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**INTERNAL AUDIT REPORT  
BOARD OF INTERMEDIATE & SECONDARY  
EDUCATION, PESHAWAR,  
GOVERNMENT OF KHYBER PAKHTUNKHWA**

**Financial Year 2011-12**

<b>CONTENTS</b>		<b>Page</b>
<b>I</b>	<b>Abbreviations &amp; Acronyms</b>	<b>3</b>
<b>1</b>	<b>Executive Summary</b>	<b>4-6</b>
<b>2</b>	<b>Introduction and Financial Highlights of BISE Peshawar</b>	<b>7-10</b>
<b>3</b>	<b>Financial Management Issues</b>	<b>11</b>
<b>3.1</b>	<b><i>Non Production of Record</i></b>	<b>12</b>
	3.1.1 Investments and related income	<b>13</b>
<b>3.2</b>	<b><i>Internal Control Weakness</i></b>	<b>14</b>
	3.2.1 Wrong deduction of Income Tax	<b>15</b>
<b>4</b>	<b>HR and IT related Issues</b>	<b>16</b>
<b>4.1</b>	<b><i>Internal Control Weakness</i></b>	
<b>17</b>		
	4.1.1 Non availability of Seniority List	<b>18</b>
	4.1.2 Deficiency in Policy Manual	<b>19</b>
	4.1.3 Deficiency in purchase process	<b>20</b>
	4.1.4 Non availability of Back Up Data in Computer Cell	<b>21</b>
	4.1.5 Non availability of UPS and electric Stabilizer in Computer Cell	<b>22</b>
	<b>Annexure 1</b>	<b>23</b>
	Risk Matrix	

**I. Abbreviations & Acronyms**

1	ASP	Assessment & Strengthening Program
2	APPM	Accounting policies and procedures manual
3	BISE	Board of Intermediate and Secondary Education
4	GFR	General Financial Rules
5	GoKPK	Government of Khyber Pakhtunkhawa
6	HR	Human Resources
7	HRD	Human Resources Department
8	IT	Information Technology
9	POL	Petrol, oil and lubricants
10	RSPN	Rural Support Program Network
11	BISE	Board of Intermediate and Secondary Education

**1. Executive summary**

## **INTRODUCTION**

Taking a lead in the reform measures, Government of Khyber Pakhtunkhawa (GoKPK) has decided to introduce internal audit in all the provincial government departments. This decision was taken by the government at the highest level i.e. Provincial Cabinet. This demonstrates strong political will in the province to introduce reforms in order to achieve accountability and transparency by bringing in a very important internal control mechanism in the system. The finance department of KP has shown immense commitment and has already started internal audit function as a pilot from pension and salaries in the finance department using their own resources. The commitment of the provincial government could also be gauged from the fact that the Finance Department formally approached ASP-RSPN for assistance in implementation of their reform agenda. GoKPK requested ASP-RSPN to provide assistance in the establishment of internal audit at the Finance Department, on pilot basis, which will be later replicated horizontally and vertically at all the departments. Internal audit of the BISE, Peshawar is also part of the overall strategy of understanding different financial management issues which effect transparency and governance in the education sector.

## **SCOPE**

Internal audit of the BISE, Peshawar was carried out for the financial year 2011-2012. The audit was carried out at BISE, Peshawar situated on University road, Peshawar.

During the audit different areas of financial management were scrutinized including; Treasury, Procurement (Purchases & Payables), Human Resource Management, Fixed Asset Management, IT.

The audit adopted a multi-facet approach and was focused on different aspects such as financial, operational, compliance and performance.

## **METHODOLOGY**

The audit was carried out using risk based approach. The approach entails that more attention must me focused on the areas of high risk. For detail of risk categorisations of different functions, being audited, kindly refer to the risk matrix in Annexure 1 of the report. Following was the detailed approach adopted;

- Understanding of the entity and its operations
- Assessment of overall control environment and related risks (inherent, control and detection risks)
- Review of processes and controls
- Test of controls
- Detailed testing of major expenditure
- Analytical procedures
- Checked compliance with laws and regulations

## **KEY AUDIT FINDINGS OF THE REPORT**

- A significant amount was invested in different Banks in fixed deposits. The investment revenue amounted to Rs. 59.420 million during the current financial year. We, however, were not able to verify the amount of investment and the related revenue due to non-production of the record by the management.
- Income Tax was calculated and deducted on the amount of bill inclusive of GST whereas this should have been calculated on the amount exclusive of GST.
- A Computer Cell maintained the data of all the students that are affiliated with the BISE but the back up data was not available nor they have a written policy or any plan.
- During the IA, the team observed that there were no UPS installed in the Computer Cell and the complete data was at risk getting lost if there was breakdown of electricity.
- Seniority list of the BISE employees was not provided to the IA team.
- BISE operational Policy Manual was not updated regularly to include any operational changes approved by the competent authority.
- In Computer Cell there was no specified role to check the goods purchased and delivered against the Purchase Order to ensure the specified quality and quantity.

## **RECOMMENDATIONS**

Following are our recommendations;

- All the record relating to the investments must be made available to the IA team for review.
- Income Tax should be calculated and deducted on the amount exclusive of GST.
- A computer Section must maintain a backup data of the students.
- UPS and Voltage Control System (High & Low) should be installed in Computer Section to avoid loss of data.
- Seniority list should be maintained and transfers/postings should be done according to the list.
- Board operational policy manual must be kept up to date with changes approved by the Board's committee.
- A separate role should be designated to check the quality and quantity of the IT goods delivered against the purchase order.

## **2. Introduction and Financial Highlights of BISE, Peshawar**

## INTRODUCTION

A commission on National Education consisting of experts from different fields of education was appointed in December 1958. Keeping in view the dire need for reorganization and reorientation of the then existing educational system, the commission pointed out that the Secondary Education, as an independent stage of education, with its own specific aims and objectives recommending the transference of Secondary Education from the control of University to the Board of Intermediate and Secondary Education shall be responsible for the Academic programs and conducting examinations at the Secondary and Intermediate level. Perhaps the idea was that the Secondary Education, which was the most formative stage, may receive special attention freeing the University from the tremendous responsibilities of the Secondary Education, thus creating favorable atmosphere and conditions for the University to look after Higher learning and Research work which shall guarantee capable and inspired leadership for the country. With this in view like other Boards in the country, the examining bodies, BISE, Peshawar was established in 1961. At that time, the area of Peshawar Board comprised the whole Khyber Pakhtunkhwa and its tribal areas.

The number of Educational institutions as well as the students was increasing day by day. The Peshawar Board arranged sub-offices at Divisional level at Mardan, Swat, Kohat, Bannu and DI Khan. Later on, the number of educational institutions as well as the students increased so much that the public demanded the creation of more Boards. Taking into consideration the public demand, the Government decided to establish three more Boards at Abbottabad, Bannu and Swat. The bifurcation was therefore made and the other three Boards have been functioning since 1990 according to the Act promulgate for the purpose

Now keeping in view the public demand and strength, the BISE Peshawar has been split again into three Boards which are:

BISE Peshawar:

District Peshawar, F.R. Peshawar and Khyber Agency  
District Charsadda, Shabqadar and Mohmand Agency  
District Chitral

BISE Kohat:

Districts Kohat, Karak & Hangu - Agencies Kurram & Aurakzai

BISE Mardan:

Districts Mardan, Nowshera & Swabi

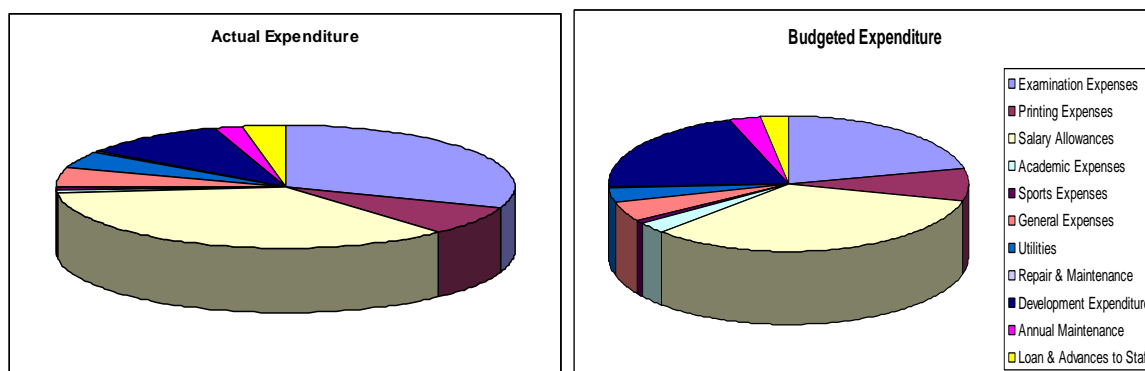
## FINANCIAL HIGHLIGHTS

During the financial year 2011-2012 the budgeted revenue of the board amounted to Rs. 276.894 million whereas the actual revenue amounted to 310.498 million. The budgeted expenditure for the financial year 2011-2012 amounted to Rs. 330 million whereas actual expenditure amounted to Rs. 268. million. A comparison of budgeted and actual expenditure and revenue has been given on the next page:



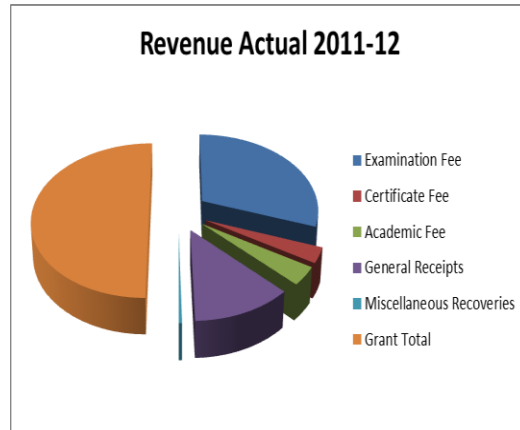
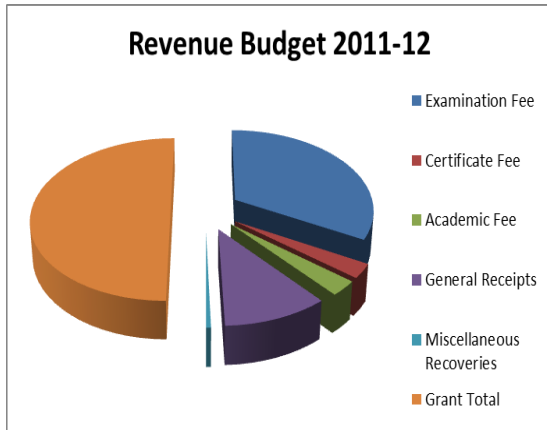
(Figures in Million)

Particulars	Budget Expenditure 2011-2012	Actual Expenditure 2011-2012
Examination Expenses	70.509	82.372
Printing Expenses	26.250	20.981
Salary Allowances	109.851	93.740
Academic Expenses	8.460	2.105
Sports Expenses	2.335	1.898
General Expenses	15.894	13.854
Utilities	11.295	12.037
Repair & Maintenance	0.850	0.993
Development Expenditure	67.804	27.308
Annual Maintenance	9.500	5.493
Loan & Advances to Staff	8.00	8.00
<b>Total</b>	<b>330.829</b>	<b>268.781</b>



(Figures in Million)

S No.	Head of Revenue	Revenue Budget 2011-12	Revenue Actual 2011-12
1	Examination Fee	183.100	189.045
2	Certificate Fee	15.700	19.887
3	Academic Fee	16.320	23.536
4	General Receipts	59.100	75.633
5	Miscellaneous Recoveries	2.674	2.397
	<b>Grant Total</b>	<b>276.894</b>	<b>310.498</b>



### **3. Financial Management Issues**

***3.1 Non Production of Record***

<b>Observation 3.1.1 - Investments and Income related</b>			
<b>Risk Ranking</b>	<b>HIGH</b>		
<b>Criteria/Importance</b>			
According to the approved internal audit charter of KPK “the internal audit wing shall be authorised to have unrestricted access to the department’s books, and records( including confidential records and information), functions, property, facilities and personnel”			
<b>Condition</b>			
During the course of our audit the IA team observed that a significant amount was invested in different Banks in fixed deposits. The investment revenue amounted to Rs. 59.420 million during the current financial year. We, however, were not able to verify the amount of investment and the related revenue due to non-production of the record by the management.			
<b>Implication</b>			
Audit is not in a position to verify the amount of investment and related revenue.			
<b>Recommendation</b>			
All the record relating to the investments must be made available to the IA team for review.			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Finance</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

## **3.2    *Internal Control Weaknesses***

<b>Observation 3.2.1 - Wrong calculation of Income Tax</b>			
<b>Risk Ranking</b>	<b>HIGH</b>		
<b>Criteria/Importance</b>			
Income tax is always calculated on the bill of goods/services excluding the Sales Tax amount. If it is calculated on the sales tax inclusive amount then the supplier will be charged with extra tax equivalent to the GST amount multiplied by the income tax rate.			
<b>Condition</b>			
During the course of our Audit the IA team observed that Income Tax was calculated and deducted on the amount of bill inclusive of GST whereas this should have been calculated on the amount exclusive of GST.			
<b>Implication</b>			
Extra income tax will be charged to the supplier			
<b>Recommendation</b>			
Income Tax should be calculated and deducted on the amount exclusive of GST.			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Finance</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

## **4. HR and IT Related Issues**



## *4.1 Internal Control Weaknesses*

<b>Observation 4.1.1 - Non availability of Seniority List</b>			
<b>Risk Ranking</b>	<b>Low</b>		
<b>Criteria/Importance</b>			
A seniority list is an important for document used for the promotions/postings of the employees. This is also necessary for implementation of a fair HR policy without any discrimination.			
<b>Condition</b>			
During the course of our audit the Seniority list of the BISE employees was not provided to the IA team.			
<b>Implication</b>			
There is possibility of discrimination in the promotions/postings of the employees.			
<b>Recommendation</b>			
Seniority list should be maintained and transfers/postings should be done according to the list.			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Establishment</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

<b>Observation 4.1.2 - Deficiency in Policy Manual</b>			
<b>Risk Ranking</b>	<b>Low</b>		
<b>Criteria/Importance</b>			
Entity's operational/policy manual serves as a guideline for the employees to work collectively towards the achievement of the entity's objectives.			
<b>Condition</b>			
During the course of our audit the IA team observed that BISE operational Policy Manual was not updated regularly to include any operational changes approved by the competent authority.			
<b>Implication</b>			
The standard operating procedures may not be followed by the employees while performing their duties.			
<b>Recommendation</b>			
Board operational policy manual must be kept up to date with changes approved by the Board's committee.			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Establishment</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

<b>Observation 4.1.3 - Deficiency in Purchase Process</b>			
<b>Risk Ranking</b>	<b>Low</b>		
<b>Criteria/Importance</b>			
As a part of the standard purchasing process the goods purchased by the institution are checked against the purchase order by a particular person to ensure that the quality and quantity as per the goods ordered.			
<b>Condition</b>			
During the course of our audit the IA team observed that in Computer Cell there was no specified role to check the goods purchased and delivered against the Purchase Order to ensure the specified quality and quantity.			
<b>Implication</b>			
Goods of wrong quality or quantity may be received.			
<b>Recommendation</b>			
A separate role should be designated to check the quality and quantity of the IT goods delivered against the purchase order.			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Establishment</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

<b>Observation 4.1.4 - Non availability of back up data in Computer Cell</b>			
<b>Risk Ranking</b>	<b>HIGH</b>		
<b>Criteria/Importance</b>			
An important element of the Disaster Recovery Planning is to take the backup data on regular basis and keep it in safe custody. In case of a system breakdown due to any unfavorable event the important data may be restored using the backups.			
<b>Condition</b>			
During the course of our audit the IA team observed that a Computer Cell maintained the data of all the students that are affiliated with the BISE but the backup data was not available nor they have a written policy or any plan.			
<b>Implication</b>			
If no backup data is available then it may not be possible to recover the original data if it is lost.			
<b>Recommendation</b>			
A computer Section must maintain a backup data of the students.			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Director Finance</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

<b>Observation 4.1.5 - Non availability of UPS and electric Stabilizer in Computer Cell</b>			
<b>Risk Ranking</b>	<b>HIGH</b>		
<b>Criteria/Importance</b>			
<p>The biggest, most noticeable advantage of a Uninterruptible Power Supply (UPS) is when power is lost the UPS keeps the system up and running long enough to save the work and safely shutdown. It is certainly important to have if certain operations of the organization are carried out using computers e.g. important record of the students is managed online.</p> <p>Stabilizers maintain a steady voltage to the computer systems and help protect the system in case of electric spike or surge.</p>			
<b>Condition</b>			
<p>During the course of our audit the IA team observed that there were no UPS and stabilizers installed in the Computer Cell and complete data was at risk of getting lost if the system is damaged because of variation in the electricity voltage.</p>			
<b>Implication</b>			
<p>The above condition may lead to loss of important record of the students because of non-availability of stabilizers which includes for instance, detail mark sheets, applications forms, result cards, roll number slips, institutions detail etc.</p>			
<b>Recommendation</b>			
<p>UPS (for backup) and stabilizers to control high and low voltage of electricity should be installed in Computer Section to avoid any loss of data.</p>			
<b>Management Response</b>			
<b>Further Audit Comments</b>			
<b>Action Plan</b>			
<b>Role Responsible</b>	<b>Secretary Finance</b>	<b>Estimated Completion Date</b>	<b>TBA</b>

## Annexure 1

### Risk Matrix

<b>Function Assessed</b>	<b>Risk Assessed</b>
Financial Management	<b>High</b>
Operational	<b>Low</b>
Procurement	<b>Low</b>
Compliance with relevant laws and regulation	<b>Low</b>
HR Management	<b>Low</b>
Fixed Assets Management	<b>Low</b>
IT	<b>High</b>