

NATIONAL HIGHWAY AUTHORITY

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(Finance Wing)
Coordination Cell

No. 1(28)/Dir(IA)/NHA/2004/1760

Islamabad, the 17th March, 2005

To,

All Dy. Director (Audit)
All Assistant Directors (Audit)
All Supdts./Audit Asstt.

Subject: **SOP INTERNAL AUDIT WING**

In order to streamline operations/day to day functioning of the Internal Audit Wing, a SOP has been prepared, which has been approved by the Chairman NHA for implementation.

2. A copy of the Standard Operating Procedures (SOP) is enclosed for implementation in letter and spirit.



17/3/05

(Ch. Shahid Saleem)
Director (Internal Audit)

Copy for information:-

➤ GM (Audit) NHA along with a copy of SOP.

NATIONAL HIGHWAY AUTHORITY

STANDARD OPERATING PROCEDURES FOR THE INTERNAL AUDIT WING

Internal Audit Wing was established in national Highway Authority in 1998 to ensure that internal control mechanism is developed and effectively installed in the Authority. In accordance with the internationally accepted principles, it has been given independent status directly reporting to the Chairman.

1. MISSION STATEMENT

To ensure and project National Highway Authority as a responsible, transparent and professionally capable organization.

2. MANDATE OF INTERNAL AUDIT WING

2.1 To assist, coordinate and report to the authority in:

2.1(i) Ensuring compliance with prescribed plans, policies and procedures

2.1(ii) Effective discharge of its responsibilities of appraising all operational activities independently, through GM(Int. Audit) to the Chairman or as directed by the Chairman.

2.1(iii) Ensuring reliability and integrity of all financial and operational information prescribed in the codes and manuals, including directives of the Government of Pakistan relevant to the authority.

2.1(iv) Coordinate and advise the authority to ensure operational.

2.1(v) Professional transparency in its process, implementation and performance.

2.1(vi) Coordinate and assist the authority in resolving all external audit issues at operational, ministerial and PAC level.

2.1(vii) Review the means of safeguarding assets and as appropriate, verify the existence of such assets.

3. INTERNAL AUDIT/MONITORING

3.1 Audit program/approval/process

3.1(i) The process of internal audit begins with collection of relevant information/ data regarding auditable formations / assignments from various quarters.

- 3.1(ii) The formations to be audited are selected according to following criteria:
 - 3.1(ii)a. First near to completion projects.
 - 3.1(ii)b. As instructed by the top management.
 - 3.1(ii)c. On request of auditee.
 - 3.1(ii)d. Due to emergent circumstances.
 - 3.1(ii)e. Periodically.
- 3.1(iii) On the basis of above criteria priority will be fixed and quarterly program is chalked out by AD(P) in consultation with Director (Audit).
- 3.1(iv) Audit program will be put up for approval of GM(Audit) through Director (Audit).
- 3.1(v) The audit teams will be formed as approved by Director (Audit)/GM(Audit) according to volume of work and other functional needs on the case to case basis.
- 3.1(vi) Audit teams and field formations (Auditees) will be informed tend days in advance.

4. **EXECUTION OF AUDIT**

- 4.1 Audit parties will undertake audit assignments as per approved program.
- 4.2 They shall intimate the GM/Director (Audit) while commencing and conclusion of an audit assignment/or transit from one station to other.
- 4.3 Head of the audit team will also intimate the GM/Director (Audit), if any of the member of the audit team need to proceed on leave during the currency of the audit programme. In case leave requested is sanctioned, and if considered feasible substitute arrangements will be made with the approval of GM(Audit).
- 44. NHA Code, Financial Manual, Contract Documents, Administrative Manual, SOPs and office-orders etc. will provide the audit criteria as the case may be. In case NHA's rules/regulations are silent, Government rules will provide the audit criteria.

45. Audit findings must be substantiated with the documentary evidence.
46. Audit parties will be monitored directly by GM(Audit), Director (Audit) or Dy. Director (Audit) and surprise supervisory inspections may be conducted.

5. **THE COMPILATION AND SUBMISSION OF INTERNAL AUDIT REPORT**

- 5.1 On the completion of audit, the team leader will submit first draft to concerned Dy. Director within (07) days who vet the report and submit to higher-ups. While writing the report, the audit team will follow the reporting guidelines of NHA.
- 5.2. The GM(Internal Audit will approve the report before issue to concerned Auditee. However, where situation requires immediate attention of the Chairman, the report will be submitted for information of the Chairman before issue.
- 5.3 The remarks of Chairman or management will be conveyed along with the report, if directed.

6. **FINALIZATION AND APPROVAL**

6.1 **Finalization and approval of internal audit reports:**

- 6.1(i) Draft IAR after approval of GM(Audit) shall be sent to GM concerned for comments/discussions within 15 days.
- 6.1(ii) Preferably audit observations shall be discussed with the Officer Incharge, as per mutually agreed arrangements, at the minimum level for the Assistant Director.
- 6.1(iii) Upon completion of above process or expiry of stipulated period, whichever is earlier, report shall be finalized.
- 6.1(iv) Final IAR shall be put up to Chairman NHA through GM (Audit) for his information and further orders.

6.1(v) A quarterly progress report prepared as per format approved by the competent authority by DD/Director (Audit) and put up for information of GM(Audit)/chairman NHA. The report shall be finalized within 15 days after the end of each quarter.

6.2 **Follow-up/Monitoring Compliance**

6.2(i) After completion of audit cycle, compliance to the orders of Chairman NHA will be watched by internal audit wing. Reminders for replies/compliance will be issued or the teams from the internal audit may visit concerned office/projects for compliance.

6.2(ii) The internal audit wing will report the result of compliance to the top management periodically.

7. **ESTABLISHMENT AUDIT**

7.1 **Final Payments of Provident and Pension**

7.1(i) The Internal audit Wing receives the complete case for the final payment of provident fund and pension etc. from Admn Wing for scrutiny/vetting.

7.1(ii) AD(HQ) will examine these cases in the light of SOP, NHA Code and instruction on the subject and government rules and regulation, where NHA Code is silent on any issue.

7.1(iii) Discrepancy, if any, will be reported back and after the same is met, the case will be cleared for payment.

7.2 **Pay Fixation/Service Verification**

7.2(i) The pay of employees is fixed by administration from time to time. The internal audit wing examines the fixation according to NHA rules and regulation on the subject, government rules and regulation where NHA rules are silent, and certifies the correctness or otherwise of the fixation.

7.2(ii) The certification may be in case of receipt of request or audit teams may be formed to check and certify the same/as and when an occasion arises e.g. revision of pay scales by NHA.

- 7.2(iii) Verification of service qualifying for pension purpose shall be carried out as per service rules of NHA, and where they are silent provisions of Esta Code or other relevant rules of the Federal Government shall apply.
- 7.2(iv) Internal Audit Wing will also watch pension contribution towards NHA or to Federal, Provincial and Foreign services etc, as per rules.

8. **EXAMINATION OF CLAIMS/SANCTIONS**

- 8.1 Internal Audit Wing will comment upon authenticity of claims referred to internal audit wing by NHA authorities.
- 8.2 Audit of sanctions issued by NHA authorities for various purposes shall be carried out in the light of applicable rules/regulations of NHA, and where these are silent rules of Federal Government shall apply. If any, deviation is observed same will be intimated to concerned for rectification through appropriate level.
- 8.3 Internal Audit Wing will tender advice on delegated or non-delegated matters regarding seniority, promotion, Administrative etc. with the approval of the competent authority.

9. **REPORTING POSITION/STATUS OF EXTERNAL/INTERNAL AUDIT BEFORE FINAL PAYMENTS TO CONTRACTORS.**

- 9.1 As per NHA's SOP regarding "Final Payments to contractors/consultants", PD's/DD's or any other Officer Incharge submitting the bill for final payment is required to attach a list of audit paras/observations, raised by external as well as internal audit. Bill for final payment will be routed through defined channel, and concerned Director/GM, before releasing the payment will seek the status of audit paras (list attached with the claim) from the Internal Audit Wing.
- 9.2 On receipt of request, the internal audit wing (PAC section) will scrutinized the available record and will report the status of external audit reports, advance paras, draft paras, printed reports and PAC directives, if any. In the same manner (AD HQ or any other designated officer), will report upon status of internal audit reports.

- 9.3 The file will be returned to quarters concerned after intimating the above facts through Dy. Director, Director or the G.M.
- 9.4 If the internal audit/or external audit of the payment has not been conducted or/is not in the knowledge of internal audit wing, the same will be intimated, so that payments could be made according to relevant SOPs, instructions, etc. on the subject.

PART-II

10. EXTERNAL AUDIT

10.1 Handling of Proposed Draft Report

- 10.1(i) Every year a proposed draft report on the accounts of NHA is received from DG Audit (Works), Lahore.
- 10.1(ii) Upon receipt of proposed Audit Report the PAC Section will prepare the list of draft paras PD/DD and GM wise and will issue the copies of APs/PDPs to the concerned office for replies within 15 days. In case of non-receipt of replies within stipulated period, telephonic/written reminder will be issued to all concerned for replies.
- 10.1(iii) A copy of each letter will also be endorsed to respective GM, Sr. GM(Const), Member (Ops) and Member (Finance), for their information/perusal and further necessary instruction.
- 10.1(iv) On receipt of replies in annotated form, the replies will be scrutinized and consolidated working papers in annotated form will be prepared.
- 10.1(v) After approval of working papers/departmental replies, the requisite sets of working papers will be sent to DG Audit (Works) for obtaining the dates for DAC meeting(s).
- 10.1(iv) The procedure for advance paras/draft paras is the same.

11. THE HANDLING OF DAC MEETING

- 11.1 Upon confirmation of schedule of DAC meetings, sub DAC meeting, pre-DAC meeting, etc. PAC Section will send information to all concerned GMs/PDs/DDs to attend the meeting/verification process and produce all original record relating to their audit paras for verification by External Audit and NHA Officers.
- 11.2 Result of verification will be minuted jointly with officers of External Audit.

- 11.3 After verification, paras will be discussed in DAC meeting. The meeting may be chaired by Secretary/J.S, MOC by higher authorities and attended by the officers MOC, DG (Audit (Works) and NHA.
- 11.4 minutes will be prepared and finalized in consultation with participants.
- 11.5 After approval/signatures the minutes of DAC meetings shall be circulated to all concerned.
- 11.6 Compliance of decisions shall be monitored. In case of non-response reminders shall be issued in due course.
- 11.7 Teams from I.A Wing, may on request or on the instructions from GM/Dir(Audit) will assist filed formations at I.A. Wing or at their place, in preparation of departmental replies/working papers, etc.
- 11.8 Teams from Internal Audit Wing at the directive of GM(Audit) may visit field formations to collect/obtain compliance of PAC/DAC directives for submission of the same to higher authorities.

12. **THE HANDLING OF PRINTED AUDIT REPORT**

Upon receipt of printed audit reports, actions as detailed in paras (i) to (vi) will be taken by the DD(Audit)/AD(PAC).

13. **THE HANDLING OF PAC MEETINGS**

- 13.1 Upon receipt of schedule of PAC meetings from PAC/National Assembly Secretariat/MoC, the intimation to that effect will be circulated to all concerned for preparation of working papers within 15 days.
- 14.4 Upon receipt of written requests from PDs/DDs, approval shall be sought from DD(Audit) for issuance of MB's.
- 14.5 After approval MB's will be sent to the concerned officers/officials, through courier service or any secured mode of mail felt. In cases of utmost emergency MBs can be collected / delivered by hand or through designated special messengers.

14.6 Physical stock taking on annual basis will be arranged with the approval of GM(Audit). Inspection report//certificate shall be put-up to GM(Audit) for perusal/further orders.

15. **THE HANDLING OF IMPREST ACCOUNT**

Internal Audit Imprest Account 877-4 in the name of Director (Audit) is maintained with UBL RDF Branch. Following procedure will be observed:-

15.1 Imprest Accounts is operated upon by the join signature by the designated officers as laid down in NHA Code.

15.2 Cheque book of the Imprest Account will be in the custody of AD (PAC).

15.3 Withdrawals from Imprest Account will be made to meet the actual disbursement only.

15.4 As directed by competent authority, purchases will be made by AD(PAC) to meet the urgent/day to day official requirement of the Internal Audit Wing.

15.5 Details of expenditure will be entered in the Imprest Register and authenticated by AD(PAC).

15.6 Periodical verification/authentication will be conducted by GM(Audit).

15.7 Detailed statement of expenditure, along with original cash memos and approvals to incur the expenditure, will be sent through GM(Audit) to the Accounts Wing, on quarterly basis or as needed for replenishment.

15.8 Cheque on account of replenishment, received from the Accounts Section will be deposited in the bank account.

15.9 Bank statement will be obtained on quarterly basis and reconciled.

15.10 Any discrepancy will immediately be pointed out/taken up for rectification.

16. **TRAINING OF STAFF**

Capacity building of staff and officers of the Internal Audit Wing will be achieved through providing them training opportunities in the relevant disciplines.

16.1 Following will be the preferred areas for training.

- a. Auditing
- b. Computer aids/applications
- c. Communication Skills
- d. Office Management
- e. Performance Evaluation
- f. Systems Evaluation
- g. Project Management
- h. Internal Controls
- i. Financial Analysis
- j. Any other area considered to be suitable and relevant for organizational needs of the Internal Audit Wing.

16.2 Case for nomination of trainees for any training will be initiated by DD(Audit-1), and processed for approval of Competent Authority.

16.3 Where possible in house short training courses will also be arranged at least once per quarter, to improve the office working.

16.4 Formal approval of G.M (Audit) would be obtained to run such short course.

16.5 On the basis of feedback of participants/stakeholders, course design may be amended.

16.6 A course report will be prepared by DD(Audit-1) and sent to the Secretary Section through G.M (Audit).

17. **THE PERFORMANCE OF OTHER DUTIES**

The officers / staff of internal audit wing perform other duties such as attending various committees, auctions, inquiries by nomination/approval of GM(Internal Audit) or higher authorities. In this regard procedure laid down in NHA's Code, Manual's Rules, Regulations, SOPs etc shall be observed. In case no guidance is available in NHA's Rules/Regulations etc., procedures/rules/regulations applicable to Federal Government shall apply.

JOB DESCRIPTION OF INTERNAL AUDIT WING

GM(Internal Audit)

- a. To supervise/overall monitoring of the Internal Audit Wing.
- b. To approve internal audit plan(s).
- c. to approve the tour programmes of audit parties and to accord concurrence/approval of expenditure on account of TA/DA etc.
- d. To approve the internal audit reports for issuance to the concerned formations.
- e. To report the results of internal audit to the Chairman, NHA.
- f. To represent NHA in PAC /DAC meetings.
- g. to liaise/coordinate with MoC/PAC Secretariat and DG(Audit) Works regarding audit matters.
- h. To conduct investigations/inquiries etc. as entrusted by the Chairman on case to case basis.
- i. To chair/represent in special committees as laid down in NHA Code or as notified from time to time.
- j. To exercise administrative powers with respect to leave, disciplinary matters, with respect to overtime claims/honorarium etc. for staff/officers of the Internal Audit Wing.
- k. to report/countersign the performance evaluation reports of officers/staff of the Internal Audit Wing.

DIRECTOR (INTERNAL AUDIT)

- a. Supervision and monitor of Internal Audit. Coord./Liaison with External Audit, MoC, PAC Sectt: activities and personnel.
- b. To consolidate audit observations being raised by the internal and External Audit parties

ASSISTANT DIRECTOR (AUDIT)

- a. To handle office management and Administrative matters of the Audit Wing.
- b. External Audit, MoC and NHA Coordination.
- c. to maintain the files/records of all printed audit reports/paras.
- d. To issue reminders on audit matters.
- e. To assist Dy. Directors (Audit-I&II) in office jobs.
- f. To prepare Audit programs.
- g. To monitoring and reporting progress of Internal Audit Plan.
- h. To vet of pay and pension claims of NHA employees.
- i. To follow the collection of material and replies on audit observations and submit to seniors for decision.
- j. To arrange and present record before external audit. DAC/PAC.
- k. to circulate policies and procedure of audit.
- l. to supervise the attendance of the staff posted in the audit wing.
- m. To handle leave and other service matters other staff of the wing.

SUPERINTENDENT AUDIT

- a. To maintain of Audit record/files.
- b. to submit cases of DAC/PAC to seniors in time.
- c. To ensure that relies of audit paras are received from all concerned at appropriate time.
- d. to prepare details of class-wise audit observations i.e proposed audit paras, draft paras, advance paras.