

# 4

## ACTION PLANS

Accounting Standards Issue	Current status	Action to be taken to move towards international standards
1. Has the Public Sector Accounting Law adopted IPSAS?	Partially. The notification of the adoption of the IPSAS-2 cash flow reporting format as part of the overall reporting requirements of the government is a step in the right direction.	NAM needs to be reviewed and streamlined to ensure that the policies and procedures contained therein are consistent with and have references to IPSAS.
2. Does the education and training of accountants accord with IES?	Partly. A comprehensive training strategy is directed toward the professionalization of accounting staff through IES-compliant qualifications.	As training programs are revised, the International Education Standards will be the basis for further revisions required.
3. Does the ICAB Code of Ethics match international standards?	Yes. The Auditor General has adopted INTOSAI Code of Ethics.	This will be implemented through more regular training.
4. Is there a body to prescribe public sector accounting standards?	Yes. The Constitution of Pakistan delineates the authority of the Auditor General of Pakistan to prescribe the form, principles, and methods of accounts of the Federation and of the Provinces with the approval of the President.	The AGP considers that the Constitution empowers the AGP to prescribe public sector accounting standards, and that currently this is sufficient.
5. Are the financial statements in accord with the IPSAS standard?	Partly. The Cash Basis IPSAS for financial reporting is not yet followed, nor is the accrual-based IPSAS. The CGA has the responsibility for preparing and maintaining the accounts of the Federation, the Provinces and district governments. The CGA also lays down the principles governing internal financial control but certain accounting offices still remain with the provincial governments.	Work is in progress on both the cash flow statements and budget to actual



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6. Is the statement of cash receipts and payments in IPSAS form?	No. A basic statement of cash receipts and payments is provided but this information is currently presented in formats inconsistent with the IPSAS.	
7. Are accounting policies and explanatory notes required?	No. Statements of accounting policies are not provided in the budget or accounts documents.	
8. Are other disclosures in accord with IPSAS?	Partly. Financial statements are not available within 6 months of the reporting period; some items are not disclosed, and presentation does not meet some transparency requirements.	
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	No.	A Committee will be formed to study the issue and make recommendations on the best way forward to achieving this. The July 2007 Workshop to be conducted by the World Bank for the CGA establishment will follow-up on this.

Auditing Standards Issue	Current status	Action to be taken to move towards international standards
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	Partially. Some additional powers need to be established by legislation as set out below.	Some revisions in the Auditor General Ordinance 2001 are being considered in respect of district audits. Adequate mandate and other issues as specified in point number 6 below also need to be examined.
2. Is there a body to prescribe public sector auditing standards?	Yes. It has been construed from various provisions of legislation, including Section 22 of the Auditor General Ordinance 2001 that the Auditor General would be the standard-setting authority for public sector auditing. Thus, the Auditor General adopted INTOSAI Auditing Standards as recommended by a committee of senior officers in the DAGP.	The AGP considers that the law empowers the AGP to prescribe public sector accounting standards, and that currently this is sufficient.



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3. Have INTOSAI and IFAC audit standards been adopted?	Partly. The Auditor General has adopted INTOSAI Auditing Standards.	A decision has been made to adopt the ISAs as per the INTOSAI standard setting processes by which the ISAs will be incorporated into the International Standards of Supreme Audit institutions.
4. Has a code of ethics equivalent to the INTOSAI Auditing Standards been adopted?	Yes	Current actions are considered to be sufficient.
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?	Yes	Current actions are considered to be sufficient.
6. Does the SAI legal framework meet the INTOSAI Auditing Standards for independence and powers?	Largely.	Improved legislation excluding limits on jurisdiction, mandate, and function, providing improved offence and immunity clauses and requiring enhanced disclosure of audit conclusions are to be considered.
7. Does education and training of auditors accord with INTOSAI and IES?	Partly. Staff needs more professional training.	The AATI will continue to review its syllabus to cover all areas recommended by the IFAC educational standards.
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI Auditing Standards?	Yes. Though not fully implemented at the moment.	Improved methodologies are being implemented. Technology to support a management information system for the Auditor General is not in place at present. The requirements are being acquired through PIFRA. The implementation plan will review capacity for implementing the new Financial Audit Manual.
9. Does the SAI have the quality assurance programs to meet international standards?	Partly. Internal quality assurance and supervision provide review arrangements among the field audit offices.	Improved working paper guidance and computerization combined with more effective supervision and more independent quality review processes are being implemented as per the FAM. This will be supported through establishing a function of quality management in the DAGP.



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10. Does the process of planning the audits meet international standards?	Partly. Improved methodologies are being implemented.	The audit process as per the FAM will be risk-based allowing sufficient flexibility to the auditors to articulate and apply appropriate audit procedures on methodically selected samples to arrive at representative audit conclusions.
11. Does the process of supervising the audits meet international standards?	Partly. Working paper systems and audit methodologies do not currently enable effective supervision. Improved methodologies are being implemented under PIFRA.	The revised working paper structure should be implemented together with the new Financial Audit Manual for audit supervision.
12. Does the process to evaluate the reliability of internal control meet international standards?	Partly. Improved methodologies are being implemented.	The methodology is to be more risk- and -systems based as per the FAM.
13. Does the process used in audits to assess compliance with laws meet international standards?	Partly. Improved methodologies are being implemented.	The methodology is to be risk- and -systems based and PIFRA is to review whether the audit planning arrangements may be revised so that some regularity audit aspects are integrated as per the FAM with the annual certification audit, and other aspects are carried out using performance audits.
14. Does the audit process used to obtain evidence to support conclusions meet international standards?	Partly. The evidence to support audit criticisms on individual transactions is generally better than that available to provide the more general audit assurance on the summary figures in the financial statements.	More rigorous plans for audit testing are being implemented as per the Financial Audit Manual. The evidence for audit assurance is to be organized as per FAM requirements.
15. Does the audit analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with?	Partly. The existing structure of the financial statements only provides limited scope for financial analysis that is useful for the certification audit.	The implementation of IPSAS for the annual accounts as per plans set out above will improve the DAGP's ability to carry out meaningful and reliable financial analysis because the accounting policies and reporting will be in accordance with international norms and standards.
16. Does the auditor prepare an audit opinion on the financial statements in a form that accords with international standards?	Not fully at this stage. The Auditor General signs an opinion on the accounts; but because the financial statements are not prepared in accordance with adequate standards, the wording of the audit opinion does not contain all of the requirements of	The timetable and program for the implementation of the newly adopted Financial Audit Manual is to be specified in detail and broad timetables have been established under the PIFRA project. The FAM is aimed at forming an opinion on the truth and fairness of the financial statements





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	<p>ISA 700, The Auditor's Reports on Financial Statements. The wording does not clearly indicate the financial reporting framework used to prepare the financial statements, nor does it state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with that financial reporting framework.</p>	<p>so that the Auditor General can sign an opinion in accordance with ISA 700. The FAM audit methodology specifies how the audit work can be planned to meet the confidence level that is implicit in the audit opinion, and identify the level and extent of audit testing required in order to express that opinion. The AGP intends to issue the opinion for the 2005-06 federal accounts as per ISA 700.</p>
<p>17. Does the consideration of fraud and error in an audit of financial statements accord with international standards?</p>	<p>Partly. Audits focus on examining transactions for discrepancies and regulatory breaches. Much of the reporting seems to relate to fraudulent behavior and suggesting recoveries without digging out the facts in detail.</p>	<p>The testing is to be more statistically based as per FAM. Forensic audit training is needed under PIFRA to improve the ability of the audit staff to categorize the observation as either a mistaken violation or a deliberate and intentional act to take undue benefit.</p>
<p>18. Are the Auditor General's reports made public?</p>	<p>Apparently. But only after tabling in the Parliament and consideration by the Public Accounts Committee. The legislation does not specifically require publication.</p>	<p>The audit legislation should formally provide for reports to be made public, and publicly available when tabled in the Parliament with appropriate immunity arrangements for the auditors.</p>
<p>19. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?</p>	<p>Partly. Improved audit, Public Accounts Committee, and departmental administrative processes are needed for follow-up of audit reports. There is an enormous backlog by the Public Accounts Committee in reviewing the audit observations. Effective review of the backlog is becoming increasingly impossible.</p>	<p>Improved audit methodology and report writing are in process so as to improve the report contents. Changes to the processes for departmental and parliamentary review processes will improve timeliness in scrutinizing and reporting on audit reports, and separately activities are being planned to reduce the backlog of unresolved audit objections.</p>

