



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

No. DGA/FAP/Audit Intimation/2014-15/F-58/662

Dated: 31.07.2015

To,

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

Subject: EXTERNAL AUDIT ACTIVITIES FOR 2015-2016

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 donor requirements this will be financial attest audit which include certification of the accounts of the project. This office shall, therefore, require Financial Statements of the project prepared on the basis of International Public Sector Accounting Standards (IPSAS) to ensure that they are free of material misstatement. Financial attest audit also include assessment of the accounting principles used, significant estimates made by the management and evaluation of the overall presentation of Financial Statements.

4. In addition to expressing opinion on Financial Statements, Audit will also provide the project management with a separate report on any material weaknesses in accounting and internal control systems that has come to their notice during the course of audit.

5. As the financial year has ended on 30th June, 2015, the project management is responsible for preparation of the Financial Statements including adequate disclosure. 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 with the Financial Statements of the project by **31.07.2015** 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 beyond the above referred date would delay financial attest of your accounts required by the donor agency.

6. We expect full cooperation from the project management and hope that they will make available any books of accounts, files 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.


(Junaid Mushtaq Qureshi)
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.



ہائیر ایجوکیشن کمیشن
HIGHER EDUCATION COMMISSION

Sector H-9, Islamabad (Pakistan) Exchange: (051) 9040000
Tele: (051) 90402304-2305 Fax: (051) 90402306
lali@hec.gov.pk

B.S.M

No.621/HEC/Audit/TESP/2014 /20

August 24, 2015

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

Subject: EXTERNAL AUDIT ACTIVITIES FOR 2015-16.
FINANCIAL STATEMENTS OF "TERTIARY EDUCATION SUPPORT PROJECT (TESP)"
FOR THE FINANCIAL YEAR ENDED ON 30TH JUNE, 2015.

Dear Sir,

Please refer to your letter No.DGA/FAP/Audit intimation/2014-15/F-58/662 dated 31.07.2015 on the subject cited above and find enclosed herewith Financial Statements of project titled "Tertiary Education Support Project (TESP)" for the financial year ended on 30th June, 2015 for further necessary action at your end.

Encl: As above

Yours faithfully,

(Liaquat Ali)
Director (Audit)

Copy for information to:

- E.S to Chairman, HEC.
- E.S to Executive Director, HEC
- ✓ P.S to D.G (Finance), HEC
- FMS (TESP), HEC.

HIGHER EDUCATION COMMISSION OF PAKISTAN
IDA Credit No. 4887-PK and 4886-PK
TERTIARY EDUCATION SUPPORT PROJECT (TESP)
Annual Financial Statement for the FY 2014-15

Description	Note No	Amount Rs
Revenues		
Share of World bank/ as budgetary support to the Government of Pakistan for Component I- Eligible Expenditures Program (EEP)	1	3,893,700,397
Share of the Government for Component I- Eligible Expenditures Program (EEP)	2	37,336,752,673
Government Grants for	3	160,000,000
Total Funds		41,390,453,070
Expenditures/Releases		
Scholarships	4	1,898,324,831
Tenure Track Salary	5	2,198,544,000
Pakistan Education Research Network (PERN)	6	180,623,026
National Research Program for Universities	7	746,695,176
International Research Support Initiatives Program	8	396,629,998
Recurrent Grant to Universities and other Institutions	9	35,809,654,000
Sub Total Eligible Expenditure		41,230,471,031
Expenditure on Component II - Technical Assistance	10	159,982,039
Total Uses of Funds/Expenditures/Releases		41,390,453,070
Balance		NIL

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

Signed
DIRECTOR GENERAL (FINANCE)
HIGHER EDUCATION COMMISSION
SECTOR H-9, ISLAMABAD

HIGHER EDUCATION COMMISSION OF PAKISTAN

IDA Credit No. 4887-PK and 4886-PK

Annual Financial Statement for the FY 2014-15

Notes to the Financial Statements

No.	Description	Amount in RS
Receipts		
1	Share of World bank for Component I- Eligible Expenditures Program (EEP)and II, as budgetary support to the Government of Pakistan	
	IDA credited Fedral Government SBP Account with US \$ 15,311,224.80 on May,22 2015	1,558,746,992
	IDA credited Fedral Government SBP Account with US \$ 22,967,086.13 on June, 18 2015	2,334,953,405
	Total Funds from IDA/Worldbank to the Government as Budgetary support	3,893,700,397
2	Share of the Government of Pakistan for Component I- Eligible Expenditures Program (EEP) as Recurring & Development Grants to HEC	
	Recurring Grant for Component I- Eligible Expenditures Program EEP)	35,438,445,804
	Development Grant for Component I- Eligible Expenditures Program EEP)	
	Scholarships under EEP	
	DF-1015-0004 (Post Doc Phase 2)	24,099,628
	DF-1015-0017 (Overseas scholarship - Phase 2)	797,292,636
	DF-1015-0029 (MS Program Korea)	1,910,863
	DF-1015-0041 (Overseas Schlrship Phase 1)	78,844,330
	DF-1015-0052 (PhD Indigenou 5,000 Scholarships)	192,997,082
	DF-1015-0084 (HRDI UESTP Scholarships Phaase 1)	803,180,292
	Sub Total Dev. Grant for Component 1 Scholarships	1,898,324,831
	Total Funds from Government as Budgetary Releases for Component 1 EEP	37,336,770,634
3	Funds from Government for Component II - Technical Assistance	160,000,000
	Total Government share as Grants	37,496,770,634

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 was found satisfactory by the World 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 by WB

	Amount in RS
DF-1015-0004 (Post Doc Phase 2)	24,099,628
DF-1015-0017 (Overseas scholarship - Phase 2)	797,292,636
DF-1015-0029 (MS Program Korea)	1,910,863
DF-1015-0041 (Overseas Scholarship Phase 1)	78,844,330
DF-1015-0052 (PhD Indigenous 5,000 Scholarships)	192,997,082
DF-1015-0084 (HRDI UESTP Scholarships Phase 1)	803,180,292
Total Scholarships	1,898,324,831

5 Tenure Track Scheme (TTS) Salary

Type: Recurrent Budget. It is a separate funding stream 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's 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	1,375,982,234
Tenure Track Gratuity	277,017,766
Interim Placement of fresh PhDs Pay	545,544,000
Total Tenure track Salary	2,198,544,000

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 by the WB.

No.	Description	Amount in RS
	Pakistan Education Reseach Network(PERN)	
	Basic Pay Officer - PERN	5,534,488
	Basic Pay Staff - PERN	3,914,593
	Regular Allowances - PERN	4,063,550
	Training Domestic/International -PERN	1,106,327
	Travelling Allowance -PERN	1,383,606
	Printing & Publication - PERN	45,029
	Advertising & Publicity - PERN	304,464
	Contigencies & Unforseen Expenditure- PERN	2,715,019
	Electricity Charges- PERN	3,202,604
	Fuelling Charges for Generators- PERN	10,402,310
	Fuelling for Vehicals- PERN	300,000
	repair & Maintenance Transports- PERN	86,176
	Point of Presence Sites- PERN	1,995,662
	Warranty of Routers- PERN	8,203,886
	Warranty of Power Equipments- PERN	9,191,593
	Warranty of Cooling System Equipments- PERN	915,000
	Managed Services for Active Equipments- PERN	44,339,300
	Premium Internet Bandwidth- PERN	209,174,680
	International Private Lease Circuit (IPLC)- PERN	16,093,509
	Metro Fibre(Lease Cost)- PERN	69,603,295
	National Fibre(Lease Cost)- PERN	143,231,120
	Membership Renewal Fee[Dante,APAN,APNIC etc]- PERN	435,017
	Anti Plagirisim Software License Fee- PERN	53,516,757
	Application / Licenses for PERN Users	93,578,641
	Purchase of Hardware [Firewalls,IPS]- PERN	
	Purchase of I.T Equipment [Server] -PERN	941,625
	Hardware {Routers for Aggregation PoP Sites]-PERN	17,006,105
		701,284,356
	PERN Revenues as Refunds from Universities	520,661,330
	Total Expenditure PERN	180,623,026

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.

National Research Program for Universities

Amount in RS

746,695,176

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.

International Research Support Initiatives Program

Amount in RS

396,629,998

9 Recurring Grant to Universities and Institutions

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)
Applied Economics Research Centre Univer	93,331,000
HEJ Research Institute of Chemistry Univ	355,965,000
Third World Centre for Science &Tech. Un	196,755,000
Dr. Panjwani Centre for Molecular Medici	67,372,000
Dr. A. Q. Khan Institute of Bio-Technolo	64,218,000
Institute of Biochemistry & Biotechnolog	8,218,000
Institute of Clincial Psychology Univers	34,551,000
Centre for Clincial Psychology Universit	30,790,000
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.	69,017,000
School of Biological Sciences University	100,321,000
Water Management Research Centre Univers	21,746,000
Scientific Instrumentation Centre UET Pe	12,427,000
Shaikh Zayed Islamic Centre University o	27,457,000
Shaikh Zayed Islamic Centre University o	29,021,000
Shaikh Zayed Islamic Centre University o	27,954,000
Quaid-i-Azam Chair Quaid-i-Azam Universi	1,840,000
Shah Abdul Latif Bhitai Chair University	7,690,000
Seerat Chair University of Karachi Karac	2,611,000
Seerat Chair Islamia University Bahawalp	2,539,000
Salam Chair in Physics Govt. College Uni	8,009,000
Dawah Academy International Islamic Univ	117,835,000
School of Mathematical Sciences Govt. Co	55,929,000
Al-Khawarzmi Institute of Computer Scien	53,671,000
Geology University of Peshawar Peshawar	75,292,000
Physical Chemistry University of Peshawa	64,845,000
Solid State Physcis University of Punjab	63,868,000
Water Resources Engg. UET Lahore	45,687,000
Molecular Biology University of Punjab L	188,448,000
Marine Biology University of Karachi Kar	48,193,000
Analytical Chemistry University of Sindh	67,854,000
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
Arts & Design Mehran University of Engg.	42,871,000
Gender Studies Quaid-i-Azam University I	20,247,000
South Asian Studies University of Punjab	22,846,000
Europe University of Karachi Karachi	22,619,000
Far East & South East Asia University of	25,387,000
Russia China & Central Asia University o	29,234,000
Middle East & Arab Countries University	13,837,000
Africa North & South America Quaid-i-Aza	20,406,000
Pakistan Study Centre, Uni Punjab Lahore	15,164,000
Pak Study Centre University of Karachi,	16,499,000
Pak Study Cntre Uni of Sindh, Jamshoro	17,450,000
Pakistan Study Centre Uni of Peshawar	23,363,000
Pakistan Study Centre, Uni Baloch,Quetta	18,678,000
National Institute of Pakistan Studies Q	36,654,000
Iqbal Inst of Rech & Dialogue, IIU ISD	32,025,000
University of Karachi, Karachi	1,459,238,000

University	Releases (Rs)
University of Sindh Jamshoro	1,504,773,000
Shah Abdul Latif University Khairpur	420,357,000
Federal Urdu University of Arts Science	728,639,000
University of the Punjab Lahore	2,044,347,000
Bahauddin Zakariya University Multan	957,891,000
Islamia University Bahawalpur	1,016,079,000
Fatima Jinnah Women University Rawalpind	231,347,000
Government College University Lahore	445,149,000
Lahore College for Women University Laho	404,981,000
Government College University Faisalabad	589,798,000
University of Sargodha Sargodha	692,069,000
University of Education Lahore	414,663,000
University of Peshawar Peshawar	1,082,408,000
Gomal University D.I. Khan	647,481,000
Kohat Univ. of Science & Tech. Kohat	278,651,000
University of Malakand Chakdara	289,328,000
Hazara University Mansehra	392,828,000
University of Balochistan Quetta	600,640,000
Balochistan University of I.T. & Managem	427,939,000
Quaid-i-Azam University Islamabad	763,310,000
International Islamic University Islamab	1,237,343,000
National University of Modern Languages	620,954,000
AJK University Muzaffarabad	350,311,000
Karakorum International University Gilgi	243,900,000
Sardar Bahadur Khan Women University Que	159,951,000
University of Science & Tech. Bannu	176,997,000
Frontier Women University Peshawar	158,878,000
Air University Islamabad	202,595,000
Virtual University of Pakistan Lahore	100,000,000
Allama Iqbal Open University Islamabad	275,000,000
Institute of Business Administration Kar	112,496,000
COMSATS Institute of IT Islamabad	1,104,453,000
Institute of Management Sciences Peshawa	161,812,000
Institute of Space Technology Islamabad	97,802,000
Sukkur Institute of Business Administrat	202,599,000
Pakistan Institute of Development Econom	75,219,000
Kinniard College for Women Lahore	125,823,000
Sindh Agriculture University Tandojam	786,263,000
University of Agriculture Faisalabad	1,242,657,000
University of Arid Agriculture Rawalpind	477,764,000
NWFP University of Agriculture Peshawar	648,838,000
University of Veterinary & Animal Scienc	432,571,000
Lasbela University of Agriculture Water	176,983,000
NED University of Engg & Tech. Karachi	904,124,000
Mehran University of Engg. & Tech. Jamsh	854,076,000
Quaid-i-Awam University of Engg. Science	339,510,000
University of Engg. & Tech. Lahore	1,254,489,000
University of Engg. & Tech. Taxila	558,781,000
NWFP University of Engg. & Tech. Peshawa	643,304,000
Balochistan University of Engg. & Tech.	172,444,000
Liaquat University of Medical & Health S	637,171,000
Dow University of Health Sciences Karach	442,928,000

University	Releases (Rs)
University of Health Sciences Lahore	79,950,000
Khyber Medical University Peshawar	119,866,000
King Edward Medical University Lahore	202,595,000
University of Gujrat	264,254,000
National Defence University, Islamabad	66,862,000
Islamia College University, Peshawar	286,458,000
National Textile University Faisalabad	169,338,000
Mirpur University Science & Technology	281,872,000
Abdul Wali Khan University, Mardan	232,161,000
Shaheed Benazir Bhutto University, Sheri	116,960,000
University of Swat, Swat	86,411,000
PeopleKhyber Medical University Peshawar	43,204,000
ShaheeKhyber Medical University Peshawar	43,204,000
University of Poonch, Rawalakot	205,000,000
University of Haripur, Haripur	105,000,000
Sindh Madressatul Islam University, Kara	70,000,000
Shaheed Benazir Bhutto Uni, Benazirabad	60,000,000
FATA University, Akhurwal, Dera Adam Khel	17,000
The Women University of Azad Jammu & Kas	25,000,000
Benazir Bhutto Shaheed University Lyari,	50,000,000
Bahria University, Islamabad	70,000,000
The Women University, Multan	60,000,000
Bacha Khan University, Charsada	60,000,000
University of Swabi, Swabi	50,000,000
University of Turbat, Loralai	40,000,000
GC Women University, Faisalabad	25,000,000
Shaheed Zulfiqar Bhutto Medical Uni Isb	25,000,000
Pakistan Institute of Fashion & Design	50,000,000
	35,809,654,000

10 Component II - Technical Assistance

Goods	20,324,079
Training	89,813,387
Consultant's Services	44,631,973
Incremental Operating Costs	5,212,600
	159,982,039