Advisory Building Committee then submits its report on the progress of each on-going project to the Syndicate / Vice Chancellor for their perusal. Any concerns or recommendations or decisions taken by the Syndicate / Vice Chancellor are then acted upon by the concern Project Director / XEN Works and also reported by them in the subsequent meeting(s).

The schemes funded through self-financing funds are also monitored by MUET Development Working Party (UDWP), formulated by the Syndicate to oversee the project funded by self-financing. Reports of such schemes funded through self-financing funds are submitted to the UDWP for the onward submission to Syndicate / Vice Chancellor through Advisory Building Committee.

On completion of the civil work, contractor intimates the concerned Project Director/ XEN Works through a letter. Project Director / XEN Works, after inspection of the completed work and consultation with the end user, reports the same to the Director Works and Services After the approval of the Director Works and Services, a completion certificate is issued to the contractor by the Director Planning and Development.

Project Directorate also prepares a PC-IV on completion of the Government / HEC funded projects and submits the same to the Government / HEC on completion of project.

After handing over the completed project to the department(s) / institute(s), the Director Works and Services provides services with regard to maintenance as and when requested by the concerned department / institute after approval of Vice Chancellor as per recurring civil work procedures defined in section 3.3 of this report.

3.5.1.2 Project Management of Non Development Activities

Non development projects / schemes mainly include the research projects carried out by the various department / institute of MUET through self-financing and Government (HEC) / donor funds.

A Research project proposal is prepared by the concerned department. The proposal outlines the key objective and project activities to achieve the project objectives. Research project proposal is approved by the Vice Chancellor. The project proposal is then sent to the Government (HEC) / donor agency for review and comments. After making the necessary changes, approval of the project is granted by the Government (HEC) / donor agency for the execution of work.

All non-development projects / schemes (mainly research projects) are executed by the concerned department / institute. A member of the concerned department / institute is nominated as the Principal Investigator by the head of concerned department / institute for the execution of the project. Nomination of the Principal Investigator is then approved by the Vice Chancellor.

After the approval of the project proposal by Vice Chancellor and Government (HEC) / donor agency, the planning and phasing of research work to set the priorities of the project activities as per the agreed objectives, is done by the Principal Investigator.

A project procurement committee is formed by the Vice Chancellor (normally includes senior member of the concerned department / institute, Principal Investigator, Director Finance and subject matter specialist) for the approval of the project procurements.

All procurements with respect to the non-development project are carried with the help of Finance Directorate as per the procurement rules of the MUET. Procurements of the non-development projects normally consist of equipment, instruments, testing material and do not usually include furniture and fixture, vehicles and civil work.

Upon submission of the final financial and progress reports, a completion / clearance certificate is issued by the donor to close the project.

3.5.1.3 Project Monitoring

MUET does not have an independent monitoring and evaluation mechanism in place and has not developed any documented and formally approved standard operating procedures or guidelines for the monitoring of project activities. There is no monitoring and evaluation department / unit at MUET to independently monitor development and non-development project activities on regular basis to report directly to Syndicate and Senate or other designated committees.

With respect to the project activities funded by the Higher Education Commission (HEC), designated team of the Planning Commission of Pakistan and Higher Education Commission visit MUET on annual and quarterly basis respectively to observe the project activities funded by the HEC.

With respect to the other projects, we have been informed that donor agency's monitoring team visits on irregular basis to check the progress of the project activities as submitted by MUET.

3.5.2 Qualification and Experience of Project Staff

Project Directorate which is mainly responsible for implementation of development projects is headed by the Director (works & service) who reports directly to the Vice Chancellor. Project Director (W&S) is B.E (Civil) with more than 20 years of experience. Other key staff involved in the project activities also have the relevant qualifications and total experience of ranging from 8 to 23 years.

Based on the qualifications / experiences of key project staff and successful completion of various projects (as mentioned in the table - section 3.5.4) in the year 2013 including MEGA-I (Project cost: PKR 676.54 million, Project duration: 8.5 years) and MEGA-II (Project cost: PKR 677.06 million, Project duration: 7.5 years), we understand that MUET has adequate number of project staff with relevant qualifications and experiences to handle the projects currently in progress / expected to start soon. Following is the profile of the key team members of the Project Directorate:

Sr. No.	Designations	Qualifications	Professional Experience	
			MUET	Others
1.	Director (Works & Services)	B.E. (Civil) MBA (HRM)	6	14
2.	Project Director	B.E. (Civil)	23	-
3.	Executive Engineer (XEN) Works	B.E. (Civil) MBA (Finance)	7	10
4.	Assistant Engineer	M.E (Construction Management)	6	2.5
5.	Assistant Registrar	MPA	9	5
6.	Accounts Officer	MBA (Finance) B.Com	4	4.5

Non development projects, as discussed in 3.5.1.2, are implemented by the concerned department / institute through the nominated faculty members (with the relevant qualifications and experiences in the subject area) from the same department / institute. In addition, these departments / institutes have in the recent years successfully completed a number of non-development projects. Please refer table mentioned in the section 3.5.4 for the details of the non-development project successfully completed by MUET in the recent years.

Further, as per our review of the human resource system / policies and procedures, MUET has the capacity to hire additional project staff for the implementation of development and non-development activities if the need arises.

3.5.3 Periodic Reporting of the Projects

Financial and progress reports with respect to the development schemes / projects are prepared by the Project Directorate. Reports are submitted to the Advisory Building Committee (ABC) for the review. After the review and approval of the Advisory Building Committee (ABC) chaired by the Vice Chancellor (VC), financial and progress reports are submitted by the Project Directorate to the donor / Government (HEC) as per the agreed reporting mechanism.

For Government (HEC) funded development projects, concerned Project Director submits financial and progress reports of the project on the online portal of Planning Commission of Pakistan (PMES – Project Monitoring and Evaluation System) on a quarterly basis, also accessible to Government (HEC).

For non-development projects, progress reports on the project activities are prepared and submitted by the respective Principal Investigator on monthly basis (as required by the donor) after the approval of the concerned department / institute head and Vice Chancellor. Whereas financial reports for the non-development projects / activities are prepared (monthly / as required by the donor) by the Director Finance in consultation with the concerned department / institute and submitted after the approval of the Vice Chancellor.

3.5.4 Compliance with Policies and Procedures

Based on our review of documentation and records related to project activities, as mentioned in the tables below, on sample basis, we understand that the project activities at MUET are executed as per the approved standard operating procedures and guidelines for development and non-development activities except for the issues related to the project procurements highlighted in the procurement section (please refer section 3.3 for details). Following is the status of recent on-going and completed development and non-development projects:

Development Projects:

Sr. No.	Name of project	Funding agency	Start date	End date	Status	Total project cost (PKR in million)	Expenditure incurred till 31 December 2013 (PKR in million)
1	Strengthening & Development of MUET, Department of Civil, Software Engineering and Institute of Science & Technology Jamshoro, Sindh (Mega-1)	HEC Islamabad Pakistan	Jun-05	Dec-13	Completed	676.54	676.54
2	Strengthening & Development of MUET, Department of Bio-medical Engineering, Institute of Environmental & Management and Communal Facilities for Students and Staff i/c Allied Facilities (Mega-II)	HEC Islamabad Pakistan	Jun-06	Dec-13	Completed	677.06	677.06

Sr. No.	Name of project	Funding agency	Start date	End date	Status	Total project cost (PKR in million)	Expenditure incurred till 31 December 2013 (PKR in million)
3	Strengthening & Development of MUET, "Strengthening of Laboratories of Electrical, Mechanical and Textile Engineering Departments, Construction of English Language Development Centre, Establishment of Institute of Computational Mathematics and Related Studies, Residential Facilities for students and Bachelor Faculty, Allied Services and General Development i/c Sports Facilities". (Mega-III)	HEC Islamabad Pakistan	Mar-08	Jun-15	On going	1,486.14	884.09
4	Establishment of Innovation and Entrepreneurship center - An Extension of MUISTED, Jamshoro	Government of Sindh	Jul-13	Apr-16	Not yet started	195.32	Funding not started yet
5	PF-I Scheme for Additional Electrification Work of: 1. Mehran University Institute of Science, Technology & development (MUISTD) 2. Department of Software Engineering 3. Department of Chemical Engineering at MUET Jamshoro	Own resources	Jun-13	Jul-13	Completed	1.46	1.84
6	PF-I Scheme for Supply 150 i5 Computers for various departments of MUET Jamshoro	Own resources	Jun-13	Aug-13	Completed	10.50	7.80

Sr. No.	Name of project	Funding agency	Start date	End date	Status	Total project cost (PKR in million)	Expenditure incurred till 31 December 2013 (PKR in million)
7	Up-gradation of Information Communication Processing Centre (ICPC), MUET, Jamshoro, Active and Passive Network Equipment	Own resources	Oct-13	Jun-14	On going	13.70	Tenders invited
8	PF-I Scheme for Asphaltic work for Approach road and Car Parking for Building of Administration Block at MUET Jamshoro	Own resources	Jan-13	Mar-13	Completed	19.80	19.80
9	PF-I Scheme for Maintenance/ Asphaltic work of various roads at MUET Jamshoro	Own resources	Jul-13	Sep-13	Completed	19.77	19.70
10	PF-I Scheme for Extension if Institute of Environmental Engineering & Maintenance at MUET, Jamshoro.	Own resources	Jun-13	Mar-14	On going	4.23	6.98
11	PF-I Scheme for Supply and Installation of 200 KVA Diesel Generator Set for New Building of Administration Block at MUET, Jamshoro	Own resources	Jun-13	Jul-13	Completed	5.97	5.97

Non Development Projects

Sr. No.	Name of project	Funding agency	Start date	End date	Status	Total Project cost (PKR million)	Expenditure incurred till 31 December 2013 (PKR million)
1	Converting Waste Agricultural Biomass into Fuel/ Resource in Pakistan	United Nation Environment Program- Japan	July-09	July-11	Completed	3.56	3.56

Sr. No.	Name of project	Funding agency	Start date	End date	Status	Total Project cost (PKR million)	Expenditure incurred till 31 December 2013 (PKR million)
2	Removal of Arsenic from Drinking Water using Iron Ores as Low Cost Reactive Absorbent Media	HEC Islamabad Pakistan	Feb-11	Feb-14	On going	22.84	20.07
3	HEC - BC International Strategic Partnerships in Research and Education (INSPIRE)	HEC Islamabad Pakistan	May-11	May-14	On going	7.11	4.86
4	Analysis of University: Industry - Government (UIG) Linkage in Pakistan	HEC Islamabad Pakistan	Nov-11	Nov-13	On going	2.67	1.53

3.5.5 Key findings in Project Performance Management

Moderate to High

Detailed issue with EYFRSH recommendations and MUET comments is mentioned below.

1. Absence of independent monitoring and evaluation over project activities.	Rating
Finding	High
<p>All new development schemes and projects of MUET are implemented by the Project Directorate (PD) of MUET. Whereas, all non-development projects are implemented by the concerned department / institute, We have been informed by the management the there is no independent monitoring and evaluation (M&E) mechanism and policies and procedures for the independent monitoring and reporting of the project activities are also not developed and approved. Currently concerned Project implementation team monitors the project and reports to ABC, which we understand impacts independence and objectivity of M&E activity.</p>	
Implication	

1. Absence of independent monitoring and evaluation over project activities.	Rating
Finding	High
<ul style="list-style-type: none"> ▶ Project objectives might not be achieved in an effective and efficient manner. ▶ Decision making process might be delayed due to absence of periodic independent monitoring. 	
Recommendation(s)	
<p>We recommend that MUET should establish a monitoring and evaluation mechanism to independently review and verify the project activities. Further we also recommend the following:</p> <ul style="list-style-type: none"> ▶ An inspection plan should be prepared to carry out the inspection of all the development projects. Such inspections should be carried out at various stages of the project depending on its nature, value and complexity involved. ▶ A monitoring mechanism should be in place to ensure inspection plan time lines are being followed and reports are submitted to Vice Chancellor / Syndicate / ABC. ▶ A formal monitoring and evaluation manual should be developed and approved to streamline the monitoring and evaluation process. 	
Management Comment(s)	
Agreed with the recommendation.	
Agreed Implementation Date	Responsible Person
28 February 2014	Director Works and Services

2. Absence of a consolidated Project Management manual to cover all the applicable rules / policies and SOPs in one document.	Rating
Finding	Low to Moderate
<p>We understand that project management system of MUET is governed by the following SOPs (internally developed by MUET) and rules for various activities / functions of the Project Directorate.</p> <ul style="list-style-type: none"> ▶ Development Projects ▶ Non-Development Projects <p>However, we noted that there is no consolidated Project Management manual has been developed to cover the above rules / policies / SOPs in one document, for ease of reference and its consistent application on different project functions and transactions.</p>	
Implication	
<p>Project personal may not be aware of all the rules / policies / SOPs for a particular Project function / activity which may result in inconsistent practices.</p>	
Recommendation(s)	
<p>We recommend that MUET management should develop a comprehensive manual for its project management process to consolidate all the applicable rules / policies / SOPs in one document for ease of reference and its consistent application on different project functions and transactions.</p>	
Management Comment(s)	
<p>The process for development of Comprehensive Manual for project management process has been initiated and after approval of SOP's the manual will be finalized.</p>	
Agreed Implementation Date	Responsible Person
30 June 2014	Director Works and Services

3.6 Organization Sustainability

Overall Area Rating	Number of Findings			
Moderate to High	High	Moderate to High	Low to Moderate	Low
	-	-	-	-

3.6 Organization Sustainability

3.6.1 Cash Flow Management

Key financial ratio, performance and sustainability analysis:

- a) Self-generated income analysis.
- b) Receipts and expenditure analysis.
- c) Cash and bank balance analysis.

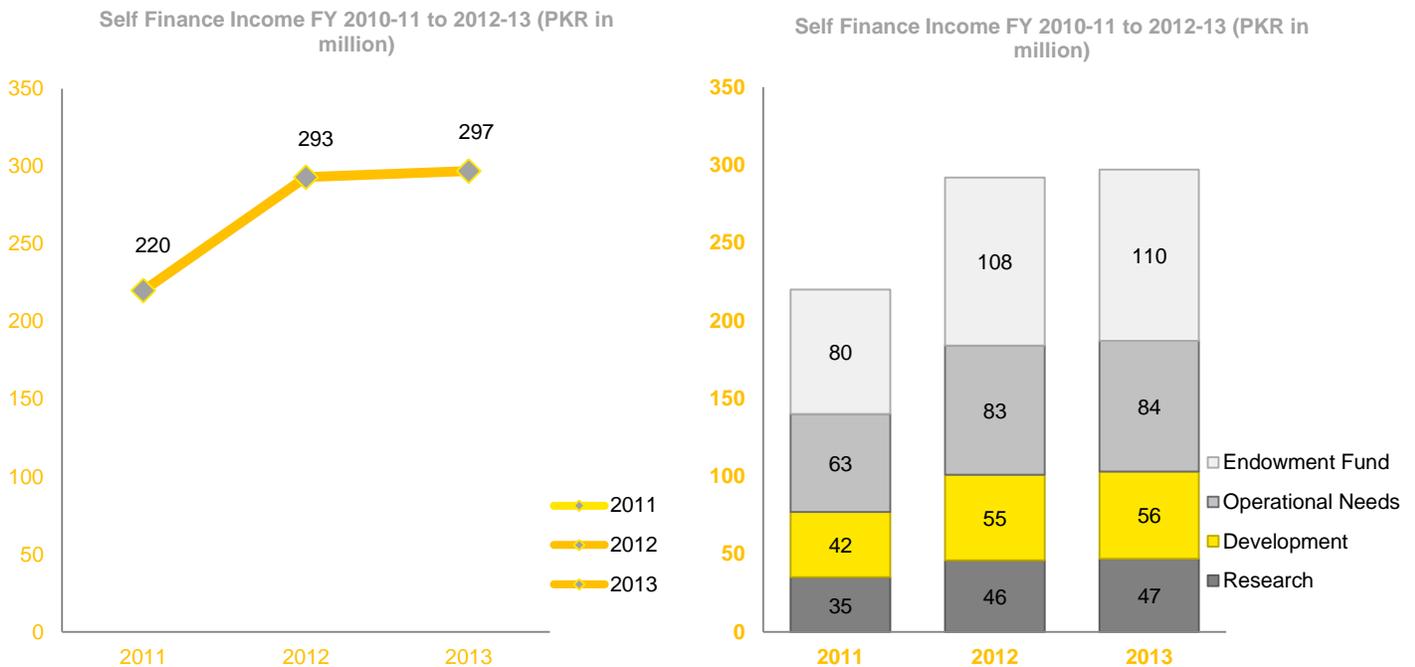
In the following sections, we have assessed MUET’s financial performance, capacity to generate income and manage cash flows as an indicator of its financial viability and sustainability plus its management capacity to manage the funds received from various sources.

3.6.1.1 Self-Generated Income analysis

The MUET’s self-generated income (SGI) comprises of admission fee from self-finance students and the interest received from long term investments in TDR. The SGI has shown a steady growth over the past three years from PKR 220 million in FY 2010-11 to PKR 297 million in FY 2012-13. Income from admissions has increased from PKR 160 million in FY 2010-11 to PKR 220 million in FY 2012-13.

MUET maintains an endowment fund, for which 50% of income from admission is allocated each year. MUET has made investments in short and long term in TDR with profits ranging from 9% to 14% (as against the prevailing average KIBOR rate of 8.91% to 9.41%).

The SGI is allocated as per the statutes of MUET. According to which 25% of the income from admission has to be allocated for research projects. Remaining SGI is allocated between development projects, operational needs of MUET and endowment fund as per the cash requirements of different activities.



3.6.1.2 Receipt and expenditure analysis

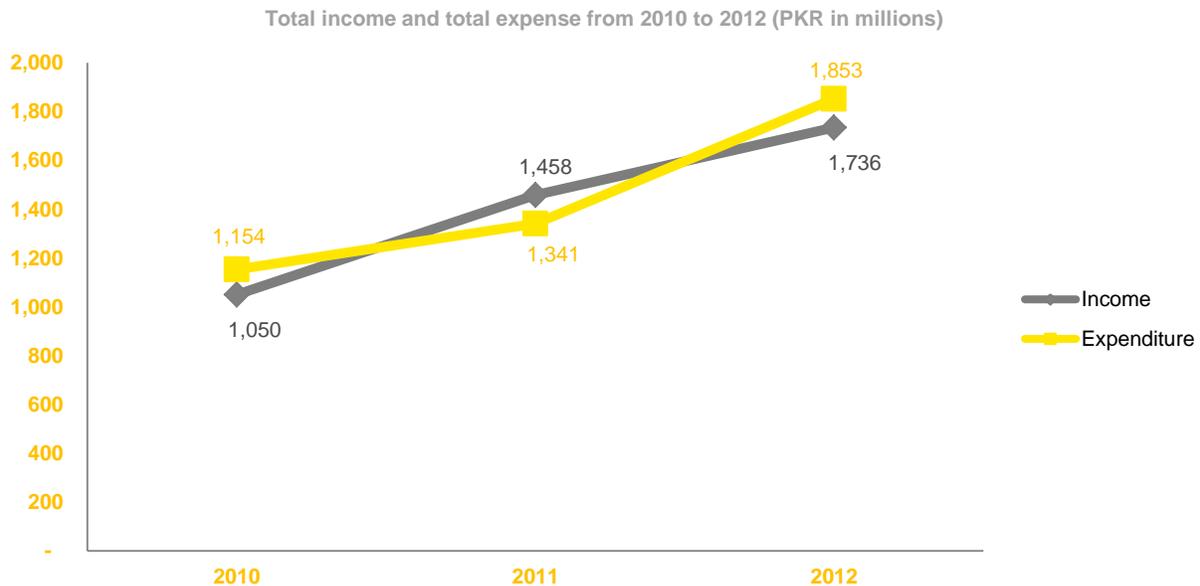
Total receipts

The variation in the total receipts for the financial years 2009-10 and 2010-11 ranges from 39% to 65%. The total receipts have increased steadily from FY 2009-10 to 2011-12 standing at PKR 1,050 million in FY 2009-10 to PKR 1,736 million in FY 2011-12. The increase in receipt is attributable to increasing in funding for recurring activities by PKR 293 million and increase in funding for Mega project II and III by PKR 107 million and PKR 148 million respectively from FY 2009-10 to FY 2011-12.

Total expense

The variation in the total expense for the years ended FY 2009-10 to FY 2011-12 ranges from 16% to 60%. The increase in expenditure is in line with the receipts of MUET. The increase in expenses is attributable to increasing in expenditure on recurring activities by PKR 350 million and increase in expenditure for Mega project II and III by PKR 84 million and PKR 187 million respectively from FY 2009-10 to FY 2011-12.

Cumulatively, MUET incurred a deficit of PKR 104 million and PKR 117 million in FY 2009-10 and FY 2011-12 respectively and a surplus of PKR 117 in FY 2010-11. The deficit incurred in FY 2009-10 has been fully funded by surplus funds carried forward from FY 2008-09 and surplus funds of FY 2010-11 have been utilized to cover the deficit of year FY 2011-12.



3.6.1.3 Cash and bank balance analysis

MUET bank balances have grown steadily over the past three years from PKR 232 million in FY 2009-10 to PKR 420 million in FY 2011-12. This indicates that MUET has been receiving regular receipts from GoP and donor agencies through the last three years and has sustainable cash / bank balance available for operational and development expenditure.



3.6.2 Absorptive capacity

To assess the absorptive capacity of MUET we have considered following key factors / aspects based on the information / data provided by the management of MUET.

- a) Project allocations and spending trend analysis
- b) Human resource capacity
- c) MUET capacity for financial statements compilation and reporting

3.6.2.1 Project allocations and spending trend analysis

Based on information received from the management for project activities conducted during the last three years, following is brief analysis to assess the absorptive capacity of MUET:

Year	No of Projects	Allocated*	Released*	Spent*	ApUI	BPI	AUI	OACI
		PKR in millions						
2012-13	9	771	610	628	81%	79%	103%	130%
2011-12	9	509**	357	978	192%	70%	274%	390%
2010-11	7	950	927	492	52%	98%	53%	54%
Total		2,230	1,894	2,098	94%	85%	111%	130%

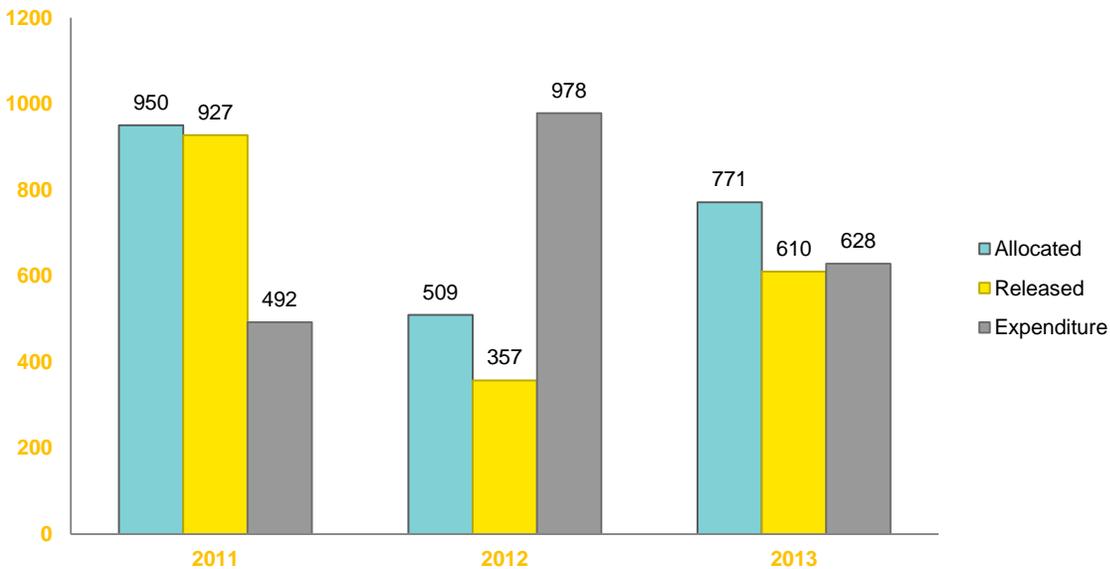
ApUI	Appropriation Utilization Index (ApUI) = Spending / Allocation (ability to utilize funds relative to the development spending target)
BPI	Budget Programming Index (BPI) = Released / Allocation (extent to which the development budget for the year has been prioritized by Government of Pakistan)
AUI	Allotment Utilization Index (AUI) = Spending / Released (extent to which MUET effectively utilized the available resources at any given time)
OACI	Overall Absorptive Capacity Index (OACI) = AUI / BPI (ability to utilize the allotments received and the relative priority given to MUET by the Government of Pakistan).

* For the purposes of analysis recurring expenditure have been excluded for each year.

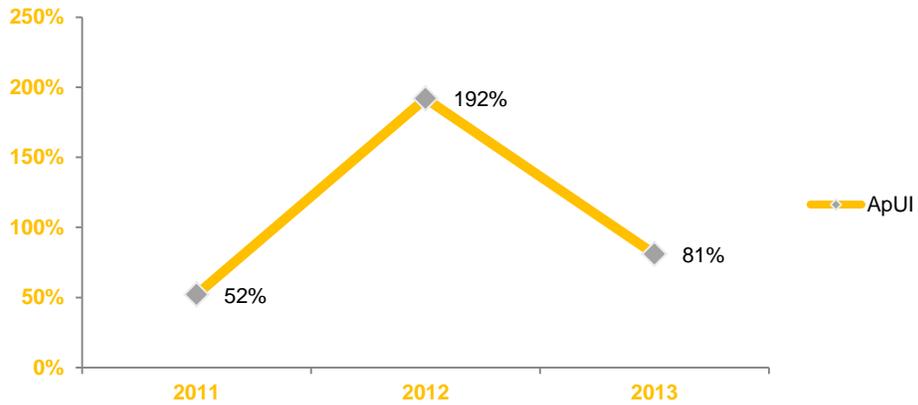
** Total allocated amount for FY 2011-2012 is PKR 1,009. PKR 500 million were allocated for the development of facilities at MUET Khairpur. The project was funded through lapsable assignment account. We have been informed that allocated funds of PKR 500 million were not released by the Government of Sindh in the same year; hence allocation lapsed at the year end. Separate allocation was then made for FY 2012-13. Accordingly, PKR 500 million have been excluded for the purpose of this analysis.

For definition of each measure please refer Annexure 9.

Amount allocated, released and spent in PKR millions

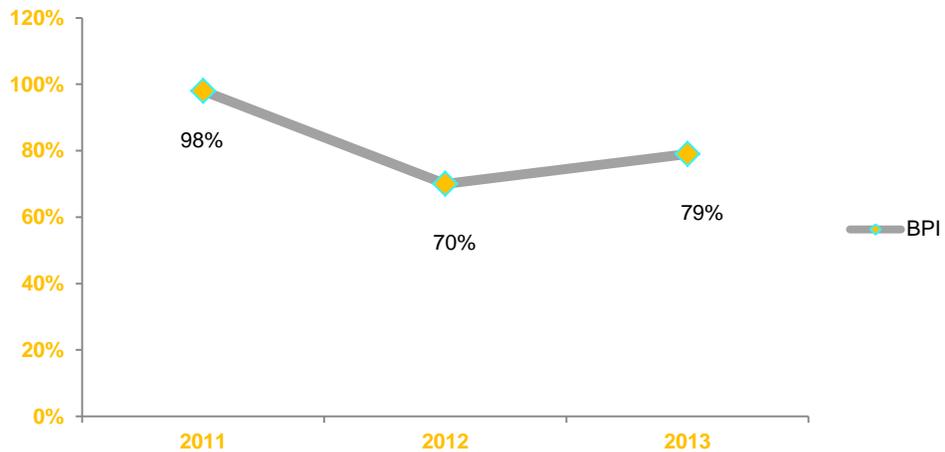


Appropriation Utilization Index (ApUI)



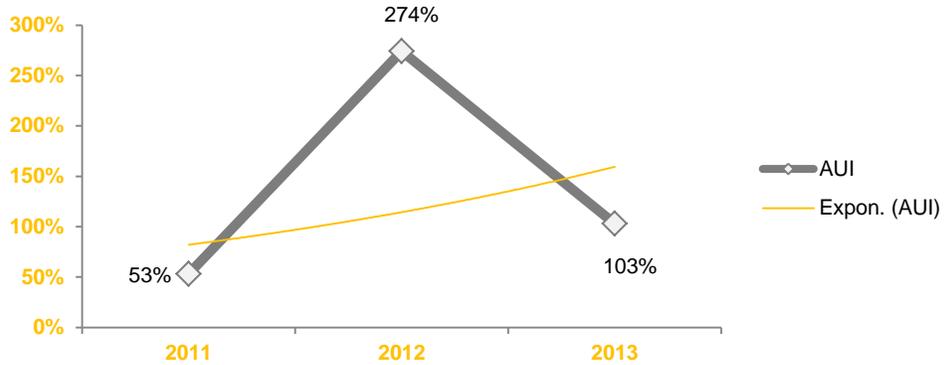
The Appropriation Utilization Index (ApUI) ratio has shown fluctuation over the past three years and has improved overall from 52% in FY 2010-11 to 81% in FY 2012-13. The movement of ApUI from 52% to 192% in FY 2011-12 is due to release of PKR 500 million for development of new infrastructure of MUET at Khairpur. However the project was delayed for few months and only PKR 4.88 million were spent. The remaining funds from FY 2010-11 were utilized in FY 2011-12 of PKR 354 million and of PKR 110 million in FY 2012-13. In FY 2012-13 MUET has shown steady progress with an ApUI of 81% and has been able to consume its funds more efficiently.

Budget Programming Index (BPI)



The results show that MUET projects have been reasonably prioritized by the Government of Pakistan and the donor agencies. The BPI for FY 2010-11, FY 2011-12 and FY 2012-13 has been 98%, 70% and 79% respectively. Although in FY 2011-12, the BPI decreased slightly to 70%, this is due to decrease in release for Mega Project III by PKR 67.8 million and decrease in release of funds for development of infrastructure at MUET Khairpur by PKR 83 million.

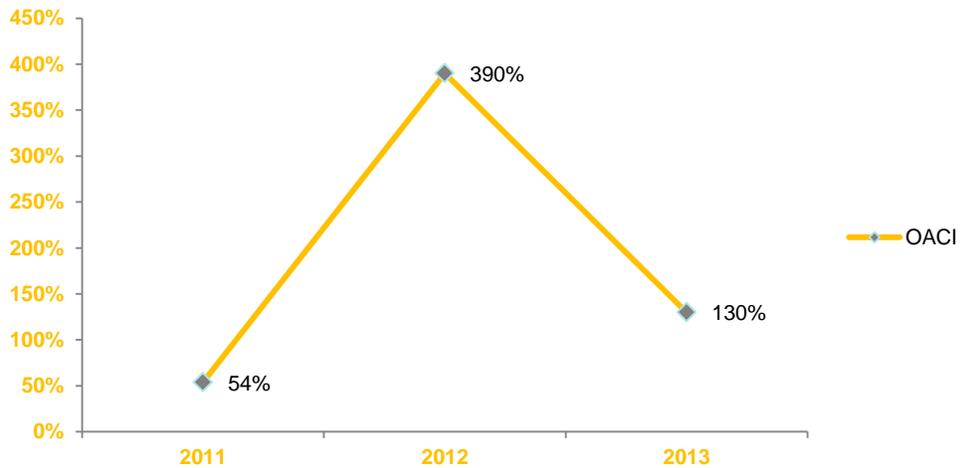
Allotment Utilization Index (AUI)



The Allotment Utilization Index (AUI) ratio has also shown a steady growth over the three years and improved from 53% in FY 2010-11 to 103% in FY 2012-13. This indicates that as compared to FY 2010-11 in FY 2012-13 MUETs' management has been able to spend more efficiently from the funding received from the GoP.

In FY 2012-13 the management was able to consume PKR 628 million out of 610 million released during the year by GoP. The extra funds were allocated through self-finance income. The AUI in FY 2011-12 stands at 274%. This is due to surplus funds of PKR 495 million at the disposal of the management from FY 2010-11. PKR 313 million from prior year surplus has been utilized in FY 2011-12 and remaining in FY 2012-13. Further, expenditure of PKR 145 million was incurred on project "Immediate needs for establishment of MUET at Khairpur" from the funds received in FY 2009-10.

Overall Absorptive Capacity Index (OACI)



The Overall Absorptive Capacity Index (OACI) ratio has also shown a steady growth over the three years and improved from 53% in FY 2010-11 to 130% in FY 2012-13. This indicates that MUET has over achieved the available resources in FY 2012-13 and has the ability to absorb more funds in future.

3.6.2.2 Human resource capacity

MUET is a large entity in terms of its size and comprises of a total of 1,854 sanctioned positions. Currently 1,437 regular and contractual staff has been employed by MUET. Below is a comparison of sanctioned and working staff currently at MUET based on information provided by the management:

Description	Regular	Contractual	Total
Sanctioned	1,763	91	1854
Current	1,387	50	1437
Vacant positions	376	41	417
Percentage of vacant vs. sanctioned	21%	45%	22%

The above table shows that in terms of regular staff 21% of the sanctioned positions are currently vacant (176 out of 376 positions are from grade 16 and above). Based on discussion with management, we understand that the management has to consider the budget available from the Government to fill the gap between filled and sanctioned positions. However, this may have an adverse impact on MUET ability to manage extended operations, future GoP and donor funded projects.

Further for contractual staff, 45 % of sanctioned positions are currently vacant. All the contractual positions vacant pertain to the administration section of MUET. As per management such vacant positions are temporary and will be filled once the progress is made on various open projects.

3.6.2.3 MUET capacity for financial statements compilation and reporting

MUET follows a cash basis of accounting and does not maintain adequate records for its assets and liabilities, hence mainly income and expenditure account(s) are prepared as a key financial report. Currently it is maintaining its financial records (including Financial reports and Annual accounts) on manual ledger (s) / Ms Excel.

Based on the above system in place at MUET, the data to calculate the following financial ratios was not available and we were unable to comment on the same:

Liquidity ratios

- ▶ Current ratio (Current asset / Current liabilities)
- ▶ Cash ratio (Cash + Cash equivalents + Invested funds) / Current liabilities)

Debt ratios

- ▶ Total debt ratio (Total liabilities / Total assets)
- ▶ Interest cover ratio (Finance cost / Deficit before tax)
- ▶ Asset coverage ratio (((Total assets – Intangible assets) – (Current liabilities – Short-term debt)) / Total debt)

Asset ratios

- ▶ Fixed assets ratio (Fixed assets / Total assets)
- ▶ Capitalization ratio (Transfer to Property Plant and Equipment / Capital work in progress)

Based on discussions with the management, we understand that MUET has initiated implementation of an automated system '**Campus Management System (CMS)**', which (as per the management) is

planned to be completed by December 2014. If completed as planned, this will enhance MUET’s capacity with respect to better financial management and control and will also automate financial statement closing and financial reporting process.

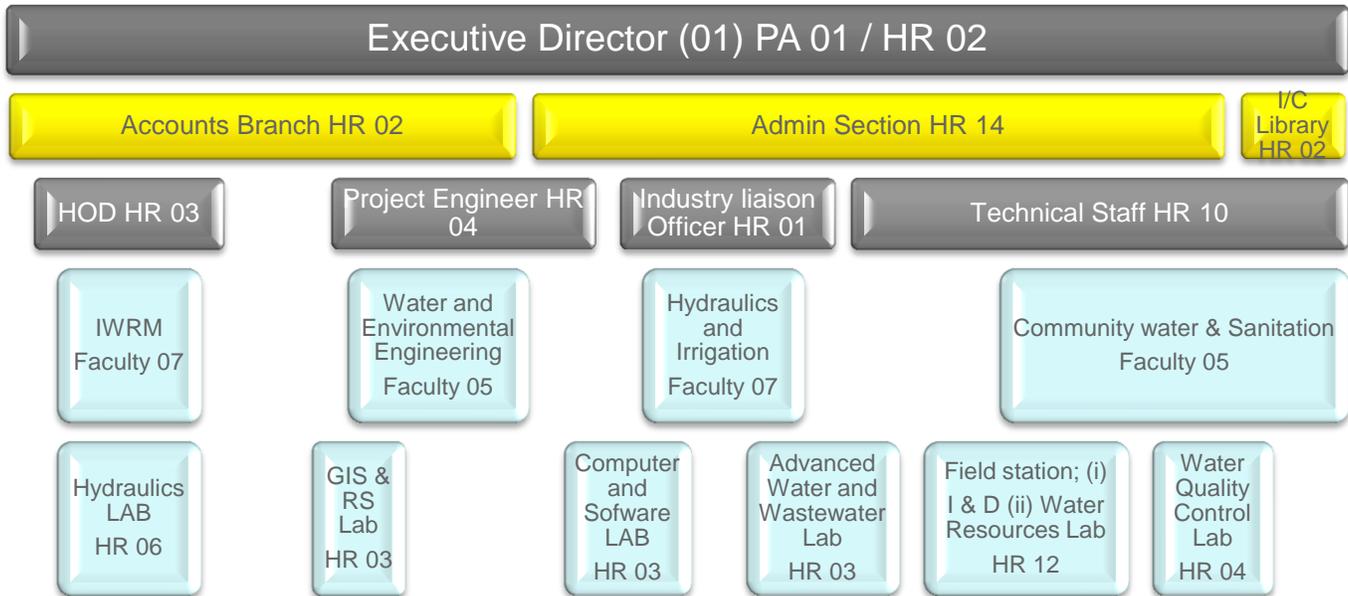
3.6.3 Proposed Project Center for Advanced Studies Water (CAS-W)

We have been informed that USAID intends to partner with MUET for implementation of Center for Advanced Studies (CAS) project for Water. The main objective of CAS-W project is to raise graduate training programs to an international level and establish leading-edge expertise in areas critical for the economic and social development of Pakistan. The total project period will be 5 years (extendable to another term of 5 years subject to satisfactory performance) and following are the main goals of the CAS-W project:

- Goal 1:** Improve Curriculum, better teaching; and upgrade graduate programs
- Goal 2:** Apply relevant research to meet industry, civil society and government needs
- Goal 3:** Increase access for talented, economically and / or culturally disadvantaged students
- Goal 4:** Established Governance structures for improved capacity and sustainability of MUET CAS-W

3.6.3.1 Organization structure:

As per the proposed project structure detailed in the strategic plan document prepared by MUET and submitted to USAID for the CAS-W project, total of 92 staff are planned for the project activities out of which 18 staff will be deputed from existing staff of MUET, whereas remaining 74 staff will be recruited. Please find below the project structure along with the details of the human resource required for each function related to CAS-W project:



3.6.3.2 CAS-W project governance:

In addition to the above project structure, MUET has proposed the following three committees for the governance and to provide effective oversight and monitoring of the CAS-W project:

Committees	Representation	Responsibility
Board of Governance	<ul style="list-style-type: none"> ▶ Vice Chancellor (Chairman) ▶ USAID member ▶ HEC member ▶ Industry member ▶ UET member ▶ Government member ▶ Dean (Civil and Architecture) ▶ Director IWREM ▶ Pro Vice Chancellor (MUET) ▶ Director Finance 	Responsible for overall governance, control and transparency to keep project aligned with overall goals and strategy, oversee the performance through progress reports, responsible for making prompt and efficient decisions, approval of policies and structure.
Project Steering Committee	<ul style="list-style-type: none"> ▶ Pro Vice Chancellor (Chairman) ▶ Director (Civil and Architecture) ▶ Director IEEM ▶ Director IWREM ▶ Dean Faculty of Engineering ▶ USAID member ▶ HEC member ▶ Industry member ▶ CAS member ▶ U.S Partner university ▶ Director CEWRE – Lahore ▶ Government members 	Responsible for communicating status and needs to all stakeholders, managing scope of the programme, managing cost and arranging funds, develop policies, and managing operational issues and risks
Curriculum Advisory Committee	<ul style="list-style-type: none"> ▶ Mehran University ▶ Academia National and International ▶ Industry and Government 	Responsible to provide oversight on the development and implementation of curriculum for CAS-W.

4. Other Matters

We have carried out the Pre-Award Assessment and prepared this report as per the scope of work mentioned under task order number ASP-CPO/A&C/Pre-Award – MUET/13-2013 dated 30 December 2013. This report is solely for assisting the USAID in their decision to extend funding to MUET and is for their own internal purposes.

Our work in connection with this assignment is of a different nature to that of an audit. Because the above work steps do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance thereon. Had we performed additional work steps or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our comments are based on the work carried out on the basis of information provided by MUET, 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.

In accordance with our policy, neither EYFRSH nor any Partners or employees undertakes responsibility arising in any way whatsoever, to any person other than the management of USAID and ASP-RSPN in respect of the matters dealt with in this report, including any errors or omissions therein, arising through negligence.

All analysis in this report, conclusions or assessments has inherent limitations.

The findings in our report are based on our field work from 7 January 2014 and up to 24 January 2014. We have not undertaken to update our report for events or circumstances arising after that date.

Any changes to the key internal controls, policies and procedures subsequent to our discussion with management, which have not been informed to us, have not been evaluated by us and accordingly we do not report on any shortcomings in the same.

The information, advice or recommendations relating thereto contained in this report, in draft or final form, provided to the USAID (through ASP-RSPN) by us during this engagement are given in confidence.

No other EY Entity other than EYFRSH shall have any legal duty of care to the client in connection with the performance of any of the services by its personnel, and the client shall be entitled to rely only on EYFRSH for the performance of the services or with respect to any Report. The client [and its affiliates or other persons or entities for or in respect of which any of the services are provided] shall have no recourse, and shall bring no claim whether based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise against any EY Entity (other than EYFRSH), or against any subcontractors, members, shareholders, directors, officers, managers, partners, principals or employees of EYFRSH or any other EY Entity ("EY Persons"), or any of the assets of any thereof, in connection with the performance of the Services or otherwise under this Agreement.

Neither EYFRSH nor any of its subcontractors will be liable to the USAID, ASP-RSPN or MUET for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill, collectively, "Excluded Damages") in connection with the performance of the Services or otherwise under this Agreement, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if MUET is advised of, or the parties had contemplated, the likelihood of such Excluded Damages.

The aggregate liability of EYFRSH and its subcontractors to USAID, ASP-RSPN and MUET in connection with the performance of the Services or otherwise under this Agreement shall be limited to the fees actually received by EYFRSH in respect of the Services directly relating to and forming the basis of

client's claim, regardless of whether liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise. The preceding limitation shall not apply to liability that has been finally determined to have resulted from the fraud or other wilful misconduct by or on behalf of EYFRSH.

USAID, ASP-RSPN shall not bring any claim relating to the services or otherwise under this Agreement after 12 months of the act or omission alleged to have caused this claim.

Any liability shall be governed by, and construed in accordance with, the laws of Pakistan as if it were made and fully to be performed in such jurisdiction by residents thereof.

The services and the information, records, data, advice or recommendations relating thereto contained in any reports, materials, presentations or other communications, written or otherwise, in draft or final form, provided by EYFRSH (collectively, "Reports") are intended solely for USAID, ASP-RSPN and MUET information and internal use (consistent with the purpose of the engagement). The client may not rely on any draft Report. EYFRSH shall have no obligation to update any final Report for events occurring after its delivery.

Our report to you is based on the information provided, discussion with management personnel, and interviews as provided in Annexure 2 and work steps as provided in Annexure 3. We have not, except to such extent as you requested and we agreed to undertake, sought to verify the accuracy of the data or the information and explanations provided by management. There is an inherent risk involved in deriving factually incorrect information from these sources; accordingly the correctness of information contained therein cannot be assured.

EYFRSH assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this report to any third parties. If others choose to rely on the contents of this report, they do so entirely at their own risk.

5. Annexure'

Brief Profile of MUET

Recognition of MUET

4th position in Engineering and Technology as per **Jang Group–HEC university rankings 2013.**

ISO 9001:2008 **Quality management systems** complied.

22 Ph.D faculty members in postgraduate department.

Donors funded projects

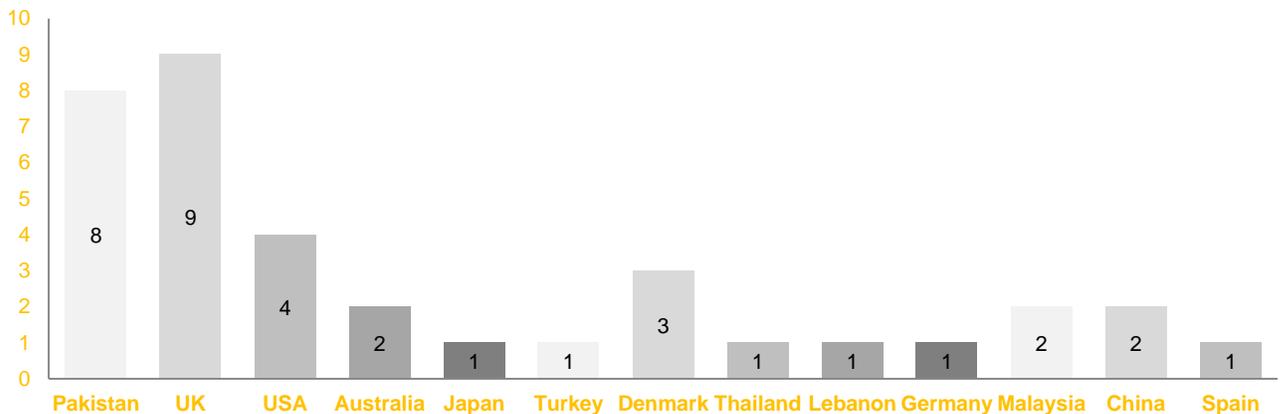
HEC (Higher Education Commission) sponsored **17 projects** amounting to **PKR 5,506 million** since 2003 till the date of our review.

Japan funded **one project** for conversion of agricultural biomass into fuel amounting to **PKR 3.56 million** from 2009 to 2011.

Key highlights of MUET

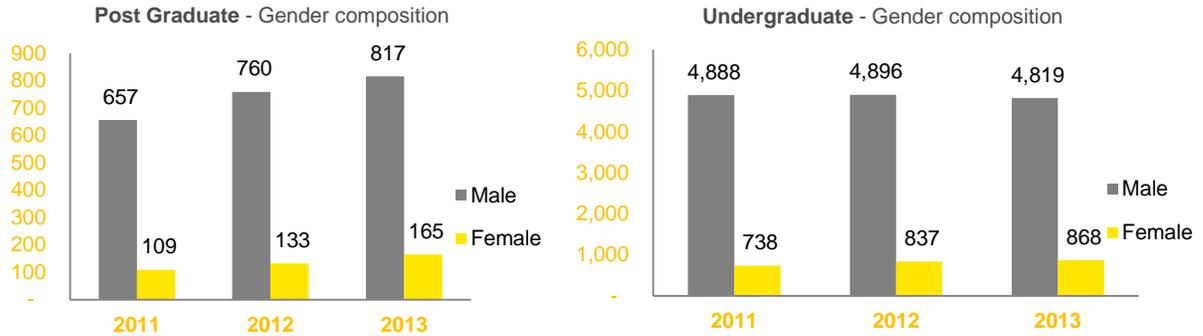
a) MoU with national and international universities

Since incorporation MUET signed 36 MoUs with various international universities for the student exchange program and research in various fields including water. Below is the summary of country wise MoUs signed by MUET:



b) Gender analysis of postgraduate and undergraduate program

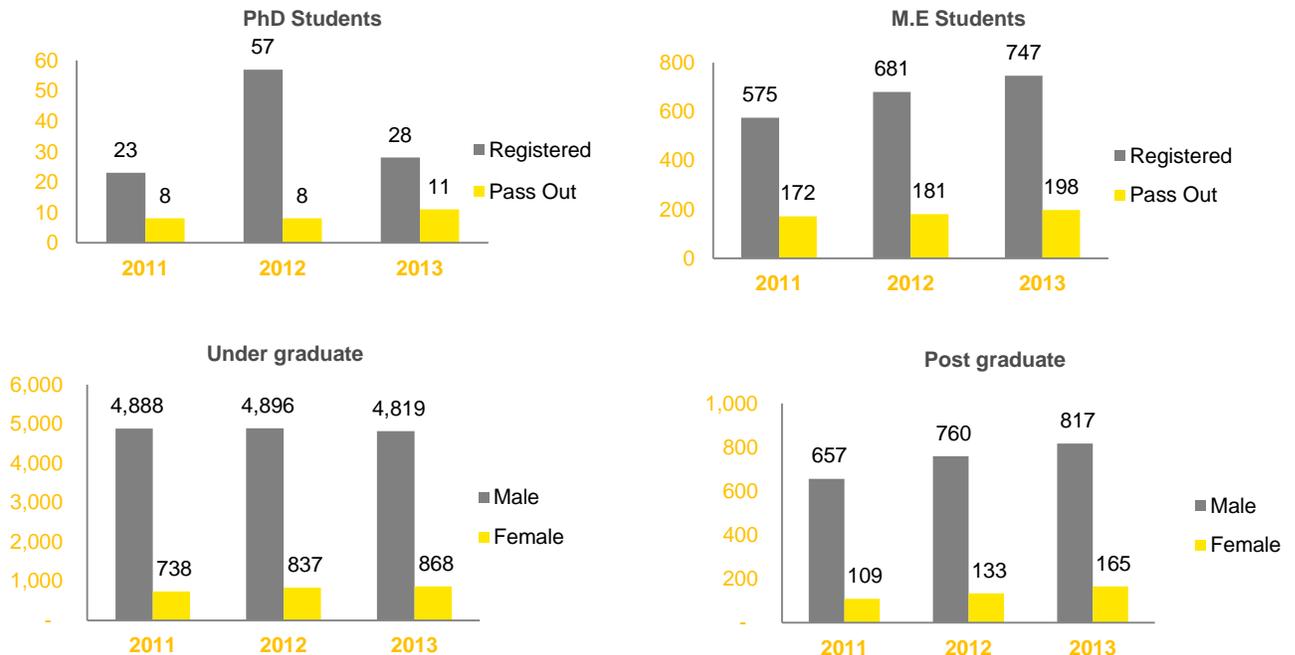
For postgraduate program, gender ratio for last three years (2011-13) was 17%, 18% and 20% respectively. Similarly, for undergraduate program, passing ratio for last three years (2011-13) was 15%, 17% and 18% respectively. Below is the year wise gender analysis under each program:



c) Analysis of passing ratio of students for three years

For Ph.D. students, passing ratio for last three years (2011-13) was 35%, 14% and 39% respectively. Similarly, for M.E. students, passing ratio for last three years (2011-13) was 30%, 27% and 27% respectively.

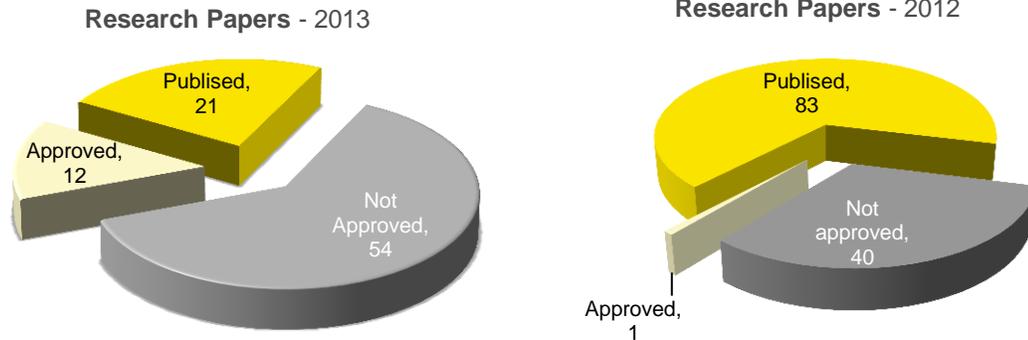
For postgraduate students, passing ratio for last three years (2011-13) was 17%, 18% and 20% respectively. Similarly, for undergraduate students, passing ratio for last three years (2011-13) was 15%, 17% and 18% respectively. Below is the year wise passing analysis:



d) Analysis of research papers submitted and published

In 2013, MUET received 87 research papers which were presented in the Advisory Board for consideration. Advisory Board approved 33 research papers (38% of total research papers submitted during 2013). MUET published 21 research papers (64% of approved research papers) in research journal of 2013.

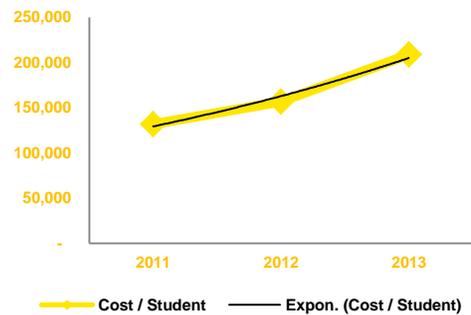
Similarly, in 2012, MUET received 124 research papers which were presented in the Advisory Board for consideration. Advisory Board approved 84 research papers (68% of total research papers submitted during 2012). MUET published 83 research papers (99% of approved research papers) in research journal of 2012. Below is the analysis:



e) Cost per student analysis

Based on the analysis performed we noted that cost (per year) incurred per student has steadily increased by 58% from FY 2010-11 to FY 2012-13 from PKR 131,901 to PKR 208,962. The increase in cost is mainly attributable to increase in pay and allowances of the faculty of MUET upto 50% from PKR 484 million in 2010-11 to PKR 731 million in 2012-13. Further, expenditures related to staff and student facilities, utilities and commodities and services have increased by 35% from FY 2010-11 to FY 2012-13.

Description	2010-11	2011-12	2012-13
	PKR in million		
Recurring cost for the year	852.34*	1,051.36 *	1,414.67**
No. of students***	6,462	6,703	6,770
Cost per students of MUET PKR	131,901	156,849	208,962



* Recurring costs as per the Annual Accounts Statements of FY 2010-11 and FY 2011-12 have been used.

** Recurring costs for FY 2012-13 represents the non audited figure provided by the management.

*** No. of students include all Graduates, Non graduates, M.Phil leading to Ph.D and Doctoral students.

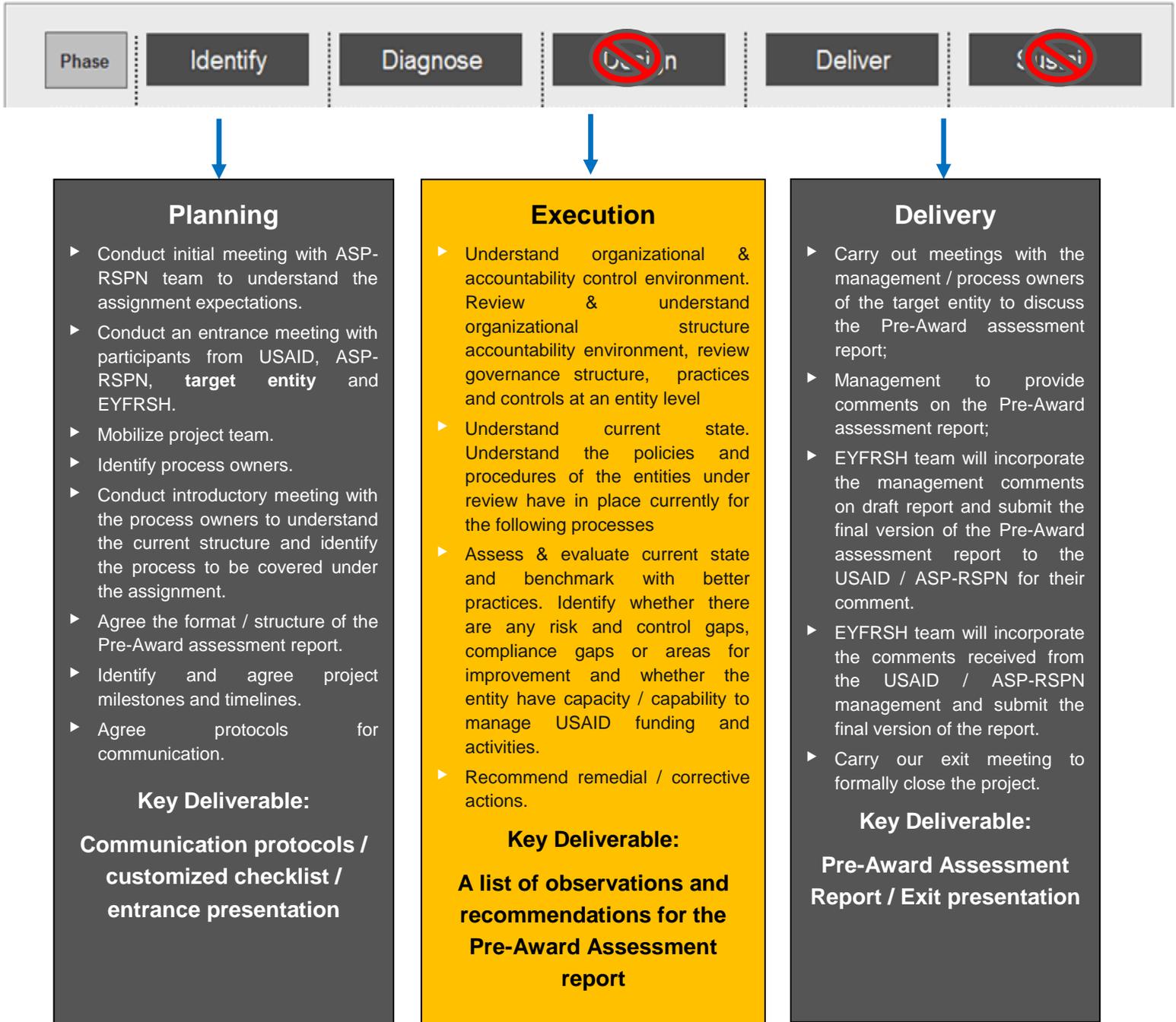
Annexure 2

People who we had discussions with for the Project at MUET

Name	Designation	Department
Mr. Abdul Ghafoor Ansari	Senior Accounts Officer	Directorate of Finance
Mr. Idrees Ahmed Khan	Accounts Officer	Directorate of Finance
Mr. Aftab Ahmed Ansari	Deputy Director Finance (Accounts)	Directorate of Finance
Mr. Zeeshan Memon	Deputy Director Finance (Operations)	Directorate of Finance
Mr. Munir A Shaikh	Director Finance	Directorate of Finance
Mr. Nadeem Ali	Accountant	Directorate of Finance
Mr. Munir Ahmed	Director	Directorate of Finance
Dr. Bakhsall Khan Lashari	Director	Institute of Water Resources Engineering and Management
Mr. Saleemuddin Siddiqui	Deputy Director	Planning and Development Department
Mr. Nadeem Soomro	Assistant Registrar	Project Directorate
Dr. Tauha Hussain Ali	Registrar	Registrar Office
Mr. Fawad Ahmed Lashari	Deputy Registrar	Registrar Office
Mr. Lachman Das	Resident Auditor	Resident Auditor Section
Mr. Saghir Ahmed	Director	Works and Services Department
Mr. Azam Halepota	Librarian	Librarian

Annexure 3

Scope and Methodology of this assessment



Annexure 4**Compliance with the USG rules and regulations**

For the purposes of assessment as to the areas identified and the financial and management capacity of MUET, we have considered, but not been restricted to the following:

- ▶ ADS 303.3.9.1 Pre-Award Surveys.
- ▶ OMB Circular A-21 “Cost Principles for Educational Institutions”.
- ▶ Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Automated Directives System, Section 303.7 Mandatory References).
- ▶ Standard Provisions Annex for Strategic Objective Agreements with Foreign Governments (USAID Automated Directives System, Series 300 References).
- ▶ Grants and Cooperative Agreements to Non-Governmental Organizations (USAID Automated Directives System, Series 300 References, ADS 303).

While assessing MUET, we have kept in mind that although MUET might not have all requirements in place in its current operations, it must have the capacity to do so in the event of receiving funding from USAID.

Annexure 5

Definition of Pre-Award Assessment rating

1. Individual area assessment

Rating	Description
High	Inadequate Capacity Key deficiencies and significant weaknesses are not remediable before award.
Moderate to High	Weak Capacity Some deficiencies and significant weaknesses are not easily remediable before award.
Low to Moderate	Adequate Capacity Deficiencies and significant weaknesses (if any) are remediable before award.
Low	Strong Capacity No deficiencies or significant weaknesses noted.

2. Individual finding assessment

Rating:	Description
High	A key deficiency and significant weakness in control over a key risk to the business, which is not remediable before award.
Moderate to High	A significant deficiency and weakness in control over a key risk to the business, which is not easily remediable before award.
Low to Moderate	A deficiency and weakness in control over a key risk to the business which is timely remediable before award.
Low	An improvement idea to strengthen the existing controls.

Annexure 6

Long outstanding bank reconciliation items longer than one year as at 30 June 2012

Sr. No.	Bank account details		Bank reconciliation prepared	Cash book prepared	Ledgers prepared	Long outstanding as at 30 June 2012 (PKR)
	Description	A/c No.				
1.	Recurring	00720007023903	No	Yes	Yes	-
2.	Recurring	00720080001601	No	No	No	-
3.	Undergraduate fee	00720080029201	No	Updated till April 2013	No	139,515
4.	Examination fee	00720080030401	No		No	27,374
5.	Postgraduate fee	00720080031401	No		No	47,390
6.	Hostel fee	00720080032401	No		No	35,306
7.	DCET	00720080003201	No	No	No	101,247
8.	Endowment fund	00720080004001	No	No	No	-
9.	Research endowment fund	00720080008301	No	No	No	1,218
10.	Special Scheme	00720080020901	No	No	No	288,104
11.	II&CT	00720080017001	No	Yes	No	15,055
12.	Special grant	00720080023301	No	No	No	-
13.	Financial support to meritorious and needy student	00720165863203	No	No	No	-
14.	HEC Japanese Need Base Scholarship	00720165897503	No	No	No	-
15.	Pension fund	00720080010301	No	Yes	No	254,282
16.	Employees welfare fund loan	00727900494901	No	Yes	No	-
17.	Development	00720150868303	No	No	No	-
18.	Establishment of IT	00720080006701	No	No	No	-
19.	Strength of Lab and Library in the dept. of ES Engg	00720080005901	No	No	No	-
20.	Establishment of internet infrastructure for internet server	00720080022501	No	No	No	-
21.	Strengthening of mining engineer.	00720080019701	No	No	No	-

Sr. No.	Bank account details		Bank reconciliation prepared	Cash book prepared	Ledgers prepared	Long outstanding as at 30 June 2012 (PKR)
	Description	A/c No.				
22.	Establishment of continuing engineering education center	00720080027601	No	No	No	-
23.	MUET development project balance	00727900691201	No	No	No	-
24.	Strengthening and development program Mega - I	00720080014601	Yes*	Yes	Yes	72,018
25.	Strengthening and development program Mega – II	00720080033901	Yes*	Yes	Yes	-
26.	Strengthening and development program Mega - III	00727900167901	Yes*	Yes	Yes	131,079
Total long outstanding bank reconciliation items longer than one year						1,112,588

*Bank reconciliation not reviewed and approved

Annexure 7

Chart of Accounts are not aligned with the budget line items

Sr. No.	Main account head	Sub account heads
1	Receipt	Hostel rent
		Affiliation fee
		Eligibility/ Enrollment / Migration fees
		Prospectus and Admission fee
		Caution money
		Games and Development fees
		Thesis and Evaluation fee
2	Loan and Advances	Annual leave encashment
3	Services for Students Hostel	Contingency for hostel
		Medicines and apparatus for dispensary
		Contingency for masjid
4	Bursaries, Scholarships and Welfare of Students/ Staff	Bursaries, Free ships etc.
		Welfare of students
		Award and Prizes
5	Students Activities and related heads	Internal merit scholarship
		Extra-curricular activities
		Sports and Games
		Industry / Study tour

Annexure 8

Unresolved audit observations (from the audit of MUET's annual accounts statement) for the financial year ended 30 June 2012

Sr. No.	Description	Rupees in million
1	Non adjustment of advances	3.43
2	Unauthorised expenditures	81.49
3	Un-accounted store items	32.89
4	Irregular payment of conveyance allowance	1.84
5	Un-authorized payment of medical allowance	1.90
6	Non-recovery of outstanding dues	0.94
7	Irregular expenditure without inviting tender	6.56
8	Un-authorized expenditure on POL	0.38
9	Un-authorized payment without agreement	32.95
10	Irregular payment to contractors in violation of agreement clause	211.07
11	Irregular refunds of security deposits	2.00
12	Un-authorized payment on execution of extra items	3.67
13	Un-authorized expenditure without provision of PC-I	103.76
14	Un-authorized transfer of funds	479.27
15	Recovery of excess payment made to contractors	3.13
16	Irregular expenditure on difference of cost / escalation	38.25
17	Excess execution of work	2.51
18	Non recovery of secured advances	2.07
19	Non recovery of stamp duty	0.183
20	Non maintenance of security deposit register	2.00
21	Loss of university due to missing of library books	0
22	Non imposition of penalty	0.95
Total un resolved audit observations		1,011.24

Annexure 9

Measures of absorptive capacity

Measures of absorptive capacity	Explanation
Appropriation Utilization Index (ApUI) = $\frac{\text{Spending}}{\text{Allocation}}$	ApUI indicates MUET's ability to utilize funds relative to the development spending target. In principle, the index takes on values that range from 0 to 100%. At one end of the scale, an index = 100% would imply full achievement of the target. At the other end, an index = 0 would mean extremely poor performance. In practice, however, the index for a specific project (or MUET as a whole) may exceed 100%. This happens when specific items in the Budget are realigned in favor of MUET. This is a key indicator in absorptive analysis.
Budget Programming Index (BPI) = $\frac{\text{Released}}{\text{Allocation}}$	This index basically shows the extent to which the development budget (allocation) for MUET for the year has been prioritized by fiscal authorities, given the actual availability of funds from local and foreign sources. In comparison with the BPI of other entities, this index indicates the relative importance given to MUET's projects by the Government of Pakistan.
Allotment Utilization Index (AUI) = $\frac{\text{Spending}}{\text{Released}}$	AUI shows the extent to which MUET effectively utilizes the available resources at any given time. For instance, MUET, in spite of the inroads it made regarding reforms, still has to address a number of issues that could help improve its utilization rates especially with respect to foreign-assisted projects.
Overall Absorptive Capacity Index (OACI) = $\frac{\text{AUI}}{\text{BPI}}$	This measures the congruence between MUET's ability to utilize the allotments received (AUI) and the relative priority given to MUET by the Government of Pakistan (BPI). OACI exceeds unity if the allotment utilization rate is greater than the relative priority given to MUET by the Government of Pakistan. An OACI > 100% suggests that the agency can still absorb more funds, if funds would have increased. Conversely, OACI falls short of 100% if the allotment utilization rate is lower than the relative priority given to the entity by the Government of Pakistan. An OACI < 100% indicates that the Government of Pakistan programmed more funds for the entity than what it can absorb. On the other hand, an OACI = 100% represents the midpoint that is achieved when budget programming matches NHA's capacity for fund absorption. This is dependent upon budgets allocated to MUET by the Government of Pakistan and not completely in MUET's control.

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