

Most Important



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HIGHER EDUCATION COMMISSION

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No.10-5/HEC/Audit/HEDP/2020/

December 12, 2020

From: In-Charge (Audit)

**TO: Khawaja Zahid Hussain,
FMS,
Higher Education Development Project,
HEC, Islamabad.**

**Subject: AUDIT & INSPECTION REPORT ON THE ACCOUNTS OF
"HIGHER EDUCATION DEVELOPMENT PROJECT" FOR THE
FINANCIAL YEAR 2019-20 (AUDIT YEAR 2020-21).**

Dear Sir,

Please find enclosed paras of Audit and Inspection Report on the accounts of "Higher Education Development Project" for the Financial year 2019-20 (Audit year 2020-21) received from the office of Directorate General Audit, Federal Government, Islamabad. **(Copy enclosed)**

02- It is, therefore, requested that the replies in an **ANNOTATION FORM** along with necessary proof/ supporting documents may kindly be furnished to this office, duly approved by the competent authority immediately. Soft copy of the annotated replies may also be sent on the above mentioned email address.

Encl :As above

Yours faithfully,


(Aziz Ullah)

Copy for information to:

- ES to Executive Director, HEC, Islamabad.



**Directorate General Audit
(Federal Government)
Federal Employees Benevolent & Group Insurance Funds Building
Zero Point, Islamabad
Phone: 051-9252217 Fax: 051-9252256**

No. DGA/FAP/HEC/HEDP/2019-20/F-773/141

Dated: 08.12.2020

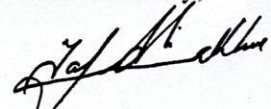
Subject: MANAGEMENT LETTER

Dear

I am enclosing the Management Letter on the project Higher Education Development in Pakistan, Loan Agreement No.6438-PK under the Higher Education Commission, Islamabad for the financial year 2019-20 which highlights the issues requiring immediate management attention.

2. Audit of the project was conducted by the Directorate General Audit, (Federal Government), Islamabad during October, 2020. The primary focus of the audit was to express an opinion on the Financial Statements of the project. The audit was conducted using system-based approach whereby major systems and internal controls of the project were analyzed.
3. During audit, we observed few weaknesses in internal controls and instances of non-compliance with rules and regulations. The management view point has also been incorporated in the Management Letter.
4. The Management Letter is issued for your review and necessary action.

Yours sincerely,


(Tafakhar Ali Asdi)
Director General

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Non observance of selection criteria for appointment of consultants – Rs 4.822 million

Establishment Division O.M No F 53/1/2008-SP dated 16.01.2015 devised the following mechanism to ensure transparency and merit based in the Ministries / Divisions / Sub-ordinate Offices / Autonomous / Semi-Autonomous Bodies / Corporations / Companies / Authorities.

- a) The initial screening of the applicants would be conducted by the centralized screening test to be carried out by a Testing Agency. Top 5 candidates would be shortlisted for interview for each post to be filled through fresh recruitment.
- b) The shortlisted applicants, as a result of screening test, would be interviewed after verification of academic/professional credentials and testimonials. The Departmental Selection Committee would adjudge the applicant on the following criteria for selection.
 - i. Score in the test would have 70% weightage
 - ii. The rest of 30% weightage would be allocated by the members of the DSC as under:

Chairman	40%
Two Members	30% each
- c) Further DSC would assess the applicants as under
 1. Relevant qualification/experience 30%
 2. Knowledge Skill relevancy 40%
 3. Personality/Interpersonal communication skills 30%

The management of the Higher Education Development in Pakistan (HEDP) appointed seven consultants during the year 2019-2020.

Audit observed that the above mentioned mechanism for appointment of the consultant was not observed and 100 % marks was allocated solely for the interview, whereas, no marks had been allocated for the academic record. It is fact that the candidates spent a large proportion of their life to achieve the academic pursuits. Most of the consultants were appointed from HEC and at higher salary packages i.e. 2 times of the remuneration they were already drawing from HEC.

Audit is of the view that non-observance of the above mentioned mechanism for selection is violation of the merit and transparency.

The management replied that the selection of Individual Consultant under HEDP was made under Section V of "Selection of Individual Consultant" of "*Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers*" and in these guidelines, no specific weightage is required.

Reply was not accepted because in absence of the broad selection criteria in the stated guidelines existing government mechanism should be followed to ensure transparency and merit in such appointments.

Audit recommends that the mechanism devised for transparent and merit base selection may be followed besides responsibility may be fixed for non-observance of the mechanism.

4.1.2 Irregular appointment of Project Coordinator and fixation of higher remuneration- Rs 4.914 million

According to para 9.6 of the Guidelines for Project Management issued by the Ministry of Planning, Development and Reforms, "the educational qualification and experience for the post of Project Director will be broad based, that is, B.Sc. Engineering Or MBA, MBBS/MPH, Master or BS (4 years) degree in Economics or another relevant field from HEC recognized institutions, depending upon the nature of the project. Minimum five years' experience in the project management or implementation. Have the basic knowledge of project management fundamentals, particularly the government of Pakistan project planning and management processes and procedures.

According to Finance Division O.M No F.4(9)R-14/2008 dated 19.07.2017 for selection from open market on contract basis

The management of HEDP, Islamabad hired the services of a project coordinator for a monthly remuneration of Rs. 819,000.

Audit observed that:

- i. Project coordinator appointed was the only candidate who possesses the qualification of B.Sc (Hons) in Computer Science however
- ii. his equivalence was conditional that is not meant for the purpose of appointment and admission.
- iii. the candidate was already working as consultant in HEC and was drawing Rs. 333,180 before joining this assignment. The pay package is Rs. 300,000 per month high from the standard pay package approved by the Finance Division for selection from open market on contract basis vide O.M No F.4(9)R-14/2008 dated 19.07.2017.

Audit is of the view that appointment without having the required qualification and fixation of higher pay package was irregular and unauthorized.

The management replied that the Chairman (HEC) is the Competent Authority to prescribe the eligibility criteria. Since the criteria for said position was not available in relevant PC-I as well as in HEC Recruitment Rules, therefore, criteria for said post was set and approved by the Chairman (HEC). As such, salary package of the selected candidate is within the prescribed limit in PC-I approved by Planning Commission, Govt. of Pakistan.

The reply was not accepted because the candidate did not possess the required relevant qualification and experience for the project coordinator. The package was also in excess of

the pay packages approved for the development project and pay he was already drawn from the HEC before joining the project.

Audit recommends that the matter may be inquired and responsibility may be fixed for the irregularity.

4.1.3 Fixation of over and above pay and allowances - Rs 2.983 million

Finance Division vide O.M No F.4(9)R-14/2008 dated 19.07.2017 standard pay package for development projects.

The management of the HEDP, Islamabad hired the services of the following candidates as consultant during the year 2019-2020. Details are as under:

S. No	Name	Designation	Fixed pay (presently drawing)	Standard pay	Previous pay	Difference
1	Mr. Asif Shahid Khan	Project Coordinator	819,000	500,000	333,180	319,000
2	Dr. Zulfiqar H. Gilani	Program Specialist (Academic)	650,510	175,000	268,694	475,510
3	Mr. Rizwan Rashid	Program Specialist (IT)	650,510	175,000	333,180	475,510
4	Mr. NowmanManzoor	Communication Specialist	472,500	175,000	450,000	297,500
5	Mr. Muhammad FarooqAzam	Procurement Specialist	472,500	175,000	310,000	297,500
6	Mr. Ahmed Ali Khattak	Monitoring and Evaluation Specialist	472,000	175,000	472,500	297,500
7	KhawajaZahidHussain	Financial Management Specialist	495,000	175,000	466,980	320,000
8	Mr. Omer JawadGhani	Program Specialist (R&D)	600,000	175,000	608,000	425,000
9	Mr. Najeeb Ullah	Program Specialist	250,000	175,000	125,000	75,000
Total			4,882,020			2,982,520

Audit observed that consultants were paid higher salary than special pay package and remunerations already they were drawing before joining the project. Most of the consultants were serving in HEC and were performing same nature of job on lower packages.

The management replied that salary package of the selected candidates have been within the prescribed limit in PC-I, approved by Planning Commission, Govt. of Pakistan.

Reply was not accepted because provision in the project cost are estimates. It does not binding to pay the same amount mentioned in the document i.e PC-I if candidates could be hired at lower remuneration.

Audit is of the view that payment of higher remunerations was loss to the public exchequer.

Audit recommends that the matter may be inquired at appropriate level to fix the responsibility.

4.1.4 Unauthorized incorporation of Contingency in PC-I- Rs. 328.915 million (US\$ 2.095 million)

According to Para 17 of Annex-1 of Implementation Arrangements and Support Plan for component 3 and 5 activities identified in Higher Education Development in Pakistan (HEDP) project, a separate development project (PC-I) will be approved by the government in line with approved policy.

According to the guidelines for Project Management issued by the Ministry of Planning, Development and Reforms 3% contingencies are allowed for infrastructure and production sector's projects.

According to Section 58 of Project Appraisal Document (PAD), US\$ 27 million for Equipping students and Higher Education Institutes with Modern Technology and US\$ 50 million for Capacity Building through Partnerships, Project Management, Monitoring and Evaluation were allocated for component 3 and 5 respectively.

The Planning & Development Division of HEC conveyed the administrative approval of the project Higher Education Development in Pakistan (HEDP) showing item wise detail of the project cost. Detail is as under:

(Amount in million)

S. No	Items	US\$	PKR
1	Equipping students and Higher Education Institutes with modern technology	27.00	4238.981
2	Technical Assistance	47.905	7521.100
3	Contingency	2.095	328.915
	Total	77	12,088.996

Audit observed that the management included Rs.328.915 million (US\$ 2.095 million) for contingency in PC-I of the project whereas there was no provision for contingency in Project Appraisal Document as well as Guidelines for Project Management issued by projects wing of Planning Commission of Pakistan.

Audit is of the view that deviation from the project appraisal document is irregular and unauthorized.

The management replied that the Contingencies are provided @ 3% of base cost in pursuance of the same guidelines, HEC prepared the PC-I and accordingly contingencies were estimated at 2.7% of the base cost of said project.

Reply was not accepted because the provision of 3% contingencies as provided in the guidelines are for Infrastructure and Production Sectors whereas this project was a social sector development project.

Audit recommends that the PC-I may be revised in accordance with the PAD.

4.1.5 Irregular appointment of Secretary to the HEDP project Steering Committee

According to Para 3 of Annex-1 of Implementation Arrangements and Support Plan, HEDP Steering Committee (SC) will be established. The committee will be chaired by the Executive Director, HEC, and will include the member (Operations and Planning),

representatives, not below the rank of Joint Secretary, Ministry of Finance, Ministry of Federal Education and Professional Training, Planning Development and Reform and Economic Affairs Division, secretaries looking after affairs of higher education in the provincial government, VCs of the public sector universities, one from each province, two VCs of private sector universities and one representative of the private sector. The SC may also co-opt any other member. It will meet at least twice a year. The Member (Operation & Planning) will serve as the Secretary of the Steering Committee.

The HEC management notified project coordinator of Higher Education Development in Pakistan (HEDP) project coordinator as Secretary to the Project Steering Committee (PSC) vide notification No.15-51/A7C/2019/HEC-917 dated 29.09.2019.

Audit observed that the project management appointed Project Coordinator (PC) as Secretary to the PSC instead of Member (Operations and Planning), HEC. Audit further observed that name of representative selected from private sector was not mentioned in the notification.

Audit is of the view that appointment of PC as Secretary to the Project Steering Committee is violation of the IA and Support Plan.

The management replied that the Member O&P was also acting Executive Director at the time and the Chair cannot be the Secretary of the Committee. The notification was also distributed to the WB and there have been no objections raised. The standard practice is that the PD/PC becomes the secretary of PSC. Member (O&P) being a senior officer, having lots of other responsibilities, cannot be Secretary of the PSC.

Reply was not accepted because the situation is changed and full time ED is deputed in HEC. The notification needs to be revised in accordance with the IA.

Audit recommends that the irregularity may be rectified and notification may be issued in accordance with the IA and Support Plan.

4.1.6 Irregular Disbursement on account of Disbursement Link Indicators (DLIs)– Rs. 8,528.432 million (US\$ 55 million)

According to Section 81 of Project Appraisal Document of the project Higher Education Development in Pakistan (HEDP), the IDA funds for components 1, 2 and 4 will be disbursed to the Federal Government's Consolidated Fund Account 1-Non-Food. The Amount of disbursement for the result-based part of the project will be linked to the HEC meeting the pre-specified DLIs as would have been verified by a TPV. For Components 3 and 5, a Designated Account (DA) will be maintained at the designated branch of National Bank of Pakistan (NBP), which is a commercial bank. Disbursement of funds for the IPF components shall be against six monthly cash forecasts acceptable to the Bank".

International Development Agency (IDA)/World Bank (WB) disbursed an amount of US\$ 55 million in consolidated account during the year 2019-2020.

Audit observed that the disbursement was made without Third party Validation (TPV) and an amount of US\$ 55 million was reimbursed against target of US\$ 35.525 million.

S. No	Description	Disbursement	Amount in US\$
1	Number of competitive Research grants and Innovator seed fund grants awarded	DLI 1	1,000,000
2	Number of functional QECAC in Affiliated Universities	DLI3	3,000,000

3	Development and implementation of AD programs	DLI4	500,000
4	Implementation of 4 year Bachelor program	DLI5	1,875,000
5	Development and implementation of skills courses for CCs	DLI6	500,000
6	Proportion of faculty and staff trained	DLI7	1,750,000
7	Expansion of PERN	DLI8	12,900,000
8	Universities digitizing their administration	DLI9	14,000,000
Total			35,525,000

Audit is of the view that disbursement without third party validation was irregular and unauthorized.

The management replied that the disbursement of US \$ 55 million (SDR 39,700,000) equivalent to Rs 8,528.432 million has been made by the International Development Agency (IDA)/World Bank (WB) exactly in accordance with the terms of the Section III. B1 (b) of the Schedule 2 of Financing Agreement dated 17.06.2019.

Reply is not accepted because disbursements should be made after provision of DLIs and third party validation.

Audit recommends that the matter may be inquired and responsibility may be fixed for the irregularity.

4.1.7 Unauthorized incorporation of local component in PC-I of HEDP – Rs.4,368.492 million

The Executive Committee of the National Council (ECNEC) considered the summary dated 14.11.2019 submitted by the Ministry of Planning, Development and Special Initiative regarding Higher Education Development in Pakistan (HEDP) and approved the project at a cost of Rs. 12,089 million with FEC Rs. 7,720.504 million (equivalent to US\$ 77 million).

Higher Education Commission, P&D Division conveyed the administrative approval of the ECNEC for the execution of project Higher Education Development in Pakistan (HEDP) with capital cost of Rs. 12,088.996 million (US\$ 77 million). Detail is as under:

(Amount in million)

S. No	Items	Mode of Financing (IPF&TA)	Total cost	US\$	PKR
1	Equipping students and Higher Education Institutes with modern technology	27.00	4,238.981	1,247.313	2,991.668
2	Technical Assistance	47.905	7,521.100	2,792.263	4,728.837
3	Contingency	2.095	328.915	328.915	0
Total		77	12,088.996	4,368.491	7,720.505

Audit observed that the PC-I prepared for component 3 and 5 of HEDP project was fully funded by World bank for an amount of Rs. 12,088.996 million equivalent to US\$ 77 million and no local component was involved in it.

Audit is of the view that inclusion of local component in PC-I was unauthorized.

The management replied that the observation is noted for compliance.

The management accepted the audit observation and noted for compliance.

Audit recommends necessary correction in the PC-I.