

*Times Change & We Change With Them*

## Sustained Progress

Improvement in Public Financial Management helps in ameliorating public service delivery, through economic development, transparency and accountability. However, it is crucial that the human resource of any organization shows full commitment to manage the reform process and its sustenance.

Having completed work on budgeting, accounting, auditing activities and framework of the public sector, the project will complete its prime operational cycle on June 30, 2011. From July 2011, the project will be engaged in a two-year sustenance activity to facilitate consolidation of reforms and a phased transition of the project's operational activities to stakeholders. Key elements of this phase include, bridging the in-house capacity gaps, if any, in stakeholder organiza-

tions, enabling system consolidation, remaining software acquisition and upgrade, audit integration and further extension of connectivity network. Extended phase of the project will be administered under a new institutional arrangement, involving two high-powered Steering Committees, chaired by Auditor General of Pakistan (for Audit Component) and Federal Finance Secretary (for FABS Component). The aim of this arrangement is to allow more focused coordination among stakeholders for resolving operational issues.

We hope to achieve our objectives with full cooperation of all stakeholders during this phase.

Suhail Ahmad  
Project Director PIFRA

## Editor's Note

Dear Readers:

It's quite concerning that there has been a persistent decline in our reading habits. Obsessed by the web-based information highway and digital entertainment facilities, we have very little time for reading books and magazines. We are now so used to skimming that we have also lost the ability to comprehend normal office communication, what to talk about detailed briefs and reports. Unfortunately, this has been developed into a permanent mindset.

This Newsletter is aimed at some interesting subjects and reading material that could be of enduring significance to our life and profession. The issue contains some interesting articles on PIFRA initiatives. We have also spiced-up the periodical with some useful recipes of life from the writings of great philosophers like Confucius and Bertrand Russell. The book "Confucius from the Heart: Ancient Wisdom for Today's World" by Yu Dan contains thought provoking answers to most of the riddles of our daily life. "In Praise of Idleness" by Bertrand Russell is

another master piece. For more reading, please see Russell's essays which are easily available on the web.

This Newsletter also includes the best contribution of our essay competition, "PIFRA Endeavours" by Mr. Kashif Anwaar, AO AATI Islamabad.

We wish you a very happy new year 2011!

Muhammad Yahya  
Director-General  
Change Management

# Audit Reform Initiatives

- **Sectoral Audit Guidelines:** PIFRA Audit Component, in collaboration with AP&SS wing, has developed 20 Sectoral Audit Guidelines. These Guidelines help the auditors to improve quality of their audit reports.
- **Audit Quality Management:** Quality Management Framework has been developed with PIFRA facilitation that draws on best international and national practices of public sector auditing. The Framework is now being applied for the audits of FY 2009-10.
- **Performance Auditing:** The Performance Audit Specialist imparted classroom as well as on job training to a select group of Pakistan Audit & Accounts Service (PA&AS) officers and supervised three performance audits during February- April 2010. To share the knowledge gained with a larger audience, PIFRA organized five seminars on performance audit at five capital cities. The Consultant also reviewed the Department's performance audit guidelines (20 volumes) to identify weaknesses and to assess the need for their revision. In the last phase, the Consultant will develop Performance Audit Manual and two volumes of Performance Audit Guides for the Department.
- **Information System (IS) Audit:** This helps to assure the efficacy and effectiveness of Information systems used by the clients. Initially, the IS Audit implementation methodology was developed and 1<sup>st</sup> and 2<sup>nd</sup> phases of IS Audit Trainings were conducted at AATI Islamabad. Subsequently, guidelines for auditing IT hardware & software procurement, checklist for environmental & physical security, logical & physical access controls, change management controls and network security controls have been prepared.
- **Introduction of Management Letter:** Management letter containing commentary on internal control weaknesses is a by-product of risk-based methodology. This is being issued for all certification audits.
- **Audit Command Language (ACL):** A growing number of entities are adopting automated Accounting Systems. In response, Pakistan Audit Department has procured Audit Command Language (ACL) Software which helps in analyzing data from any database. A pool of 12 Master Trainers are engaged in training of the Field Auditors in ACL. PIFRA Audit Component has developed two guidelines on Data Extraction and Analysis, Volume I for Payroll and Volume II for Expenditures. Both the guidelines have been shared with field audit offices and are being used for audit assignments.
- **International Standards of Auditing & Reduced Timelines:** For the first time in the history of OAGP, certification and compliance reports were issued simultaneously and timeline for submission of audit reports to Federal and Provincial legislatures was reduced from 33 to 8 months. The timeline is being followed while maintaining the quality of audit. Adoption of international standards of auditing and reduction in timelines have also helped in improving our PEFA (Public Expenditure & Financial Accountability) Rating from "D" in 2006-07 to "C" in 2007-08. The rating will be further improved with continued reforms in public financial management.
- **Audit Management Information System (AMIS):** PIFRA audit component has developed broad outlines for the Implementation of Audit Management Information System (AMIS). The project outline has been developed and work has been initiated

by the PIFRA project team on developing the revised bidding documents. Once implemented the AMIS is expected to address following:

- i. Organization and preparation of audit working papers and all other audit documents.
- ii. Electronic movement and processing of files/letters/ documents/ reports
- iii. Browse through the knowledge sources of the Audit Department
- iv. Search Engine for relevant laws, regulations and past reports.
- v. Provide support about FAM and Live audit remotely
- vi. Download various kinds of forms and documentation for Live audit
- vii. Log audit related issues to a help desk
- viii. Compliance monitoring



## Forbearance

'Is there a single word which can be a guide to conduct throughout one's life?' Can you give me one word that I will be able to use until the end of my days, and always derive benefit from it?

Confucius replied to him in a conversational tone of voice: 'If such a word exists, it is probably the word **shu**, or "**forbearance**".'

But what do we mean by this? Confucius went on: 'Do not impose on others what you yourself do not desire.' That is, you mustn't force other people to do the things you don't want to do yourself. If a person can do this throughout their life, that is enough.

["Confucius from the Heart: Ancient Wisdom for Today's World" by Yu Dan]



## Winner of Essay Competition

In the last two decades we have seen various global trends including convergence of public and private Accounting and Auditing standards, widespread use of Enterprise Resource Planning for business processes, common use of Auditing and Accounting software, and promulgation of legislation requiring compliance with Internal Controls for enhancing accountability etc.

PIFRA has helped the Government of Pakistan keep up with such global changes and has brought a paradigm shift in Public Sector Financial Management in line with best international practices. Innovative changes such as Accounting based on 'Modified Cash Basis', adoption of International Public Sector Accounting Standards (IPSAS), Systematic and disciplined Risk based Auditing, and acquisition of ERP and audit related software, have all been part of PIFRA initiative. The beauty of PIFRA reform is inherent in the fact that deliverables of each component are closely integrated with each other. For example, financial information generated through SAP can easily be audited through ACL. Similarly, the financial data generated using the Chart of Accounts can be used for

compiling Financial Statements under IPSAS. The same statements can be audited through a systematic approach finalized under FAM.

The primary function of public sector accounting is to provide relevant, reliable and accurate financial information to its stakeholders allowing them to make critical resource allocation decisions. PIFRA helped introduce the New Accounting Model (NAM) for Public Sector Accounting consistent with constitutional and international accounting standards requirements while conforming to the requirements of IMF's GFS Manual. NAM is based on Modified Cash Basis which proposes the following additional concepts in cash basis of accounting:

- Commitment Accounting
- Physical and Financial Assets Accounting
- Liabilities Accounting

A major accomplishment under NAM is the introduction of Accounting Principles, Policies and Procedures for accounting elements like Expenditures, Receipts, Assets, Liabilities and Public Accounts transactions. The Accounting

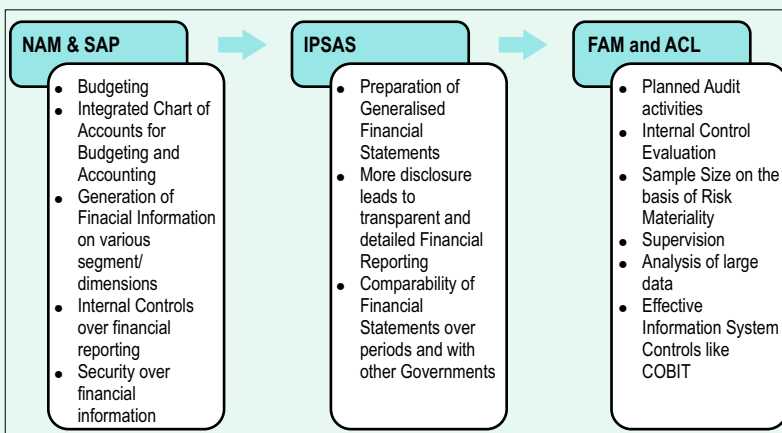
Principles and Policies lay down the criteria to recognize and record transactions, mitigating the chance of recording transaction in wrong accounting period.

NAM further introduced key 'Internal Controls' over accounting transactions and financial reporting. Controls like segregation of duties, proper supervision, authorizations and approvals, are clearly elaborated for each step of accounting transactions.

Double Entry Bookkeeping is another facet of NAM. It helps portray the accounting information more coherently and clearly. The financial information generated under NAM through double entry bookkeeping has brought simplicity, accuracy and perspicuity in the Public Sector Accounts.

The Chart of Accounts (CoA) was also introduced under NAM to harmonize the accounting and budget requirements. The CoA facilitates multi-dimensional projection of information for economic, functional, administrative, and other such functions to meet diverse informational needs of decision makers. In addition, simple views of data about cost centers, profit centers and projects are also easily available. Large quantities of data can thus be captured, classified, analyzed, and reported on.

The Chart of Accounts contains five elements i.e. Entity, Object, Fund, Function and Project. Entity wise classification of expenditure is the basis for policy formulation and budgetary allocation efficiency. It identifies the entity responsible for managing the public funds i.e. the Ministry of Foreign Affairs or Health and allocates budgets accordingly resulting in better fiscal



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control, reduced re-appropriations and enhanced accountability at the spending level.

The object elements are clearer than before. Accounting elements have been divided into Expenditure, Revenues, Capital Receipts, Assets, Liabilities and Equities. The 'functional' classifications organize government activities according to their broad objectives or purposes (e.g., education, social security, housing, etc.). Such classifications are especially beneficial for decision makers when allocating resources to different sectors.

PIFRA has made it possible for our government to prepare financial statements in line with International Public Sector Accounting Standards (IPSAS). The adoption of IPSAS, it is hoped, will improve both the quality and comparability of financial statements facilitating management decisions. Appropriate disclosures now need to be made in the shape of 'Notes' to the financial statements providing an exhaustive picture of financial information, and facilitating transparency.

PIFRA has embedded IT systems into business processes of the Government of Pakistan to initiate and process financial transactions, and manage financial information. PIFRA has acquired SAP R/3, the leading Enterprise Resource Planning (ERP) software in the world to capture, record, summarize, aggregate and consolidate financial information at all tiers of the government. The business processes in the Accounting Offices at all tiers have been revamped. Appropriate segregation of duties have been made with matching job descriptions for various positions handling different tasks i.e. access for entering, posting, authorizing, cheque printing. Only authorized persons responsible for the task have been given access to the system.

SAP is intended to integrate information systems across the organization by creating one database linked to all applications. Its various functional subsystems (Human Resource, the Financial Accounting etc.) are represented by different modules.

PIFRA has implemented two main modules i.e. SAP FI and HR. These modules are highly integrated in real-time, meaning that if information is shared between modules, the data is entered only once. This reduces the chances of error arising from repetitive entries and also reduces man-hours.

SAP FI module is used for budget preparation, expenditure recording and tracking, accounting and financial reporting. Budgets are now prepared in less time with greater analytics; moreover the impact of various budgeting options can be viewed instantly. Secondly the budget is readily available for utilization in the first week of July and is immediately transferred to relevant servers. Now SAP linkages have been extended to line ministries to help them view their budget utilization and accounting information. SAP has reduced data entry error through various built-in checks and segregation of duties. This has resulted in production of more accurate, timely and transparent financial reports.

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## Essay Award



The essay of Mr. Kashif Anwaar, Audit Officer, Audit & Accounts Training Institute (AATI), Islamabad, on "PIFRA Endeavours" has been

declared as the best contribution. Project Director PIFRA presented a cash award of Rs.10,000 with a commendation certificate to the Officer in a simple ceremony on January 10, 2011, in the presence of PIFRA Component Chiefs and other officers of the Auditor-General's Office. Director-General AATI appreciated the Officer's performance and regarded him as one of the most talented resources who contributes in all training activities at regional offices of AATI. Director AATI Islamabad also praised him for his professional competence and dedication. The forum was of the

view that such resources may be encouraged for continuous pursuit of excellence and that such performance needs to be propagated among all stakeholders. According to Audit Component Chief, PIFRA is not only rated as highly successful by the World Bank but is also one of the most popular projects in Pakistan. Project Director appreciated the Officer's performance and emphasized on the need to provide special incentives to motivate intellectual capital of the Department.

*"Dont tell me how hard you work. Tell me how much you get done."  
(From Readers Digest)*

On the Audit side, the INTOSAI International Auditing Standards for Supreme Audit Institution have been adopted by the SAI of Pakistan. Financial Audit Manual (FAM) has been developed and implemented by PIFRA in line with best international practices. FAM is a top down approach to audit with major focus on Risk Based Audit. It integrates 'Financial Audit' with 'Compliance Audit'. FAM envisages a systematic and disciplined approach to audit. One of the major benefits of FAM is its stress on audit supervision at each level of audit activity. This ensures timely value additions by senior officers and helps in gathering relevant, reliable and sufficient audit evidence during the execution of audit assignments.

The Department of the Auditor General of Pakistan (DAGP) has successfully implemented FAM in its field audit offices. Understanding the audit entities in the audit universe is an important feature of FAM. Permanent files have to be maintained containing information about each audit entity e.g. its Accounting Policies, Acts, Rules and Regulations etc. At the planning

stage, Internal Controls are evaluated, materiality, audit risk, planned precision and expected aggregate error are calculated and sample size is determined based on this data for Internal Controls evaluation and substantive testing. In this way scarce audit resources are allocated to more risky areas.

FAM's 'Audit Working Paper Kit' facilitates audit documentation of each audit assignment via the Permanent, Planning, Execution and Reporting files. The responsibilities of each officer/ auditor are clearly highlighted. The massive resource of data compiled in the files mentioned above, helps conduct future audits of the same entity better.

PIFRA helped select the leading Audit Software i.e. Audit Command Language (ACL) for official use by the AGP. ACL has the capability to analyze financial data generated through different information technology platforms such as People Soft, Oracle, and SAP. ACL has made it possible for the DAGP to analyze large quantities of data produced through SAP. The SAP

provides a complete audit trail of accounting transactions and archives of financial records from previous years. These are extracted from SAP, transferred to Ms Excel and then uploaded to ACL for analysis. Additionally, ACL is also used for sample size determination for each audit assignment. ACL's powerful ability to analyze data has helped recover millions of rupees in the national exchequer.

The road to success has never been easy. So also was the case with PIFRA. After having stayed the course stubbornly, PIFRA reforms have finally added value and improved operations of the Government of Pakistan. These will go a long way in strengthening governance and enhancing accountability through timely, accurate financial reports, implementation of effective internal controls, optimum allocation of audit resources in risky areas and producing quality audit reports for PAC oversight and keeping an eye on follow-up at every stage of audit.

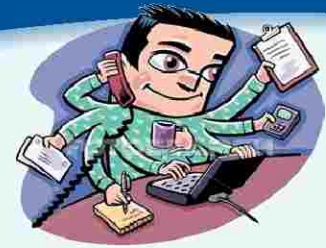


*Award ceremony of Essay Competition: January 10, 2011*

# Managing Multiple Targets

[Condensed from Web Sources]

By: Sarfraz Ahmad Sirohey, Assistant Manager PIFRA Helpdesk



**W**e usually fail to meet our work deadlines. Yet most of us seem to be handling every task efficiently and never fail to meet a deadline. This is done with multitasking which helps in increasing work efficiency by almost 100%. It can save a lot of time and energy and help you in achieving better results. Stated simply, multitasking is handling multiple tasks at the same time without compromising on a single task.

## Who Can Multi Task?

The idea that women are better multi-taskers than men has been popular in the media. Recently, a study by British psychologist, Professor Keith Laws at the University of Hertfordshire reveals the first evidence of female multitasking superiority. There are many people who consider that multitasking is an inborn talent that cannot be acquired by practice. Both

these schools of thoughts are wrong as anybody can learn to multitask.

## The Basics

The most important thing is that you need to be organized. You need to make a schedule and prioritize all the tasks that are at hand according to the level of importance. If you are new to multitasking, you should start with simpler tasks in the beginning as they will be easier to handle. Trying to multi-task on difficult projects can lead to failure and frustration which might deter you from learning to multitask. If you are working on a single or more jobs make sure that you finish them before turning to the next one.

A very important part of multitasking is delegating work to the team members. As a manager, you can distribute work efficiently to make sure that the results delivered are on time and up to the mark. You also need to deal with each and

every job as soon as it lands on your desk.

## Some Precautions

Be sure to know your limits as too much multitasking can be stressful and lead to increase in job related stress. You need to take regular breaks and know when to call it quits. Moreover, it is important to retain a balanced approach in work and personal life as people who are used to multitasking can get a bit carried away and lose this balance.

## Conclusion

Multi-tasking it is really needed when work load is heavy. It helps you in performing better with effective time management. Once you learn how to multitask effectively, you can progress in your career by getting the maximum output from your time and effort. Make sure that you do not over do it, as excess of everything is bad.

## Significance of Capacity Building in PIFRA Reform

By: Salim Khan, Deputy Director (PIFRA Training Wing)

**P**IFRA is essentially an Organizational Development (OD) level reforms initiative for transforming organizational culture, mindset and thinking paradigm in all organizations associated with public financial management. Successful transformation of an organizational culture is not possible without developing capacities of key operators and managers. It has been a gigantic task for the Project to develop capacities of thousands of officials / officers

working on the entire system.

Training activities of PIFRA can be broadly grouped into two major categories training on Finance, Budgeting and Accounting, and Audit related training. So far, 26,794 human resources of various levels belonging to Finance and CGA organizations have been provided FABS training, resulting in capacity building of Accounts Offices, Federal ministries/divisions, Provincial departments

and District Offices. On the audit side, 12,080 officers/officials have been trained in implementation of the Financial Audit Manual and IT related auditing techniques.

Trained human resources have made implementation of the PIFRA reforms possible by creating agents of change. We acknowledge and appreciate the role of our valued stakeholders in achievement of our capacity building targets.



# Changes in Human Resources Life and Professions

## MATRIMONIALS

- Mr. Muhammad Azhar (Director Audit, PIFRA): on 1<sup>st</sup> November 2010.
- Mr. Adnan Chishti (Consultant B&A, PIFRA): on 3<sup>rd</sup> December 2010.
- Mr. Nasir Ali Khan (Assistant Director, Admin PIFRA): on 25<sup>th</sup> September, 2010.
- Mr. Malik Kamran (Communication Assistant, PIFRA): on 13<sup>th</sup> November, 2010.

*"We wish them all a very happy married life".*

PIFRA

## TRANSFERS & POSTINGS

During October to December 2010, a number of changes have been made in the middle and higher management placements of Pakistan Audit and Accounts Services.

- **Mrs. Naghmana Ashfaq Sheikh** who was serving as Chief Finance & Accounts officer in MoE has been posted as Chief Finance & Accounts officer in Ministry of Science &
- **Mr. Tahir Sohail** and **Mr. Sabir Hussain Sabir** serving as Director General FAOs Wing AGP office Islamabad (OPS) and as CFAO Ministry of Water and Power Islamabad (OPS) respectively have been regularized on same positions.
- **Mr. Manzoor Akhtar Malik** who returned from leave has been posted as DG (AP&SS) wing AGP office Islamabad (OPS).
- **Mr. Zamir Ahmed** who was serving as Director Commercial Audit Lahore has been posted as DG Performance Audit Wing Lahore.
- **Ms. Sheena Ali Mansoor** who was on leave has been posted as Director O/o CGA Islamabad.
- **Mr. Arif Hussain** who was serving as Director Defense Audit Wing AGP office Islamabad has been posted as Director Audit Defence Services Rawalpindi.
- **Mr. Liaqat Ali** who was serving as Director Defence Audit Wing AGP office Islamabad has been posted as Director District Audit Wing AGP office Islamabad.

Technology Islamabad.

- **Mr. Zulfiqar Ahmad** who was serving as Director Accounts PPO Lahore (OPS) has been posted as Director Commercial Audit Lahore (OPS).
- **Mr. Shahzad Naim** has been posted as Director Audit District Government Mardan.
- **Mr. Waseem Arshad** who was serving as AMAG (Admin) Office of the MAG Rawalpindi has been posted as ACGA Office of the CGA Islamabad.
- **Mr. Hashim Raza** who was serving as Deputy Director (B&A) Pak PWD Islamabad has been posted as AMAG (Admin) O/o MAG Rawalpindi
- **Mr. Zamir Hussain** who was serving as Assistant Auditor General (FAO wing) has been posted as Deputy Director, DG Audit Works (Federal) Islamabad.
- **Mr. Muhammad Saleem** has been posted as Deputy Accountant General O/o AGPR Islamabad.

## FAREWELLS

- **Mr. Manzoor Ali Bhatti** serving as Deputy Auditor General (BPS-21) has been retired on 1<sup>st</sup> October 2010.
- A farewell party was arranged in the honor of **Mr. Ayub Khan Tarin** Additional Auditor General-I (BPS-22), who has been retired on 2nd December 2010 to acknowledge his dedicated service for the department.



*Glimpses of Farewell Party in honor of  
Mr. Ayub Khan Tarin, Additional Auditor General-I held on 02-12-2010*

# Desk Auditing with a Style!

By Tayyab Khan, Deputy Director Audit Competency Centre, Peshawar.



**P**IFRA is no more a buzzword; it has rather become a way of life not only in Pakistan Audit and Accounts Service but in all tiers of Government. All business processes, from transaction Processing System (TPS) to Management information System (MIS) and Decision Support System have been transformed deeply under the PIFRA reforms. The process goes even further i.e. Knowledge/Expert System (KS/ES). According to Oxford dictionary “Knowledge/Expert System is a piece of software which uses databases of expert knowledge to offer advice or make decisions”. Knowledge/Expert System has been implemented in the form of desk audit whereby the auditor highlights the grey areas in processes of auditee organizations and offers advice for rectification.

Desk audit has gained paramount importance in view of rapid development of Integrated Financial Management Information System (IFMIS) under the FABS Component. In addition to the SAP’s inbuilt internal control System, the Audit Component of PIFRA, through the mechanism of desk audit has provided an added assurance towards accuracy, completeness and timeliness (quality paradigms) of accounts. Since PIFRA has successfully implemented an ERP (Enterprise Resource Planning) solution for integrated and real time accounting, the idea of integrated desk audit has become a reality.

IFMIS has now been extended to all DAOs/EDOs (F&P), Provincial Finance and P&D departments and 23 out of 32 line departments in the Khyber Pakhtunkhwa province so obviously the desk audit of all these entities is now possible. The office of the Directors General, Provincial and District Audit have, since 2007-08, successfully carried out the desk audit by applying CAAT (Computer Aided Audit Techniques) on the HR and FI data of AG/DAOs of Khyber Pakhtunkhwa. The desk audit activity in this regard is used for both certification and compliance with authority audit and involves following steps.

- Data (HR/FI) extraction from SAP System.
- Sorting out the data in the appropriate order.
- Applying of ACL (Audit Command Language).
- Identification of anomalies, and its impact by identifying the loopholes in the Internal Controls mechanism in accounts offices and Finance Departments.
- Communication of observations to AG/DAOs/FD for remedial measures.
- Follow up.

Desk Audit has also been used for internal audit purpose. Since SAP system keeps a log of all transactions done by various users, so the management can perform the function of internal audit by

constantly monitoring the activities of its staff. One such instance is that of Regional Director PIFRA Peshawar, who has performed internal audit of TA/DA claims presented to the directorate using the system. FI and HR staff of an offsite District Accounts Office performed their routine activities at an adjacent district. The staff was allowed to claim TA/DA for performing its duties at out station. While comparing their TA/DA claims with the user logs, Regional Director PIFRA Peshawar found that users were not actually logged in for all the days for which they claimed TA/DA. The claims were either rejected or reduced with issuing warnings to staff and DAO. There are many and more instances which have established the fact that Desk Audit is now used for internal audit purpose. Bill Tracking System is another dimension of desk audit where by management of AG/DAOs has been performing the function of desk audit.

Above all, for the functional cadre, desk audit mechanism has created deterrence against malpractices by the field office staff and significant reduction in number of occurrences. It is now extremely important that we abandon persistent reliance on manual operations, develop knowledge and skills to work in the automated environment, and utilize the system deliverables at the optimum level.



An awareness workshop on FAM Implementation for FAQs, KP region on 01-11-2010

# Why not Performance Auditing?

By Dr. Atiq ur Rehman, Training Consultant PIFRA

The concept of New Public Management (NPM), which marked its beginning in 1980s, is gaining increasing recognition and popularity. It lays greater emphasis on economy, efficiency and effectiveness (3Es) of public sector organizations. Performance auditing, which also deals with 3 Es, is one of the most critical tools of the NPM. It is of tremendous importance for the public sector organizations (PSOs). PSOs manage tax payers' money, so auditors must assess viability of such spending. In a way, performance auditing facilitates the PSOs in nurturing the culture of organizational learning so that PSOs develop innovative ways for improving the quality of their services. Performance auditing aims at reducing wastage through the process of detecting and correcting errors.

## *How is performance auditing different from conventional auditing?*

Any expenditure which is not contributing in terms of impact can be considered as waste. Scope of traditional auditing practices is parochial (mainly concerned with inputs, activities and outputs) while that of the performance auditing, is extended to impact. Performance auditing answers very basic questions like: 1) is the department/organization fulfilling the purpose for which it was created? 2) is purpose being fulfilled in most economical and efficient way? 3) What are the areas where improvement is needed? 4) What are the functions / operations of the organizations can be reduced or simply eliminated? What are the

functions / operations of an organization which can be handed over to the private sector for more efficient and innovative delivery of services? And so on.

## *Benefits of Performance Auditing*

Performance auditing can play tremendous role in socio-economic development of the country. There are several compelling reasons for adopting system-wide performance auditing in Pakistan.

There is an increasing pressure on the governments to demonstrate results in the world and Pakistan is not an exception. Public pressure for better quality of public services is increasing. Civil society and media across the world are focusing more on results instead of laying stress on the expenditures. Emphasis is shifting from compliance to results.

- Expectations of the civil society and other stakeholders are increasing. Experts in the discipline of auditing are using the term “expectation gap” to highlight the need for making auditing exercises more efficient and effective. Performance auditing can virtually help improve trust in the public sector institutions.
- There is substantial scope in the reduction of wastages in Pakistan. According to MTBF 2005-10, the country incurs loss of at least Rs. 650 billion (about US\$11 billion) in 2004 which accounted for about 11% of GDP. Even if we assume that proportion of wastages has not increased, amount of wastages in 2009-10 is estimated to hover around Rs. 1,600 billion, which is a colossal amount. If

performance auditing succeeds in reducing wastages by only one third, it would lead to saving of more than Rs. 500 billion per annum. Performance auditing is to help organizations in proving their real credentials.

- Governments need to have efficient allocation of resources amid scarcity of resources. Size of the public spending has increased substantially over period of time. There must be some mechanism to prove or disprove the worth of such spending i.e. ascertaining value for money.
- Almost every public sector organization is plagued with chronic performance related issues, negatively impacting performance of the economy.
- There are cultural reasons too. For example, management of the organizations sometimes hesitates in taking corrective actions to uproot the issues because of their limitations in the organizational power dynamics. Obviously, if advice for actions comes from outside the organization, management of the organizations will get empowered to deal with such constraints.

## *World Experience*

Today performance auditing is administered in almost all of the public sector organizations in USA. The (INTOSAI) published “Implementation Guidelines for Performance Auditing” in 2004. Performance auditing has been introduced by almost all developed countries and several developing countries. Federal, state and local

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governments in USA have passed legislations required for establishment and functioning of performance auditing. The Government Accountability Office (GAO) of USA believes that performance auditing leads to efficient allocation and use of resources, assessment of program effectiveness, the cost effectiveness of alternative methods of service delivery and goal attainment, and so on. In 2005, the citizens of Washington State voted for giving more authority to state auditors for conducting performance audit.

### *The Way forward*

Public sector in Pakistan is very complex in nature. Several departments are having duplicating functions due to which department-based performance auditing may not yield the potential results. Therefore, it is proposed that similar organizations (with similar functions) should be put in one basket and their performance audit be carried out in one go.

Performance auditors can look into organizations like Pakistan Institute of Development Economics for justification and utility of their

existence and to big organizations like PIA, WAPDA, OGDCL, and Pakistan Steel bleeding around Rs. 245 billion per annum, for improving their performance. Performance audit of PSDP will help in identifying hundreds of redundant projects besides review of criteria followed in allocation of funds.

For effective performance auditing, it is essential that composition of performance audit teams are multidisciplinary in nature and orientation to allow deep understanding of organization specific issues.

## The Beauty of Benevolence and Virtue

*[Extracted from "Confucius from the Heart: Ancient Wisdom for Today's World" by Yu Dan]*

Once there lived a very poor girl. She had lost her father, and she and her mother depended on each other for scraping a meager living from handicrafts. When she was eighteen, her mother gave her a purse of money, telling her to buy herself a present. Such a treat was far beyond her wildest dreams, but she still lacked the courage to stroll naturally along. As she walked towards the shops, the purse clutched in her hand, she went out of her way to avoid the crowds, and stuck close to the wall.

On the way there she saw that all the people had better lives than her, and lamented to herself: I can't hold my head up here, I'm the shabbiest girl in this town. Nobody likes me. And so, creeping along and avoiding other people all the way, she reached the shop. As soon as she was inside, something caught her eye: a display of extremely pretty hair decorations. While she was standing there in a daze, the shop assistant said to her:

'What lovely flaxen hair you have! Try a pale green flower to go with it, you'll look just beautiful.' She saw the price tag. It would have cost almost all her money and she said: 'I can't afford it, don't bother.' But by then the shop assistant had already fastened that ornament to her hair. When she saw herself in the mirror, she was amazed. She had never seen herself like this, her face glowing with health and beauty; she felt as if the flower had transformed her into an angel! Without a moment's hesitation, she got out her money and bought it.

Giddy with excitement in a way she had never felt before, she took her change, turned around and rushed outside, colliding with an old man who had just come in through the door. She thought that she heard him call out to her, but she was past worrying about all that, and hurtled out, her feet barely touching the ground.

Before she realized what she was doing, she had run all the way to the main street of the town. She saw that everyone was casting surprised glances in her direction, and she heard them discussing her, saying: 'I never knew there was such a pretty girl in this town. Whose daughter is she?' The girl was wild with joy! She thought, 'I'll go back and get myself a little something with the change. And with that, she flew elatedly back to the shop. As soon as she came through the door, that old man said to her with a smile: 'I knew you'd be back! Just now when you bumped into me, your flower fell off. I've been waiting all this time for you to come back for it.'

The pretty hair-slide had not really made up for all the sadness in the girl's life, but her new self-confidence made all the difference.

# Highlights of Steering Committee Meeting



The 4<sup>th</sup> meeting of the Steering Committee was held on 28th December, 2010 under the chairmanship of the Auditor General of Pakistan. It was attended by representatives of Provincial Finance Departments, FBR, Controller-General of Accounts and officers of Pakistan Audit Department. The Federal Finance Secretary also attended the meeting on special invitation. Following were main highlights of the meeting:

- The forum was briefed about current status of the Project,

Post-PIFRA sustainability Plan and the new oversight arrangement.

- It was emphasized that transition targets must be firmed-up for implementation through a consultative process vis-à-vis the major stakeholders besides preparation of a comprehensive exit strategy entailing monitorable benchmarks and timelines.
- Options to achieve the targets for TMAs and inclusion of more SAEs in the scope of PIFRA were discussed.
- Status of interface development with FBR, EAD, NBP and SBP was discussed. It was decided that more participative approach will be adopted.
- The need for evaluating system improvements like client satisfaction, timeliness, accuracy, and comprehensiveness of data as well as reduction in exclusions and unidentified expenditures was emphasized.
- It was decided that interaction between DAGP and PIFRA may be enhanced and the products of other working groups of DAGP on Audit may also be shared with PIFRA for analysis and evaluation.
- It was suggested that a comprehensive and effective system of evaluation should be developed for gauging the usefulness of training in terms of outcomes.

## Caring for our Personal Needs

[Condensed from "In Praise of Idleness" by Bertrand Russell]

*The pleasures of urban populations have become mainly passive: seeing cinemas, watching TV, and so on. This results from the fact that their active energies are fully taken up with work; if they had more leisure, they would enjoy pleasures in which they took an active part.*

In the past, there was a smaller leisure class and a larger working class. The leisure class enjoyed advantages for which there was no basis in social justice; this necessarily made it oppressive, limited its sympathies, and caused it to invent theories by which to justify its privileges. But in spite of this drawback it contributed nearly the whole of what we call civilization. It cultivated the arts and discovered the sciences; it wrote books, presents the philosophies, and refined social relations.

In a world where no one is compelled to work more than four hours a day, every person possessed of scientific curiosity will be able to indulge in it, and every painter will be able to paint without starving, however excellent his pictures may be. Men who, in their professional work, have become interested in some phase of economics or government, will be able to develop their ideas without the academic detachment that makes the work of university economists often seem lacking in reality.

Above all, there will be happiness and joy of life, instead of frayed nerves, and weariness. The work exacted will be enough to make leisure delightful, but not enough to produce exhaustion. Some of the men will probably devote the time not spent in professional work to pursuits of some public importance, and, since they will not

depend upon these pursuits for their livelihood, their originality will be unhampered. But it is not only in these exceptional cases that the advantages of leisure will appear. Ordinary men and women, having the opportunity of a happy life, will become more kindly and less persecuting and less inclined to view others with suspicion. Good nature is, of all moral qualities, the one that the world needs most, and good nature is the result of ease and security, not of a life of arduous struggle. Modern methods of production have given us the possibility of ease and security for all; we have chosen, instead, to have overwork for some and starvation for others. Hitherto we have continued to be as energetic as we were before there were machines; in this we have been foolish, but there is no reason to go on being foolish forever.

## Healthy Tips

[From Think Exist.Com]

- The only way to keep your health is to eat what you don't want, drink what you don't like, and do what you'd rather not.
- Health is a state of complete physical, social and mental well-being and not merely the absence of disease or infirmity.
- To insure good health: eat lightly, breathe deeply, live moderately, cultivate cheerfulness, and maintain an interest in life.

## Get Rid of Cold Quickly

[From CoolHealthTips.Com]

- Take a lot of fresh vegetables and fresh fruits. These foods are rich source of various valuable nutrients, which help you to prevent your body from cold.
- To get rid of your congested nose you can boil some water and pour a few drops of petroleum jelly or eucalyptus oil. Steam your face with the mixture for almost 10 minutes. Unblocked nose will also help you to get a sound sleep.

- Consume lot of fluids. It could be plain water or fruit juices or fruits etc. these will help you to kick off the toxins as well as bacteria from your body. Fluid is also important to keep your body completely hydrated.
- Taking a hot bath is always a good option to relax your body and to help you to get rid of your congestion.

## Facilitators of Change



**Aftab Qazi**

**Director-IT (Development Wing)  
Finance Department, Sindh**

He has made an inspirational contribution for the successful implementation of SAP system and for automation of related activities in the Provincial Finance Department processes. With his dedicated efforts, the Development Wing is executing Provincial Development Budget through SAP System for the last three fiscal years. All budge, releases, re-appropriations, supplementary and revised budgeting processes are now taking place in SAP system. Financial reports for reconciliation, monitoring and quick decision making are generated through the system. He has been proved to be a facilitator of change by promoting a culture of IT based activities in the department.

**Muhammad Azmatullah Khan**

**AO (DG Audit Defence  
Services South Karachi)**



He is a young and energetic officer who has served as a pioneer in modernization of audit activities in Naval Store Depot, Dockyard, Karachi, and Central Ordinance Depot, Karachi by using ACL for risk-based auditing. Being a FAM & ACL Master Trainer, he conducted a number of FAM & ACL trainings arranged by PIFRA & AATI Karachi. He also conducts special training programs for Pakistan Navy & Pakistan Army official on Audit matters. Professionally, he is an Associate Member of Institute of Cost and Management Accountant of Pakistan, (ACMA), Fellow member of Institute of Public Accountants Pakistan (FPA).

### PIFRA Directorate

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