



**DIRECTORATE GENERAL AUDIT  
(FEDERAL GOVERNMENT)  
BENEVOLENT FUND BUILDING, ZERO POINT, ISLAMABAD  
051-9252217, Fax: 051-9252256**

No. FAP/Audit/Intimation/2012-13/F-53/74

Dated: - 25.07.2012

To.

The Executive Director,  
Higher Education Commission,  
Sector H-9,  
Islamabad.

**Subject: EXTERNAL AUDIT ACTIVITIES FOR 2012-2013**

The provisions of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 read with Articles 169 and 171 of the Constitution of the Islamic Republic of Pakistan, provide the Auditor General of Pakistan with the mandate to audit the accounts of the Federal and of the Provincial Government and accounts of any authority or body established by, or under the control of the Federal or a Provincial Government.


2. The Directorate General Audit (Federal Government), Islamabad which is a Field Audit Office of the Department of the Auditor General of Pakistan (DAGP) will conduct the audit of the project titled "Tertiary Education Support" in accordance with DAGP's Auditing Standards, which are in conformity with International Auditing Standards. This audit work is important to ensure effective management and governance across the Government of Pakistan.

3. For the audits of the Financial Statements, DAGP's Auditing Standards require that it plans and performs the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. In this respect, a financial audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. A financial audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements.

4. Because of inherent limitations of a financial audit, together with the inherent limitations of any accounting and internal control systems, there is an unavoidable risk that even some material misstatements may remain undiscovered.



5. In addition to the report of the Auditor-General on the financial statements, we expect to develop a Certification Audit Report primarily for use by IDA. We also expect to provide the project management with a separate report concerning any material weaknesses in accounting and internal control systems that come to our notice during the course of the audit.
6. The responsibility for the preparation of the Financial Statements, including adequate disclosure, is that of the project management. This includes the maintenance of adequate accounting records and internal controls, application of accounting policies, and the safeguarding of the assets of the entity. This audit work is important to ensure effective management and governance across the Government of Pakistan. We expect that the project management will provide us the Financial Statements of the project on or before **15.08.2012**.
7. We look forward to full cooperation from the concerned staff and trust that they will make available to the audit team any accounts, books, papers and other documents which deal with, or form the basis of, or are otherwise relevant to the audit, as required under Section 14(1) of the Auditor General's Ordinance, 2001.

  
(Dr. Asif ul Rehman)  
Director General

HIGHER EDUCATION COMMISSION  
Finance Division

Director (Finance)

No. HEC(FD)/2012/2658-7  
Dated 16.01.2013

**Subject:- Certification Audit of the Project titled " Tertiary Education Support Project (TESP)-IDA Loan No. 4886 & 4887"**

Please refer to your letter No. FAP/Audit/Intimation/2012-13/F-53/86, dated 06.09.2012 & letter No. Economics Affairs Division letter No. 2(2)WB-III/10, dated 26.09.2012 on the captioned subject and find enclosed the Financial Statements for the Financial Year 2011-12 in respect of " Tertiary Education Support Project (TESP)-IDA Loan No. 4886 & 4887".

Yours Sincerely,

  
(Zaigham Ali)

**(Mr. Muhammad Raza Shah)**  
Director (Foreign Aid Projects)  
Director General Audit,  
Benevolent Fund Building,  
Zero Point, Islamabad.

C.C

1. Mr. Muhammad Saleh, Assistant Chief (WB-III), Govt. of Pakistan, Economics Affairs Division, Islamabad.
2. Mr. Achid Benmessaoud, Country Director, World Bank, Islamabad.

**HIGHER EDUCATION COMMISSION OF PAKISTAN**  
**IDA Credit No. 4887-PK and 4886-PK**  
**TERTIARY EDUCATION SUPPORT PROJECT (TESP)**  
**Annual Financial Statement for the FY 2011-12**

Description	Note No	Amount Rs
<b>Revenues</b>		
* Recurring Funds Government Grants for Component I- Eligible Expenditures Program (EEP)	1	26,392,721,000
Development Funds Government Grants for Component I- Eligible Expenditures Program (EEP)	2	2,013,339,000
Government Grants for Component II - Technical Assistance	3	-
<b>Total Funds</b>		<b>28,406,060,000</b>

**Expenditures/Releases**

Scholarships	4	2,161,741,113
Tenure Track Salary	5	1,324,323,983
Pakistan Education Research Network (PERN)	6	364,018,026
National Research Program for Universities	7	349,081,770
International Research Support Initiatives Program	8	309,174,108
Recurrent Grant to Universities and other Institutions	9	23,897,721,000
<b>Sub Total Eligible Expenditure</b>		<b>28,406,060,000</b>

<b>Component II - Technical Assistance</b>	10	-
<b>Total Uses of Funds/Expenditures/Releases</b>		<b>28,406,060,000</b>
<b>Balance</b>		-

<b>* The Recurring Funds include IDA Share</b>		
IDA credited Federal Government SBP Account with US \$ 41,639,539 on May 16, 2012		3,779,554,350
and US \$ 8,220,260 on June 28 2012 (NO direct funding to HEC by IDA)		775,756,603
<b>IDA Share</b>		<b>4,555,310,953</b>

Signed  
**DIRECTOR ACCOUNTS**  
**HIGHER EDUCATION COMMISSION**  
**SECTOR H-9, ISLAMABAD**

Signed  
**ADVISOR FINANCE**  
**HIGHER EDUCATION COMMISSION**  
**SECTOR H-9, ISLAMABAD**

HIGHER EDUCATION COMMISSION OF PAKISTAN

IDA Credit No. 4887-PK and 4886-PK

Notes to the Financial Statements

No.	Description	Amount in RS
<b>Receipts</b>		
1	<b>Recurring Grant for Component I- Eligible Expenditures Program EEP)</b>	
	Tenure Track Salary	1,385,000,000
	Pakistan Education Research Network	450,000,000
	National Research Program for Universities	350,000,000
	International Research Support Initiatives Program	310,000,000
	Recurrent Grant to Universities and other Institutions	23,897,721,001
	Sub-Total Recurring Grant	<b>26,392,721,001</b>
2	<b>Development Grant for Component I- Eligible Expenditures Program EEP)</b>	
	Scholarships	
	DF-1015-0004 (Post Doc Phase 2)	92,130,000
	DF-1015-0017 (Overseas scholarship - Phase 2)	1,162,709,000
	DF-1015-0029 (MS Program Korea)	17,500,000
	DF-1015-0041 (Overseas Schlrship Phase 1)	
	DF-1015-0052 (PhD Indigenous 5,000 Scholarships)	525,000,000
	DF-1015-0084 (HRDI UESTP Scholarships Phaase 1)	216,000,000
	Sub total Dev. Grant Scholarships	<b>2,013,339,000</b>
3	<b>Component II - Technical Assistance</b>	
	Goods	
	Training	Nil
	Consultant's Services	Nil
	Incremental Operating Costs	Nil
	Sub-Total Component II	

**Expenditures/Releases**

**Component I- Eligible Expenditures Program EEP)**

The World Bank/IDA provides budgetary support to the Government of Pakistan (EAD) for following expenditures which are a part of HEC's budget of eligible activities. These expenditures are clearly identifiable in the Financial Management Information Statements and are referred to as EEPs. The expenditure mechanism satisfies Bank policy and in particular the three pillars namely:

- the fiscally expenditures are productive;
- they contribute to solutions within a sustainable framework; and
- acceptable oversight arrangements are in place.

The details of Eligible Expenditure follows:

#### 4 Scholarships

**Type: Development Budget Description:** Costs associated with 6 post-graduate scholarship projects managed by HEC. Each project is clearly defined and has a separate approved PC-I in place Nature of expenditures includes:

(a) training related expenses such as tuition fees, language course fees, stipends, travel expenses and so forth

(b) project management related expenses such as staff salaries, operational expenses, etc.

Oversight: The projects are managed by HEC and its internal controls apply which have been reviewed and found adequate. During 2011-12 funds of Rs 9,762.554 Million were released against development grant which includes Rs 2,161.741 Million on eligible scholarship expenditure.

	Amount in RS
DF-1015-0004 (Post Doc Phase 2)	117016150.5
DF-1015-0017 (Overseas scholarship - Phase 2)	1,215,513,937.26
DF-1015-0029 (MS Program Korea)	18126717.28
DF-1015-0041 (Overseas Schlrship Phase 1)	37,552,081.87
DF-1015-0052 (PhD Indigenous 5,000 Scholarships)	549,100,971.91
DF-1015-0084 (HRDI UESTP Scholarships Phaase 1)	224431254.6
<b>Total Scholarships</b>	<b>2,161,741,113</b>

#### 5 Tenure Track Scheme (TTS) Salary

**Type: Recurrent Budget Description.** A separate funding stream is kept to provide additional funds to universities for financial impact of faculty appointed under TTS. Faculty on the tenure track system are appointed by universities on the basis of criteria/qualifications prescribed in the Tenure Track Statutes, which have already been adopted by universities through their governing bodies. The amount paid comprises two components: Salary and One Month' Gratuity paid for every completed year of service, as per salary package approved by the Finance Division, GOP and notified by HEC.

Additionally, the requirement of funds for the Interim Faculty Placement Program is also met from the funds under the Tenure Track Fund. In this program, the fresh returning PhD graduates (indigenous and overseas) are placed in universities for one year and their salary amount equivalent to the salary of Assistant Professor under TTS are provided to universities where they are placed.

Oversight : Appointment of faculty under tenure track is subject to clearance under the university's own procedures and endorsement from the Quality Assurance Division of HEC.

	Amount in RS
Tenure Track Pay	901,718,179
Tenure Track Gratuity	138,261,609
Interim Placement of fresh PhDs Pay	284,344,195
<b>Total Tenure track Salary</b>	<b>1,324,323,983</b>

## 6 Pakistan Education Research Network (PERN)

Type Recurrent Budget - Description: The network provides services such ultra-high speed internet, audio/video conferencing, access to digital library resources such as journals, electronic books and research thesis access facilities to stake holders of the academic and research sector of the country. Expenditures under this program include costs associated with the operation and maintenance of this network such as bandwidth charges, fiber leasing, etc. Oversight. This network is operated and maintained by HEC and its internal controls apply which have been reviewed and found adequate.

No.	Description	Amount in RS
	Pakistan Education Reseach Network(PERN)	225,000.00
	Basic Pay Off - PERN	2,056,197.00
	Basic Pay Staff-PERN	931,083.00
	Training Domest-PERN	2,275,790.00
	Training Intern-PERN	1,414,318.80
	Traveling Allow-PERN	3,996,701.00
	Stationery - PERN	297,353.77
	Printing & Pub-PERN	95,443.00
	Conf/Seminar-PERN	34,980.00
	Advert & Public-PERN	123,848.00
	Contigencies-PERN	228,655.00
	Electricity charges	2,013,177.00
	Fuel Generator-PERN	3,448,376.61
	Fuel Vehical-PERN	164,494.75
	R&M Transport-PERN	19,480.00
	R&M Machin & Eq-PERN	260,741.00
	POP Sites-PERN	6,968,763.29
	Warranty Router-PERN	4,280,289.00
	Managed Service-PERN	26,960,413.37
	Prem Internet B-PERN	275,308,027.00
	International Private Lease circuit	8,038,980.00
	Metro Fiber L.C-PERN	132,491,767.00
	Nation Fiber LC-PERN	50,000,000.00
	Memb Renewl Fee-PERN	3,558,579.00
	Anti Plag Softw-PERN	33,876,603.49
	Applic/License -PERN	52,339,200.00
	Purch IT Equip -PERN	173,410.80
	Hardware (Routers for Pop sites)	9,107,625.00
	PERN Revenues as Refunds from Universities	- 256,671,271
	<b>Total Expenditure PERN</b>	<b>364,018,026.19</b>

## 7 National Research Program for Universities

Type: Recurrent Budget Description. The research grant program awards research grants to creative researchers in a wide range of disciplines for a period of one to three years, but only after research proposals have undergone a rigorous peer review. Nature of expenditures depends on the requirements of each project, including, for example, equipment, chemicals, remuneration to research staff, audit, etc. These grants are implemented by the recipient institutions. Oversight. While the grant funds are managed on a day to day basis by the recipient of the grant, HEC exercises oversight through rigorous review of the technical and financial proposal and release of installments against pre-defined milestones related to technical outputs subject to independent review.

Amount in RS
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National Research Program for Universities

349,081,770

## 8 International Research Support Initiatives Program

Recurrent Budget Description. A 6 month research fellowship abroad scheme is available to full time PhD students enrolled in Pakistan to enhance their research capabilities. The scheme is also assisting ongoing Indigenous PhD programs by providing a mechanism for PhD scholars to travel abroad and conduct research in advanced industrialized countries for a period up to 6 months. Expenditures include travel cost, stipend and Bench fee/Registration fee.

Oversight: The program is managed by HEC and its internal controls apply which have been reviewed and found adequate. Selected candidates enter into a bond with HEC to return and complete their PhD studies at their parent universities.

Amount in RS
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International Research Support Initiatives Program

309,174,108

## 9 Recurring Grant to Universities and Institutions

Type. Recurrent Budget- Description: This constitutes more than 50 percent of the expenditures under EEPs. The Government of Pakistan provides annual recurrent grants to public universities to subsidize their cost of operation. Public universities are autonomous organizations established through Provincial/Federal Acts, and are governed by respective Syndicate/Board of Governors. They have administrative and financial autonomy and prepare their own annual operational budgets, which are approved by their governing bodies on the recommendations of the Finance Planning Committee. Grants are provided to public universities, degree awarding institutions and other HEIs. Annually, the detailed requirement of funds from each university is invited and examined in detail. The amount of funding allocated to each institution is based on a comprehensive funding formula that is subject to further refinement. Proposals are formulated and submitted to the Budget and Finance Committee of the Commission, and on its recommendations, the Commission approves allocation of the recurring grant. The finalized allocation is submitted to the Govt. for incorporation in the Annual Budget Book of the Federal Government. The annual recurring grant partially covers annual operational expenditures under salaries, non- salary, and research expenditures.



Oversight: HEC exercises extensive oversight of the proper utilization of these funds. HEC is represented on the governing bodies of universities and is often (but not always) represented on the Finance and Planning Committees where all matters pertaining to the financial management of universities are discussed in detail. The allocated grant is released by HEC on a periodic basis after receiving funds from the Govt. Subsequent release of installments of the allocated recurring grant is only made once the detailed Utilization Report (object head-wise) is submitted to HEC duly countersigned by the respective head internal audit/resident auditor of the recipient institution. Universities are also required to provide a declaration that 'all codal formalities for incurring expenditures were exercised'.

University	Releases (Rs)
University of Karachi, Karachi	1,077,429,648
University of Sindh Jamshoro	1,243,020,833
Shah Abdul Latif University Khairpur	335,425,113
Federal Urdu University of Arts Science	525,946,699
University of the Punjab Lahore	1,394,836,528
Bahauddin Zakariya University Multan	637,099,365
Islamia University Bahawalpur	632,569,598
Fatima Jinnah Women University, Rawalpindi	189,191,682
Government College University Lahore	256,380,654
Lahore College for Women University, Lahore	218,873,546
Govt. College University, Faisalabad	301,438,533
University of Sargodha Sargodha	335,993,073
University of Education Lahore	199,113,127
University of Peshawar Peshawar	889,730,312
Gomal University D.I. Khan	501,003,894
Kohat Univ. of Science & Tech. Kohat	160,844,540
University of Malakand Chakdara	138,581,800
Hazara University Mansehra	196,668,086
University of Balochistan Quetta	505,016,780
Balochistan University of Information Technology, Engineering and Management Sciences, Quetta	206,739,146
Quaid-i-Azam University Islamabad	616,540,310
International Islamic University, Islamabad	742,899,024
National University of Modern Languages	397,774,727
AJK University Muzaffarabad	351,803,178
Karakurram International University, Gilgit	159,129,093
Sardar Bahadur Khan Women University, Quetta	97,778,543
University of Science & Tech. Bannu	142,374,109
Frontier Women University Peshawar	75,976,247
Air University Islamabad	122,491,051
Virtual University of Pakistan Lahore	100,000,000
Allama Iqbal Open University Islamabad	225,000,000
Instt.of Business Administration, Karachi	83,597,398
COMSATS Institute of IT Islamabad	638,354,690
Institute of Management Sciences, Peshawar	83,125,491
Institute of Space Technology Islamabad	77,102,301
Sukkur Institute of Business Administration, Sukkur	95,471,475
Pakistan Institute of Development Economics, Islamabad	62,821,703
Kinniard College for Women Lahore	82,113,250
Sindh Agriculture University Tandojam	643,319,997
University of Agriculture Faisalabad	879,760,176
University of Arid Agri., Rawalpindi	314,248,529

University	Releases (Rs)
NWFP University of Agriculture Peshawar	493,826,580
University of Veterinary & Animal Sciences, Lahore	223,390,045
Lasbela University of Agriculture Water	108,695,041
NED University of Engg & Tech. Karachi	749,056,564
Mehran University of Engineering & Technology, Jamshoro	674,226,405
Quaid-e-Awam University of Engg. & Tech., Nawabshah	272,640,174
University of Engg. & Tech. Lahore	938,253,337
University of Engg. & Tech. Taxila	362,428,957
KPK University of Engineering & Technology., Peshawar	516,560,825
Balochistan University of Engg. & Tech.	130,351,230
Liaquat University of Medical & Health Sciences, Jamshoro	367,617,085
Dow University of Health Sciences, Karachi	312,294,899
University of Health Sciences Lahore	65,337,700
Khyber Medical University Peshawar	54,448,257
King Edward Medical University Lahore	126,298,769
University of Gujrat	148,514,846
National Defence University, Islamabad	66,864,443
Islamia College University, Peshawar	173,751,076
National Textile University Faisalabad	85,795,167
Mirpur University Science & Technology	139,215,220
Abdul Wali Khan University, Mardan	121,112,353
Shaheed Benazir Bhutto University, Sheringal, Dir Upper	54,901,800
Applied Economics of research Centre, University of Karachi	70,356,390
HEJ Research Instt.of Chemistry, University of Karachi	264,578,306
Third World Centre for Science & Technology at HEJ Research Institute of Chemistry, Univ. of Karachi	151,901,733
Dr. Panjwani Centre for Molecular Medicine & Drug Research, University of Karachi, Karachi	51,143,000
Dr. A.Q.Khan Ins. of Bio-Tech. & Genetic Engg. Uni. of Karachi	45,240,473
Institute of Biochemistry & Biotechnology, University of Punjab, Lahore	5,942,000
Instt. of Clinical Psychology, University of Karachi, Karachi	22,715,766
Instt. of Clinical Psychology, University of the Punjab, Lahore	17,628,571
Z.A. Bhutto Agriculture College, Dokri (Sindh Agriculture University, Tandojam)	53,653,616
Bahauddin Zkriya University College of Agriculture, Multan	36,421,497
University College of Engg. & Tech., B.Z. University, Multan	47,549,907
School of Biological Sciences, University of the Punjab, Lahore	70,151,010
Water Management Res. Centre, University of Agriculture, Faisalabad	14,689,626
Scientific Instrumentation Centre, UET, Peshawar	8,025,061
Shaikh Zayed Islamic Centre, University of Peshawar	18,477,341
Shaikh Zayed Islamic Centre, University of the Punjab, Lahore	18,909,278
Shaikh Zayed Islamic Centre, University of Karachi, Karachi	18,980,371
Chair on Quaid-i-Azam & Freedom Movement, QAU, Islamabad	1,240,905
Shah Abdul Latif Bhitai Chair, University of Karachi	5,229,804
Seerat Chair, University of Karachi	1,615,646
Seerat Chair, Islamia University, Bahawalpur	1,710,063

University	Releases (Rs)
Dr. Salam Chair, Govt. College University, Lahore	5,741,227
Dawah Activities, International Islamic University, Islamabad	81,856,632
School of Mathematical Sciences, Govt. College University, Lahore	40,112,198
Al-Khawarizmi Institute of Computer Sciences, UET, Lahore	32,702,606
Geology University of Peshawar Peshawar	49,888,836
Centre of Excellence in Physical Chemistry, University of Peshawar, Peshawar	44,683,620
Centre of Excellence in Solid State Physics, University of the Punjab, Lahore	43,768,254
Water Resources Engg. UET Lahore	31,849,616
Centre of Excellence in Molecular Biology, University of the Punjab, Lahore	131,553,718
Centre of Excellence in Marine Biology, University of Karachi, Karachi	32,504,257
Analytical Chemistry, University of Sindh, Jamshoro	47,725,000
Centre of Excellence in Mineralogy, University of Balochistan, Quetta	19,591,905
Centre of Excellence in Psychology, QAU, Islamabad	24,081,093
History & Cultural Research, Quaid-i-Azam University, Islamabad	31,239,000
Centre of Excellence in Arts & Design, Mehran Univ. of Engg. & Tech., Jamshoro	26,935,247
Centre of Excellence in Gender Studies, QUA, Islamabad	12,445,451
Area Study Centre for South Asia, University of the Punjab, Lahore	14,782,505
Europe University of Karachi Karachi	14,925,385
Far East & South East Asia, University of Sindh, Jamshoro	17,081,000
Area Study Centre for Central Asia, University of Peshawar, Peshawar	19,319,996
Middle East & Arab Countries University	8,649,916
Africa, North & South America, Quaid-i-Azam University, Islamabad	13,505,835
Pakistan Study Centre, University of the Punjab, Lahore	9,604,313
Pak Study Centre University of Karachi,	10,429,396
Pak Study Centre Uni of Sindh, Jamshoro	11,170,636
Pakistan Study Centre Uni of Peshawar	15,194,235
Pakistan Study Centre, University of Balochistan, Quetta	11,344,410
Pakistan Study Centre, Quaid-i-Azam University, Islamabad	22,976,477
Iqbal Inst of Rech & Dialogue, IIU ISD	22,732,851
	<b>23,897,721,001</b>

## 10 Component II - Technical Assistance

Goods

Training

Consultant's Services

Incremental Operating Costs