



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

No. FAP/Audit Intimation/2014-15/F-56/347

Dated: 26.06.2014

To,

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

Subject: EXTERNAL AUDIT ACTIVITIES FOR 2014-2015

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 Project (TESP)" in accordance with DAGP's Auditing Standards, which are in conformity with International Auditing Standards.

3. As per mandate of the Auditor General of Pakistan, this office shall require Financial Statements of the project on International Public Sector Accounting Standards (IPSAS) to evaluate that they are free of material misstatement. 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. In addition to the report of the Auditor General on the Financial Statements, 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.



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5. As the Financial Year ends on 30th June, 2014 the responsibility for preparation of the Financial Statements, including adequate disclosure, is the responsibility of the project management. This includes maintenance of adequate accounting records and internal controls, application of accounting policies, and safeguard of the assets of the entity. We expect that the project management will provide us the Financial Statements of the project by **31.07.2014** so that the audit is conducted well in time and report is submitted to the Donor by the deadline given. Delay in provision of Financial Statements by the given deadline will result in delay in conducting audit, ultimately resulting in delay in meeting the deadline of the Donor.

6. 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 ur Rehman)
Director General

Copy for information to:

- i. The World Bank, International Bank for Reconstruction and Development, International Development Association, 20-A, Shahrah-e-Jamhuriat, Sector G-5/1, Islamabad to ensure that the project management provides Financial Statements to Audit well in time.



HIGHER EDUCATION COMMISSION

SECTOR H-9, ISLAMBAD, Pakistan Website: <http://www.hec.gov.pk>

Khawaja Zahid Hussain
FM Specialist

No: HEC/Audit/TESP/2013/
Dated: July 24, 2014

To: Director General (Audit)
Directorate General Audit (Federal Government)
Benevolent Fund Building,
Zero Point
Islamabad

Subject:- EXTERNAL AUDIT ACTIVITIES FOR 2014-15

Dear Sir,

Please refer to your letter No. FAP/Audit/intimation/2014-15/F-56/347 dated 25.06.2014 on the subject cited above and find enclosed Financial Statements pertaining to the "Tertiary Education Support Project (TESP) IDA credit No. 4887-PK and 4886-PK" for the Financial year 2013-14, for further necessary action at your end.

Yours Faithfully


Khawaja Zahid Hussain
Financial Management Specialist

Encl: As Above

Copy For Information to:

- ES to Executive Director, HEC, Islamabad
- PC TESP
- Director Accounts, HEC, Islamabad
- DD Audit, HEC, Islamabad

E-mail:- kzhussain@hec.gov.pk, Ph:- +92-51-90401750-1 Fax:- +92-51-90401752

HIGHER EDUCATION COMMISSION OF PAKISTAN
IDA Credit No. 4887-PK and 4886-PK
TERTIARY EDUCATION SUPPORT PROJECT (TESP)
Annual Financial Statement for the FY 2013-14

| Description | Note No | Amount Rs |
|--|---------|-----------------------|
| Revenues | | |
| * Recurring Funds Government Grants for Component I- Eligible Expenditures Program (EEP) | 1 | 38,104,754,311 |
| Development Funds Government Grants for Component I- Eligible Expenditures Program (EEP) | 2 | 2,109,970,964 |
| Government Grants for Component II - Technical Assistance | 3 | 110,000,000 |
| Total Funds | | 40,324,725,275 |
| Expenditures/Releases | | |
| Scholarships | 4 | 2,083,576,309 |
| Tenure Track Salary | 5 | 1,774,999,952 |
| Pakistan Education Research Network (PERN) | 6 | 149,743,190 |
| National Research Program for Universities | 7 | 566,916,749 |
| International Research Support Initiatives Program | 8 | 338,606,562 |
| Recurrent Grant to Universities and other Institutions | 9 | 35,274,230,400 |
| Sub Total Eligible Expenditure | | 40,188,073,163 |
| Component II - Technical Assistance | 10 | 107,222,168 |
| Total Uses of Funds/Expenditures/Releases | | 40,295,295,330 |
| Balance | | 29,429,945 |
| | | |
| * The Recurring Funds include IDA Share | | |
| IDA credited Fedral Government SBP Account with US \$ 23,242,627,82 on January 14,2014 | | 2,446,651,487 |
| IDA credited Fedral Government SBP Account with US \$ 18,652,053.16 on January 14,2014 | | 1,963,421,432 |
| IDA credited Fedral Government SBP Account with US \$ 8,439,496.8 on April 23,2014 | | 824,381,863 |
| IDA credited Fedral Government SBP Account with US \$ 8,411,613.00 on April 23,2014 | | 821,658,134 |
| IDA credited Fedral Government SBP Account with US \$ 8,369,859.58 on June 16,2014 | | 824,118,776 |
| IDA Share | | 6,880,231,692 |

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

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

HIGHER EDUCATION COMMISSION OF PAKISTAN
IDA Credit No. 4887-PK and 4886-PK
TERTIARY EDUCATION SUPPORT PROJECT (TESP)

Notes to the Financial Statements

| No. | Description | Amount in RS |
|------------------------|--|-----------------------|
| <u>Receipts</u> | | |
| 1 | Recurring Grant for Component I- Eligible Expenditures Program EEP) | |
| | Tenure Track Salary | 1,775,000,000 |
| | Pakistan Education Research Network | 150,000,000 |
| | National Research Program for Universities | 566,916,749 |
| | International Research Support Initiatives Program | 338,606,562 |
| | Recurrent Grant to Universities and other Institutions | 35,274,231,000 |
| | Sub-Total Recurring Grant | 38,104,754,311 |
| 2 | Development Grant for Component I- Eligible Expenditures Program EEP) | |
| | Scholarships | |
| | DF-1015-0004 (Post Doc Phase 2) | 95,706,825 |
| | DF-1015-0017 (Overseas scholarship - Phase 2) | 882,001,852 |
| | DF-1015-0029 (MS Program Korea) | 4,157,854 |
| | DF-1015-0041 (Overseas Schlrship Phase 1) | 75,278,912 |
| | DF-1015-0052 (PhD Indigenous 5,000 Scholarships) | 310,795,875 |
| | DF-1015-0084 (HRDI UESTP Scholarships Phaase 1) | 742,029,646 |
| | Sub total Dev. Grant Scholarships | 2,109,970,964 |
| 3 | Component II - Technical Assistance | 110,000,000 |

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:

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

The details of Eligible Eexpenditure 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) | 79,034,874 |
| DF-1015-0017 (Overseas scholarship - Phase 2) | 881,993,943 |
| DF-1015-0029 (MS Program Korea) | 2,550 |
| DF-1015-0041 (Overseas Schlrship Phase 1) | 72,312,177 |
| DF-1015-0052 (PhD Indigenous 5,000 Scholarships) | 310,750,454 |
| DF-1015-0084 (HRDI UESTP Scholarships Phaase 1) | 739,482,312 |
| Total Scholarships | 2,083,576,309 |

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 | 1,146,543,840 |
| Tenure Track Gratuity | 195,171,636 |
| Interim Placement of fresh PhDs Pay | 433,284,476 |
| Total Tenure track Salary | 1,774,999,952 |

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) | |
| | Basic Pay Officer - PERN | 4,900,068 |
| | Basic Pay Staff - PERN | 4,190,197 |
| | Regular Allowances - PERN | 120,502 |
| | Training International -PERN | 76,584 |
| | Travelling Allowance -PERN | 1,618,324 |
| | Printing & Publication - PERN | 6,950 |
| | Advertising & Publicity - PERN | 136,133 |
| | Contigencies & Unforseen Expenditure- PERN | 761,485 |
| | Electricity Charges- PERN | 818,781 |
| | Fuelling Charges for Generators- PERN | 8,847,110 |
| | Fuelling for Vehicals- PERN | 241,570 |
| | repair & Maintenance Transports- PERN | 50,978 |
| | Point of Presence Sites- PERN | 1,008,355 |
| | Warranty of Routers- PERN | 5,173,774 |
| | Warranty of Power Equipments- PERN | 9,858,751 |
| | Warranty of Cooling System Equipments- PERN | 835,000 |
| | Managed Services for Active Equipments- PERN | 63,733,498 |
| | Premium Internet Bandwidth- PERN | 272,460,000 |
| | International Private Lease Circuit (IPLC)- PERN | 10,284,967 |
| | Metro Fibre(Lease Cost)- PERN | 50,356,687 |
| | National Fibre(Lease Cost)- PERN | 81,000,000 |
| | Membership Renewal Fee[Dante,APAN,APNIC etc]- PERN | 665,524 |
| | Anti Plagirisim Software License Fee- PERN | 39,854,001 |
| | Application / Licenses for PERN Users | 12,855,070 |
| | Purchase of Hardware [Firewalls,IPS]- PERN | 17,468,927 |
| | Purchase of I.T Equipment [Server] -PERN | 15,517,778 |
| | Metro Fibre(Lease Cost)- PERN | 1,054,009 |
| | Hardware {Routers for Aggregation PoP Sites}-PERN | 6,791,707 |
| | | 610,686,731 |
| | PERN Revenues as Refunds from Universities | 460,943,541 |
| | Total Expenditure PERN | 149,743,190 |

7 National Research Program for Universities

Type: Recurrent Budget Description. The research grant program awards research grants to creative

National Research Program for Universities

Amount in RS

566,916,749

8 International Research Support Initiatives Program

Recurrent Budget Description. A 6 month research fellowship abroad scheme is available to full time

International Research Support Initiatives Program

Amount in RS

338,606,562

9 Recurring Grant to Universities and Institutions

Type. Recurrent Budget- Description: This constitutes more than 50 percent of the expenditures under

Oversight: HEC exercises extensive oversight of the proper utilization of these funds. HEC is

| University | Releases (Rs) |
|--|---------------|
| Applied Economics Research Centre University | 91,920,000 |
| HEJ Research Institute of Chemistry University | 332,678,000 |
| Third World Centre for Science &Tech. Univ | 183,883,000 |
| Dr. Panjwani Centre for Molecular Medicine | 67,372,000 |
| Dr. A. Q. Khan Institute of Bio-Technology | 61,841,000 |
| Institute of Biochemistry & Biotechnology | 7,680,000 |
| Institute of Clinical Psychology University | 34,551,000 |
| Centre for Clinical Psychology University | 29,811,000 |
| Z.A. Bhutto Agriculture College Dokri (S | 80,312,000 |
| University College of Agriculture B.Z. U | 54,291,000 |
| University College of Engg. & Tech. B.Z.U | 69,017,000 |
| School of Biological Sciences University | 96,366,000 |
| Water Management Research Centre University | 21,746,000 |
| Scientific Instrumentation Centre UET Peshawar | 12,743,000 |
| Shaikh Zayed Islamic Centre University | 27,260,000 |
| Shaikh Zayed Islamic Centre University | 29,021,000 |
| Shaikh Zayed Islamic Centre University | 27,502,000 |
| Quaid-i-Azam Chair Quaid-i-Azam University | 1,840,000 |
| Shah Abdul Latif Bhitai Chair University | 7,505,000 |
| Seerat Chair University of Karachi Karac | 2,440,000 |
| Seerat Chair Islamia University Bahawalp | 2,772,000 |
| Salam Chair in Physics Govt. College Uni | 8,009,000 |
| Dawah Academy International Islamic Univ | 112,511,000 |
| School of Mathematical Sciences Govt. Co | 52,899,000 |
| Al-Khawarzmi Institute of Computer Scien | 53,671,000 |
| Geology University of Peshawar Peshawar | 75,292,000 |
| Physical Chemistry University of Peshawa | 62,675,000 |
| Solid State Physics University of Punjab | 61,402,000 |
| Water Resources Engg. UET Lahore | 44,839,000 |
| Molecular Biology University of Punjab L | 174,722,000 |
| Marine Biology University of Karachi Kar | 47,718,000 |
| Analytical Chemistry University of Sindh | 65,256,000 |
| Mineralogy University of Balochistan Que | 30,813,000 |
| Psychology Quaid-i-Azam University Islam | 38,938,000 |
| History & Cultural Research Quaid-i-Azam | 46,462,000 |

| University | Releases (Rs) |
|--|---------------|
| Arts & Design Mehran University of Engg. | 57,989,000 |
| Gender Studies Quaid-i-Azam University I | 25,298,000 |
| South Asian Studies University of Punjab | 22,846,000 |
| Europe University of Karachi Karachi | 22,619,000 |
| Far East & South East Asia University of | 25,609,000 |
| Russia China & Central Asia University o | 29,234,000 |
| Middle East & Arab Countries University | 14,970,000 |
| Africa North & South America Quaid-i-Aza | 21,612,000 |
| Pakistan Study Centre, Uni Punjab Lahore | 15,835,000 |
| Pak Study Centre University of Karachi, | 20,184,000 |
| Pak Study Centre Uni of Sindh, Jamshoro | 17,450,000 |
| Pakistan Study Centre Uni of Peshawar | 23,363,000 |
| Pakistan Study Centre, Uni Baloch,Quetta | 19,684,000 |
| National Institute of Pakistan Studies Q | 40,158,000 |
| Iqbal Inst of Rech & Dialogue, IIU ISD | 29,930,000 |
| University of Karachi, Karachi | 1,518,095,000 |
| University of Sindh Jamshoro | 1,487,087,000 |
| Shah Abdul Latif University Khairpur | 432,389,000 |
| Federal Urdu University of Arts Science | 719,858,000 |
| University of the Punjab Lahore | 2,021,328,000 |
| Bahauddin Zakariya University Multan | 927,684,000 |
| Islamia University Bahawalpur | 996,082,000 |
| Fatima Jinnah Women University Rawalpind | 237,065,000 |
| Government College University Lahore | 438,710,000 |
| Lahore College for Women University Laho | 387,510,000 |
| Government College University Faisalabad | 541,250,000 |
| University of Sargodha Sargodha | 641,255,000 |
| University of Education Lahore | 380,556,000 |
| University of Peshawar Peshawar | 1,107,242,000 |
| Gomal University D.I. Khan | 648,202,000 |
| Kohat Univ. of Science & Tech. Kohat | 259,581,000 |
| University of Malakand Chakdara | 266,169,000 |
| Hazara University Mansehra | 383,898,000 |
| University of Balochistan Quetta | 817,550,000 |
| Balochistan University of I.T. & Managem | 400,209,000 |
| Quaid-i-Azam University Islamabad | 793,756,000 |
| International Islamic University Islamab | 1,151,380,000 |
| National University of Modern Languages | 612,957,000 |
| AJK University Muzaffarabad | 339,468,000 |
| Karakorum International University Gilgi | 226,930,000 |
| Sardar Bahadur Khan Women University Que | 151,995,000 |
| University of Science & Tech. Bannu | 176,788,000 |
| Frontier Women University Peshawar | 147,916,000 |
| Air University Islamabad | 186,038,000 |
| Virtual University of Pakistan Lahore | 100,000,000 |
| Allama Iqbal Open University Islamabad | 296,504,000 |
| Institute of Business Administration Kar | 104,545,000 |
| COMSATS Institute of IT Islamabad | 1,037,192,000 |
| Institute of Management Sciences Peshawa | 150,379,000 |
| Institute of Space Technology Islamabad | 110,340,000 |
| Sukkur Institute of Business Administrat | 186,811,000 |
| Pakistan Institute of Development Econom | 76,024,000 |

| University | Releases (Rs) |
|--|-----------------------|
| Kinniard College for Women Lahore | 124,342,000 |
| Sindh Agriculture University Tandojam | 795,758,000 |
| University of Agriculture Faisalabad | 1,245,347,000 |
| University of Arid Agriculture Rawalpind | 455,451,000 |
| NWFP University of Agriculture Peshawar | 659,503,000 |
| University of Veterinary & Animal Scienc | 416,848,400 |
| Lasbela University of Agriculture Water | 224,165,000 |
| NED University of Engg & Tech. Karachi | 1,099,561,000 |
| Mehran University of Engg. & Tech. Jamsh | 850,204,000 |
| Quaid-i-Awam University of Engg. Science | 348,487,000 |
| University of Engg. & Tech. Lahore | 1,219,184,000 |
| University of Engg. & Tech. Taxila | 541,120,000 |
| NWFP University of Engg. & Tech. Peshawa | 668,799,000 |
| Balochistan University of Engg. & Tech. | 169,124,000 |
| Liaquat University of Medical & Health S | 622,787,000 |
| Dow University of Health Sciences Karach | 439,226,000 |
| University of Health Sciences Lahore | 84,230,000 |
| Khyber Medical University Peshawar | 137,611,000 |
| King Edward Medical University Lahore | 178,032,000 |
| University of Gujrat | 256,005,000 |
| National Defence University, Islamabad | 78,298,000 |
| Islamia College University, Peshawar | 290,754,000 |
| National Textile University Faisalabad | 169,696,000 |
| Mirpur University Science & Technology | 262,421,000 |
| Abdul Wali Khan University, Mardan | 222,484,000 |
| Shaheed Benazir Bhutto University, Sheri | 113,761,000 |
| University of Swat, Swat | 87,452,000 |
| PeopleKhyber Medical University Peshawar | 57,833,000 |
| ShaheeKhyber Medical University Peshawar | 55,132,000 |
| University of Poonch, Rawalakot | 185,000,000 |
| University of Haripur, Haripur | 85,000,000 |
| Sindh Madressatul Islam University, Kara | 50,000,000 |
| Shaheed Benazir Bhutto Uni,Benazirabad | 40,000,000 |
| The Women University of Azad Jammu & Kas | 5,333,000 |
| Benazir Bhutto Shaheed University Lyari, | 20,000,000 |
| Bahria University, Islamabad | 50,000,000 |
| | 35,274,230,400 |

10 Component II - Technical Assistance

| | |
|-----------------------------|--------------------|
| Goods | 1,295,971 |
| Training | 68,766,982 |
| Consultant's Services | 30,046,657 |
| Incremental Operating Costs | 7,112,558 |
| | 107,222,168 |