Assessment and Strengthening Program – Rural Support Programmes Network (ASP–RSPN)

Report on Pre-Award Assessment of Technical Education and Vocational Training Authority (TEVTA), Khyber Pakhtunkhwa

24 December 2014

EY
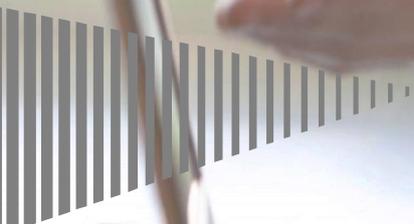
Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder

Pre-Award Assessment Report

Pre-Award Assessment of Technical Education and Vocational Training Authority (TEVTA), Khyber Pakhtunkhwa December 2014

Date of Draft Report	28 November 2014
Date of Final Report	24 December 2014
Author	**Ernst & Young Ford Rhodes Sidat Hyder**

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Progressive Plaza, Beaumont Road

P.O. Box 15541, Karachi, 75530, Pakistan

Tel: +92 21 3565 0007

Fax: +92 21 3568 1965

www.ey.com/pk

EY
Building a better
working world

Table of Content

List of acronyms used

Acronyms	Description	Acronyms	Description
ACR	Annual Confidential Report	ECNEC	Executive Committee of National Economic Council
ADP	Annual Development Plan	ERP	Enterprise Resource Planning
AGPR	Accountant General of Pakistan Revenue	EYFRSH	Ernst & Young Ford Rhodes Sidat Hyder
ASP	Assessment and Strengthening Program	GIZ	Gesellschaft für Internationale Zusammenarbeit
ASP-RSPN	Assessment and Strengthening Program – Rural Support Programmes Network	HoDs	Head of Departments
AUI	Allotment Utilization Index	ICT	Information and Communication Technology
BCP	Business Continuity Plan	JICA	Japan International Cooperation Agency
BIA	Business Impact Analysis	KPPRA	Khyber Pakhtunkhwa Public Procurement Authority
BPI	Budget Programming Index	M&E	Monitoring and Evaluation
BPI	Budget Programming Index	MIS	Management Information System
BPS	Basic Pay Scale	NAM	New Accounting Model
BRS	Bank Reconciliation Statements	OACI	Overall Absorptive Capacity Index
BTE	Board of Technical Education	P&DD	Planning and Development Department
B-TECH	Bachelor in Technology	PDWP	Provincial Development Working Party
CDWP	Center Development Working Party	PIFRA	Project to Improve Financial Reporting and Auditing
CIT	Certificate in Information Technology	PKR	Pakistan Rupee
CNW	Communication and Works	PSC	Provincial Selection Committee
CV	Curriculum Vitae	QBS	Quality Based Selection
DAE	Diploma in Associate Engineering	QCBS	Quality and Cost Based Selection
DDO	Drawing and Disbursement Officer	SDWP	Special Development Working Party
DDWP	Departmental Developmental Working Party	SOP	Standard Operating Procedure
DIT	Diploma in Information Technology	TEVT	Technical and Vocational Training
DMC	Detailed Mark Sheet	TNA	Training Need Assessment
DRP	Disaster Recovery Plan	TOR	Term of Reference
E&D rules	Establishment and Disciplinary Rules	TQM	Total Quality Management

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
PO Box 15541, Karachi, 75530,
Pakistan

Tel: +92 21 3565 0007
Fax: +92 21 3568 1965
eyfrsh.khi@pk.ey.com
www.ey.com

Private and confidential

Mr. Ejaz Rahim
Chief of Party
Assessment and Strengthening Program-Rural Support Programmes Network (ASP-RSPN)
Islamabad

24 December 2014

Our assessment on Pre-Award Assessment of Technical Education and Vocational Training Authority (TEVTA), Khyber Pakhtunkhwa

We have made a review and evaluation of the managerial capacity and internal control systems of the Technical Education and Vocational Training Authority (TEVTA), Khyber Pakhtunkhwa using those criteria established by USAID / ASP- RSPN under task order number ASP-CPO/A&C/Pre Award – TEVTA/16-2014 dated 28 August 2014. Our review included tests of compliance with the organization's stated procedures to the extent that such testing was deemed necessary and feasible. Our review is not an audit of any financial statement(s) prepared by the TEVTA.

The management of TEVTA is responsible for establishing and maintaining systems of internal controls and financial management. In fulfilling this responsibility, estimates and judgments are required to be made by the management to assess the expected benefits and related costs of control procedures. The objectives of a system of internal controls is to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAPs). We understand that the objective of those financial management and internal control procedures comprehended in USAID's criteria is to provide similar assurance.

Based on this knowledge and the review and evaluation conducted by our firm, we believe that TEVTA's current policies and procedures are sufficient for USAID / Pakistan's purposes, assuming satisfactory compliance, except for the conditions described in section 1.1.1 which we believe would be material weaknesses. The level of risk identified as a result of our assessment is considered to be **High**.

Further, nothing came to our attention that would cause us to believe that the TEVTA does not have the managerial, administrative and financial capabilities to carry out the proposed USAID funded activities.

Ernst & Young Ford Rhodes Sidat Hyder

1   Executive Summary

1.1   Pre-Award Recommendations

We understand that USAID's level of reliance on TEVTA systems, operational and internal controls to manage donor funds shall be based on the results of this assessment, testing of essential financial and administrative processes and internal controls (including those designed to ensure compliance with applicable laws and regulations). Based on our review, we have rated our overall assessment as '**High**'. Conclusions with respect to individual areas of assessment and issues are documented in section 1.2 of the report.

The above conclusion is based on our review and testing of key controls and processes as discussed in section 3 of the report. Based on our assessment of TEVTA as per the objectives specified in section 2.3 of the report, we have identified certain conditions as key conditions and other conditions in order to facilitate the stakeholders / users of this report (including USAID and TEVTA) to establish timelines / work plan to improve and strengthen TEVTA's internal controls framework / environment.

1.1.1.   Summary of Key Recommendations

The following are summary of key recommendations for the project under consideration by USAID to be implemented by TEVTA:

General Recommendations

i. Funding should be received through a separate bank account as it has been the case in most of the donor funded projects.

ii. As TEVTA is not exempted for sales tax but USAID being a development partner of Government of Pakistan (GoP) has obtained tax exemptions so management of TEVTA should also obtain exemption from GoP relating to the exemption of sales tax for USAID funded project

iii. As TEVTA management has no prior experience of directly managing USAID funds, awareness sessions should be organized for the concerned staff to ensure they understand USG and USAID requirements, guidelines, regulations and reporting requirements.

Specific Recommendations

S. No	Key Issues	Key Recommendations	
1.	**Legal Structure (Governance and entity level controls)**		**High**
1.1	No governance committees have been formed at TEVTA.	We recommend that BoD should coordinate with the Legal Department of KP to obtain clarity on power for constitution of all committees which should be formalized for effective governance for all TEVTA operations.	
1.2	No strategic plan prepared by the organization to focus on core objectives in the short, medium and long term.	We recommend that a strategic plan (at least covering upcoming five to seven years) should be prepared in line with the strategic goals of TEVTA and the same should be approved by the BoD. Annual work plans and operational budgets should be developed and aligned with the strategic plan. Moreover, this strategic plan should be reviewed / re assessed on a periodic basis (preferably annually) by the BoD / Senior Management of TEVTA and Monitoring and Evaluation	

EY

Building a better
working world

S. No	Key Issues	Key Recommendations
		Department to ensure that the plan is up to date with respect to any change in strategies. Furthermore, entity should design tools to assess the progress / achievements made against such plan.
1.3	Documented policies and procedures manual not developed for Internal Audit and Management Information System Sections.	We recommend that policies and procedures for the earlier listed sections should be documented adequately, which should be approved by the BoD. Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by the BoD.
1.4	Internal Audit Section conducts audits at the institute level but no internal audits carried out for the directorate.	We recommend that Internal Audit Section should develop a comprehensive risk based audit plan to cover all the operations of the entity. Such risk assessment plan should be presented and approved by the BoD or the Audit Committee. All the operations of the entity should be covered for the internal audit exercise.
1.5	Internal Audit Section reports to Chairman instead of independent Audit Committee.	We recommend that Internal Audit Section should operationally report directly to Audit Committee (or any concerned Board level committee) to ensure and maintain its independence and objectivity.
1.6	Lack of capacity of Internal Audit Section with respect to staff strength and relevant experience to execute internal audit.	We recommend that management should increase number of support staff with related qualification and internal audit experience so as to effectively carry out internal audit activities on its own or it may opt to engage any external firm for this purpose, to ensure adequate audit coverage. Further, the management should develop a tool to monitor timely completion of internal audit activities as required by internal audit plan and check implementation status of internal audit recommendations for respective institutes.
1.7	Status of legal cases and pending litigation are not adequately monitored.	We recommend that the management should hire proposed position for Legal Section (i.e. Deputy Director Legal) on urgent basis with relevant experience and qualification to handle TEVTA's legal matters. Further management should also consider to maintain and continuously define and document adequate policies and procedures to ensure smooth functioning of legal department.
1.8	IT Department is not fully established to cater various requirements of	We recommend that management should complete the recruitment process of establishing

S. No	Key Issues	Key Recommendations
	TEVTA operations.	its IT Department and implement appropriate software to automate and integrate information processing of its different business operations. This integration shall assist management to avoid: ► Duplication of work; ► Reconciliation and consolidation of data received from different sources; ► Probability of more errors due to human involvement; ► Wastage of staff time; and ► Extra cost to manage the system.
1.9	No formal / documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP).	We recommend that TEVTA should develop and implement entity wide BCP and DRP to adequately mitigate various operational risks. The plan should broadly cover the following aspects: ► Initial preparation ► Risk assessment ► Business impact reviews ► Impact analysis (Business Impact Analysis BIA) ► Threat analysis ► Contingency considerations ► Recovery strategy ► Plan, development and implementation ► Awareness, testing, training and maintenance.
2.	**Financial Management and Internal Control Systems**	**High**

2.1	Documented policies and procedures manual not developed for the Admin and Finance Section.	We recommend that formally documented policies and procedures specific to the Finance and Administration Section should be developed which should be approved by the BoD. Such policies and procedures should be aligned with overall financial management and reporting guidelines of TEVTA.
		
		 The documented procedures and policies manual for the Admin and Finance Section should contain at least key processes including:
		
		      ► Budgeting;
		      ► Financial management;
		      ► Financial systems;

S. No	Key Issues	Key Recommendations
		► Accounting; ► Books of accounts; and ► Cash management. Further, approval of the documented standard procedures should be obtained from the BoD of TEVTA. Moreover, this should be reviewed and updated at least once a year.

2.2	Deficiencies noted in effective management of fixed assets records.	We recommend that TEVTA should establish formal standard operating procedures regarding fixed asset management that should cover all the relevant areas in detail including the follows:
		 a) Fixed asset register must be prepared as per the best industrial practice (provisions of ICAP "Technical Regulation No 06" should be taken into consideration in this regard) by including the following items for recording additional information:
		    ► Unique asset identification number
		    ► Date of acquisition
		    ► Current location of asset
		    ► Particular of assets
		    ► Value of asset at the time of acquisition
		    ► Depreciation of assets
		    ► Accumulated depreciation of assets at start and end of the reporting year
		    ► Carrying value of asset.
		 b) We recommend that TEVTA should formally follow the practice to carry out independent physical verification of consumable and capital assets at least once a year. Furthermore, the management should prepare documented guidelines and instructions for individual involved in such process at both Directorate and Institute level and should also specify authorities involved in resolving the issue highlighted as well as the retirement of damaged and obsolete assets.
		 c) We recommend that TEVTA should maintain a centralized fixed asset register that includes details of all the assets (Developmental and Non developmental) from both Directorate and institutes level.
		 d) We recommend that TEVTA management should consider insuring the high value assets at the earliest to minimize the risk associated with assets being damaged / stolen.
		 e) We recommend that management should

S. No	Key Issues	Key Recommendations
		draft capitalization policy in order to segregate its capital assets from consumable goods.
2.3	Absence of financial reporting framework for preparation of financial statements.	We recommend that TEVTA should either develop its own financial reporting framework or adopt an internationally recognized financial reporting framework already used in the education sector.
2.4	Lack of documented / better practices noted in management / operations of bank accounts.	We recommend that TEVTA should document standard operating procedures related to banking operations Following aspects should be included in SOPs: ► Criteria for opening / closing of bank accounts; ► Criteria for maintaining the number of bank accounts considering its individual needs; ► Criteria for assigning number of signatories; ► Criteria for maintaining bank book and ledgers; ► Criteria for the preparation and review of bank reconciliation statements; ► Criteria for assessing needs for funds and managing surplus funds, if any.
2.5	Student fees is collected and managed by respective Institutes independently from the Directorate so this fee not reflected in annual budgeting process and any financial plan	We recommend that the management should design and document standard policies and procedures for fees collection, deposit to the bank account and reporting to the Directorate. These should be communicated to the institutes. Further, Principals should be required to report the entire fee collected by respective institutes and consider its utilization. Also funds collected should be considered for annual budgeting process and other financial plans prepared for institutes.
3. Procurement Systems		**Moderate to High**
3.1	Documented policies and procedures manual is not developed for the Procurement function.	We recommend that policies and procedures for the procurement function should be documented adequately, which should be approved by the Board. Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by the BoD. Compliance with the above policy should be checked by the Internal Audit Section during their field work.

EY
Building a better
working world

S. No	Key Issues	Key Recommendations
3.2	No formal complaint handling system in place with respect to procurements.	We recommend that a formal and well-designed complaint management system should be established in order to have the following key features to maintain the procurement process transparent and ensure fair competition. ► Commitment; ► Fairness; ► Transparency and access; ► Responsiveness; ► Privacy and confidentiality; ► Accountability; and ► Systematic approach in recording complaints and outcomes.
3.3	No practice to prepare consolidated annual procurement plan at entity wide level and Individual institute and directorate level.	We recommend that management of TEVTA should prepare a consolidated procurement plan against each approved procurement to ensure that each activity completes within the stipulated time. Furthermore, the procurement plan should comprise the following information and timelines to improve the effectiveness of planning tool: ► Preparation of technical specifications / bid documents / ToRs; ► Advertisement dates; ► Evaluation dates; ► Approval dates from the concerned authorities; ► Contract signing dates; and ► Contract completion dates. Further, we recommend that the management should maintain a consolidated database of all the procurements being carried out throughout the entity at various levels. Such procurement MIS / database should be reviewed on a periodic basis by the Director Monitoring and Evaluation and Director Internal Audit and should be compared with approved procurement consolidated plan.
4.	**Human Resource Systems**	**High**
4.1	Vacant key positions in different sections as per approved organizational structure.	We recommend that a recruitment plan should be developed to fill all the key positions on priority basis as per the approved organisational structure. In case any of the above listed positions are not required or merged with another position, organizational chart should be updated accordingly.
4.2	HR function is not fully established and does not have required capacity to handle processes after achieving autonomy.	We recommend that the management should take immediate steps for the full establishment of the HR function by speeding up the development of HR policies and procedures manual and recruitment on vacant posts for full functional capacity.

EY
Building a better
working world

S. No	Key Issues	Key Recommendations
4.3	Documented policies and procedures manual not developed for HR Section.	We recommend that policies and procedures for the HR function should be documented adequately, which should be approved by the Board. Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by BoD.
4.4	Recruitment and training files not maintained adequately.	We recommend that TEVTA should maintain recruitment, short listing and training files which should include at least the following documents: ► **Recruitment files:** • Approved job description of the post • Evidence of advertisement • Log of CV received from candidates • Long listing for selection of candidates for interviews ► **Shortlisting files** • Composition of recruitment committee with its formal notification and TORs • Shortlist or merit list showing top candidate to whom job offer is made • Job offer letter and subsequent acceptance from candidate • Appointment letter or contract signed with employees ► **Training need assessment:** • Evidence of training need assessment • Formal approval for execution of training • Justification and approval for selection of venue for training • Training notification issued to individual trainee and their senior officer to ensure their presence • Report on proceeding of training with snapshot • Pre and post training assessment analysis to check the adequacy of training
4.5	No procedures established to carry out Training Need Assessment (TNA) and development of a training plan.	We recommend that a comprehensive training plan should be prepared, based on training needs assessment exercise for all the employees (at least for the key positions) of the entity. This should specifically cover all training provided to managerial staff in different areas to equip them with latest knowledge and skills. Furthermore, the training records should be maintained to identify areas where trainings

S. No	Key Issues	Key Recommendations
		have not been imparted as per plan.
5.	**Project Performance Management**	**High**
5.1	Documented policies and procedures manual not developed for the following ► Planning and Development Section and ► Monitoring and evaluation section.	We recommend that policies and procedures for the above listed areas should be documented adequately, which should be approved by the Board. Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. Compliance with the above policy should be checked by the Internal Audit Section. Moreover, the policy should be considered for review and updation at least on an annual basis.
5.2	Monitoring and Evaluation section of TEVTA is not fully established as only Director Monitoring and Evaluation has been appointed at TEVTA, whereas all other posts are vacant,	We recommend that management should expedite establishment process of the monitoring and evaluation department. Further it should consider that the scope of monitoring and evaluation committees cover the following processes: ► Development and Implementation of "Results Based Management/Monitoring (RBM)" Framework. ► Monitoring of all the projects and activities; ► Preparation of the monitoring plan; ► Executing the monitoring plan; ► Preparation of the standard checklist and maintaining the same; ► Reporting to the Chairman TEVTA; ► Follow-up of the observations; ► Continuous management support for Course Correction through reporting of data against the Performance Indicators developed at the Outputs, Outcomes and Impact level results; ► Development and implementation of data collection tools; ► Specific 'Trades' Need Assessment. its planning and monitoring in terms of their demand at provincial, national and international levels; and ► Planning and monitoring of 'linking trainees with industries, businesses' and self-employment etc.
5.3	Independent impact assessment exercise not carried out	We recommend that an impact assessment exercise should be carried out by TEVTA by engaging an independent technical consultancy firm on biannual or at least on annual basis depending upon the available resources. This will enable TEVTA to assess the effectiveness,

S. No	Key Issues	Key Recommendations
		relevance and impact of its operations and programs. Further this will help TEVTA to design its future operations and strategies.

1.1.2. Overview of Organization Sustainability

We carried out TEVTA's absorptive capacity assessment based on the following factors as per data / information received from the management:

- ► Sources of funding and spending analysis;
- ► Capacity and performance reports shared by GIZ consultant on behalf of TEVTA; and
- ► Human resource capacity of institutes and Directorate.

Based on our analysis we noted that the main source of TEVTA's funding currently is Government of KP. Its own funds (generated internally through its operations in the form of fees) are not sufficient to sustain TEVTA's own operation. However, from review of information provided we assess that almost all the requested funds through annual and revised budgets have been made available by the provincial Government. We further noted that assistance is provided by different bilateral and multilateral donor agencies through provision of trainings and other technical assistance. Also we have been informed by the management that JICA has committed to provide counterpart funds amounting PKR 205 million out of the total project cost PKR 251.5 million (i.e. 82% of total) as per Annual Development plan of 2014-15. Hence we understand that TEVTA does not face any going concern or sustainability issues at this stage.

On our review of the performance of TEVTA based on the information provided by the management, we noted a reasonable growth at an average rate of 7 percent during the past six years in terms of establishment of new institutes. Currently TEVTA is operating with more than 79 institutes which include 25 Technology and poly-technical and 54 vocational institutes. More than 21,471 students were being trained in the calendar year 2012-13.

The above growth of 7% is despite of the fact that strength of the teaching staff is currently 749 as per information shared against 1,269 sanctioned post, hence 58% (520 posts) are currently vacant, either for new recruitment or for new promotion of existing staff. This may be a key consideration for any further expansion plans of TEVTA, as quality of programs may get adversely effected due to lesser number of teachers. This fact also emphasize that Human Resource Section of TEVTA needs to be further strengthened, so that it can assess its HR requirements more adequately and speed up the recruitment process.

As discussed in section 3.2 below, TEVTA does not have an effective system of financial reporting tools and does not prepare complete set of financial statements, therefore we were not able to calculate the following crucial ratios and carry out an analysis to assess financial sustainability of TEVTA:

- ► Income to expenditure ratios
- ► Proportion of different sources of funding
- ► Solvency ratios
- ► Liquidity ratios
- ► Horizontal and vertical analysis of financial statements

Further as Monitoring and Evaluation Department has not been fully established, therefore we were also not able to obtain required information to assess the progress of TEVTA against certain key performance indicators normally used for educational institutes:

- ► Job placement ratio
- ► Student dropout ratio
- ► Number of beneficiaries per project

1.2   Overall Assessment of Areas Under Review

1.2.1. Overview

Assessment and Strengthening Program (ASP) is a five-year USAID funded initiative for undertaking institutional strengthening of Pakistani institutions in the Public Sector, Civil Society Organizations (CSOs) and Private Sector. The program is being implemented by the Rural Support Programmes Network (RSPN). This program aims to strengthen the management capacity of Government and CSOs for transparent and accountable utilization of USAID resources in order to enhance aid effectiveness. It mainly focuses on building the capacities of USAID's local implementing partners that face institutional capacity issues that considerably slow down the pace of socioeconomic development.

This Pre-Award Assessment of the TEVTA has been performed to determine whether TEVTA has sufficient financial management, organizational capacity to manage USAID funds in accordance with USG and USAID requirements and identify risks and potential mitigation measures which may be incorporated into the award through Special Award Conditions.

1.2.2.   Summary of Pre-Award Assessment

Based on our review, we assess the overall risk level to be **High** keeping in consideration the information, documents and explanation provided to our team by the management of TEVTA during our field work carried out from 20 October 2014 to14 November 2014.

The table and heat map provides our risk assessment of each area under review:

S. No.	Area	Assessment Rating
1	Legal Structure	High
2	Financial Management and Internal Control Systems	High
3	Procurement Systems	Moderate to High
4	Human Resource Systems	High
5	Project Performance Management	High
6	Organization Sustainability	Moderate to High
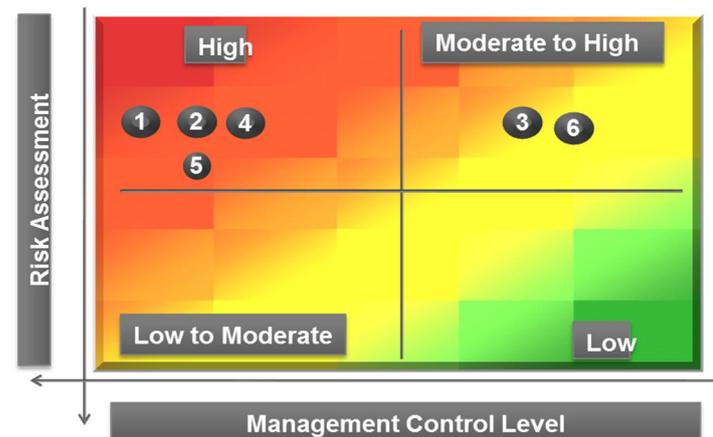
2 Background

2.1 Introduction to TEVTA

Technical Education & Vocational Training Authority (TEVTA-KP) has been recently reconstituted as an autonomous corporate body established by the KP Government through the TEVTA Ordinance, 2014. Its objective is to revamp Technical Education & Vocational Training (TEVT) system in KP based on national & international practices and to make it relevant to the labor market requirements in order to produce competent and skilled workforce.

Previously, Directorate General of Technical Education and Vocational Training Institutes was responsible for management of all Technical, Vocational and Technology institutes in Khyber Pakhtunkhwa along with Commerce, Management and Business Institutes. Directorate was working under supervision of Industries, Commerce and Technical Education Department of the Government. As per sub section 2 of section 3 of TEVTA Ordinance 2014, "Soon after notification of establishment of TEVTA in the official Gazette, TEVTA shall, except colleges of commerce, business, administration and management sciences, take over the administrative and regulatory control over all colleges, institutes and centers by whatever name called, imparting technical education and vocational training and which are working under the administrative and regulatory control of directorate immediately before existence of TEVTA."

Currently, TEVTA is responsible for supervision of 79 training institutes in 22 district of KP mainly under following three categories:

- ► Vocational Institutes
- ► Technical Institutes and
- ► Technology Institutes

2.1.1. Vision statement

As per management its vision statement is *"Second to none in an appropriate and sustainable TEVT system."*

2.1.2. Mission statement

As per management its vision statement is *"To be model diversified TEVT organization providing practical skills based on appropriate technology. We (TEVTA) would achieve this through dedicated professional and disciplined faculty. Our passed out students would be high performing skilled professional"*

2.2 Participants of this Assessment

This assessment was conducted by Ernst & Young Ford Rhodes Sidat Hyder (EYFRSH) for and on behalf of USAID Pakistan through ASP-RSPN under task order number ASP-CPO/A&C/Pre Award – TEVTA/16-2014 to complete the Pre-Award Assessment necessary for recipients (in this case TEVTA) receiving financial support.

Our assessment and current state of understanding of TEVTA has been based on desk reviews of key information provided to us by management, interviews and discussions with the key management and operational personnel, walkthroughs of critical transactions and testing of key controls as considered appropriate. The assessment commenced on 20 October 2014 and field work was concluded on 21 November 2014.Key findings have been discussed and management comments have been obtained from the relevant departments of TEVTA for each area under review.

A complete list of the key process owner we have meetings with is attached at Annexure 2.

2.3 Objectives of this Assessment

The objective of the Pre-Award assessment is to provide reasonable assurance to USAID / Pakistan that TEVTA has an acceptable organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures, practices and:

- ► can meet project goals and objectives;
- ► can adequately safeguard, monitor and efficiently utilize resources;
- ► can obtain, maintain, and fairly disclose reliable data and information;

► has the institutional framework for sustainability; and

► can comply with applicable laws and regulations.

The specific objectives are as follows:

► Determine current and possibility of future compliance with the USG rules and regulations;

► Evaluation of organization's capacity for receiving future higher assistance based on a comprehensive absorptive capacity analysis;

► Determine whether management leadership, organizational strengths, quality of staff, and quality of processes and procedures have the potential to support the management of a USAID-funded award;

► Assessment of the organizational capacity to manage USAID advance funding mechanism as per USAID regulations; and

► Performance of walk through(s) and tests on sample basis of the financial and procurement systems.

This report provides an assessment of TEVTA absorptive capacity and following key areas as required under the scope of work and based on our discussions with ASP-RSPN and USAID:

► Legal Structure;

► Financial Management and Internal Control Systems;

► Procurement Systems;

► Human Resources Systems;

► Project Performance Management; and

► Organization Sustainability.

This report has been structured to provide an overall assessment of the internal controls structure of TEVTA as a whole and for each of these areas in the ensuing chapters, please refer to Section 3 below. Key findings as reported in Section 3 of this report have been discussed with management and written comments against each have been obtained and incorporated.

2.4   Scope and Methodology

Our methodology has been based on the assumption that in order to be eligible for an award, the prospective recipient must either have in place, or have the capacity to have in place, identified fund management, project management and accountability systems, processes, and personnel. We have benchmarked TEVTA to the minimum requirement of such capacity as outlined in the USAID guidelines and better practices. Our scope and methodology for the assessment of TEVTA on this premise is outlined in Annexure 3 to this report.

2.5   Work Procedures Performed

To ensure professional quality, this assignment is conducted in line with general attestation standards. Those standards require to plan and perform the review to obtain sufficient, competent evidential matter to provide a reasonable basis for the conclusions. Those standards also require maintaining independence in mental attitude and exercising due professional care in conducting and reporting the conclusions. Specifically, we have performed following work procedures:

► Assessed current and possibility of future compliance with the USG and USAID rules and regulations as mentioned in Annexure 4);

► Reviewed and tested TEVTA's internal controls, including segregation of duties, handling of cash, loaning procedure, contracting procedures, personnel and travel policies to ensure reasonableness and compliance with applicable cost principles;

► Reviewed and tested asset management and procurement systems, as well as policies and procedures for administration and monitoring of loan accounts;

► Performed specific analysis of the absorptive capacity of TEVTA to manage the USAID funds at a certain level;

► Reviewed and assessed the TEVTA's internal control system, relevant policies and procedures, organization's technical capabilities and quality assurance capabilities;

► Reviewed the organization's established roles and responsibilities to perform and the ability to maintain the necessary management competencies in planning and carrying out assistance programs;

► Reviewed TEVTA's planning and budgeting mechanism, process for preparing the project / program financial and progress reports; adequacy of charts of accounts, organizational charts and accounting systems descriptions;

► Reviewed and assessed the human resource policies and procedures, procurement policies and procedures; warehousing and distribution procedures for materials and performed test of controls as necessary;

► Reviewed the TEVTA's financial management system to assess the timely completion of audits and timely and appropriate resolution of audit findings and recommendations; and

► Reviewed the status of actions taken on findings and recommendations reported in prior audits of TEVTA.

3 Detailed Assessment of Current State of Individual Areas

3.1. Legal Structure (Governance and entity level controls)

Overall Area Rating	Number of Findings			
	High	Moderate to High	Low to Moderate	Low
High	02	08	-	-

Summary of Key Findings:

S. No.	Key findings identified during assessment	Issue rating
1	No governance committees have been formed at TEVTA.	High
2	No strategic plan prepared by the organization to focus on core objectives in the short, medium and long term.	Moderate to High
3	Documented policies and procedures manual not developed for internal audit and management information system sections.	Moderate to High
4	Internal Audit Section conducts audits at the institute level but no internal audit is carried out for the directorate.	Moderate to High
5	Internal Audit Section reports to Chairman instead of independent Audit Committee.	Moderate to High
6	Lack of capacity of Internal audit Section with respect to staff strength and relevant experience to execute internal audit.	High
7	Status of legal cases and pending litigation are not adequately monitored	Moderate to High
8	IT department is not fully established to cater various requirements of TEVTA operations.	Moderate to High
9	No formal / documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP).	Moderate to High
10	Absence of Public Relation and Marketing Section.	Moderate to High

3.1.1 Local Organization Definition

Technical Education and Vocational Training Authority (TEVTA) has recently been reconstituted under the "Khyber Pakhtunkhwa Technical Education and Vocational Training Agency Ordinance, 2014" by the Governor of KP. As per notification of establishment "TEVTA shall except colleges of commerce, business, administration and management sciences, take over administrative and regulatory control over all colleges, institutes and centers by whatever name called, imparting technical education and vocational trainings and which are working under the administrative and regulatory control of Directorate (Directorate General of Technical education and Manpower training Khyber Pakhtunkhwa), immediately before existence of TEVTA". As per the ordinance, TEVTA is a corporate body having perpetual succession and common seal with powers to acquire and hold property and sue and be sued by the said name.

TEVTA ordinance, 2014 was approved on 10 September 2014 by the Governor of KP as the Provincial Assembly was not in session and the Governor was satisfied that circumstances exist which rendered it necessary to take immediate action.

3.1.2 Legal Requirements

Based on discussion with the management, we understand following are the key laws, rules and regulations applicable to TEVTA:

► TEVTA Ordinance 2014

► TEVTA Rules 2014

► Income Tax Ordinance, 2001

► Efficiency & Disciplinary Rules

► Sales tax Special (Withholding) Procedure, 2007

► Khyber Pakhtunkhwa Conflict of interest Rules, 2013

► General Financial Rules (Vol. 1 & Vol.2)

► KP Public Procurement Rules (PPPRA), 2014

► New Accounting Model (NAM)

► Land Acquisition Rules

3.1.2.1. TEVTA tax status

As per clause 58A of the second schedule of Income tax Ordinance 2001, income of a university or other educational institution being run by a non-profit organization existing solely for the educational purposes and not for the purposes of profit shall be exempt from income tax. We have been informed that based on the above, TEVTA also claims exemption from the applicable levy of income tax being a technical education institute and not for profit purpose organization.

3.1.3 Organizational Structure

The approved organization structure at directorate level as provided to us by the management of TEVTA is as follows:
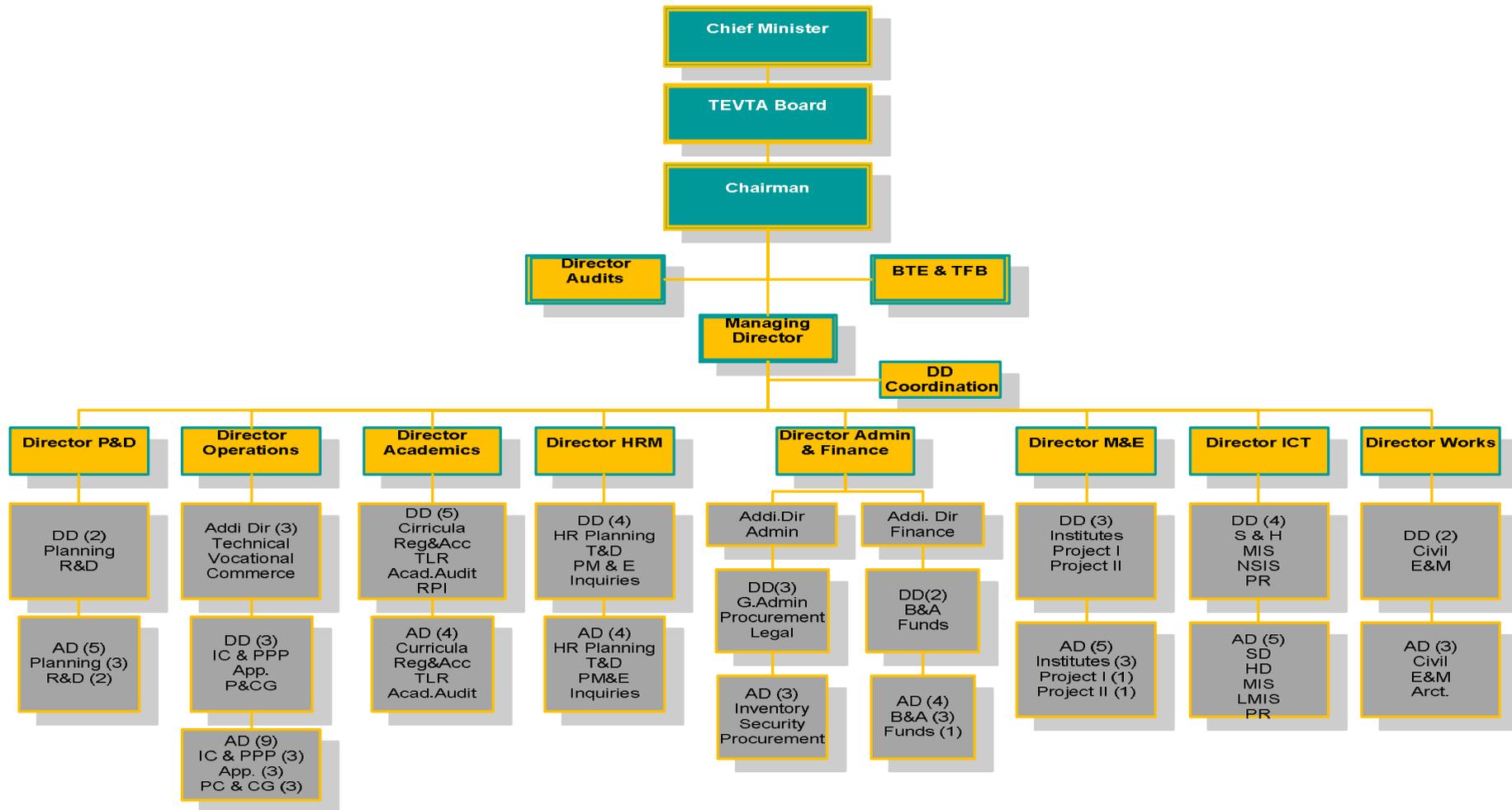
TEVTA Institutes have their own structure although not formally documented or standardized and vary with size of institute and number of trades and qualification it is operating and offering respectively.

EY
Building a better
working world

Organization structure of institutes we visited were as follow:

a) **Government College of Technology, Peshawar**
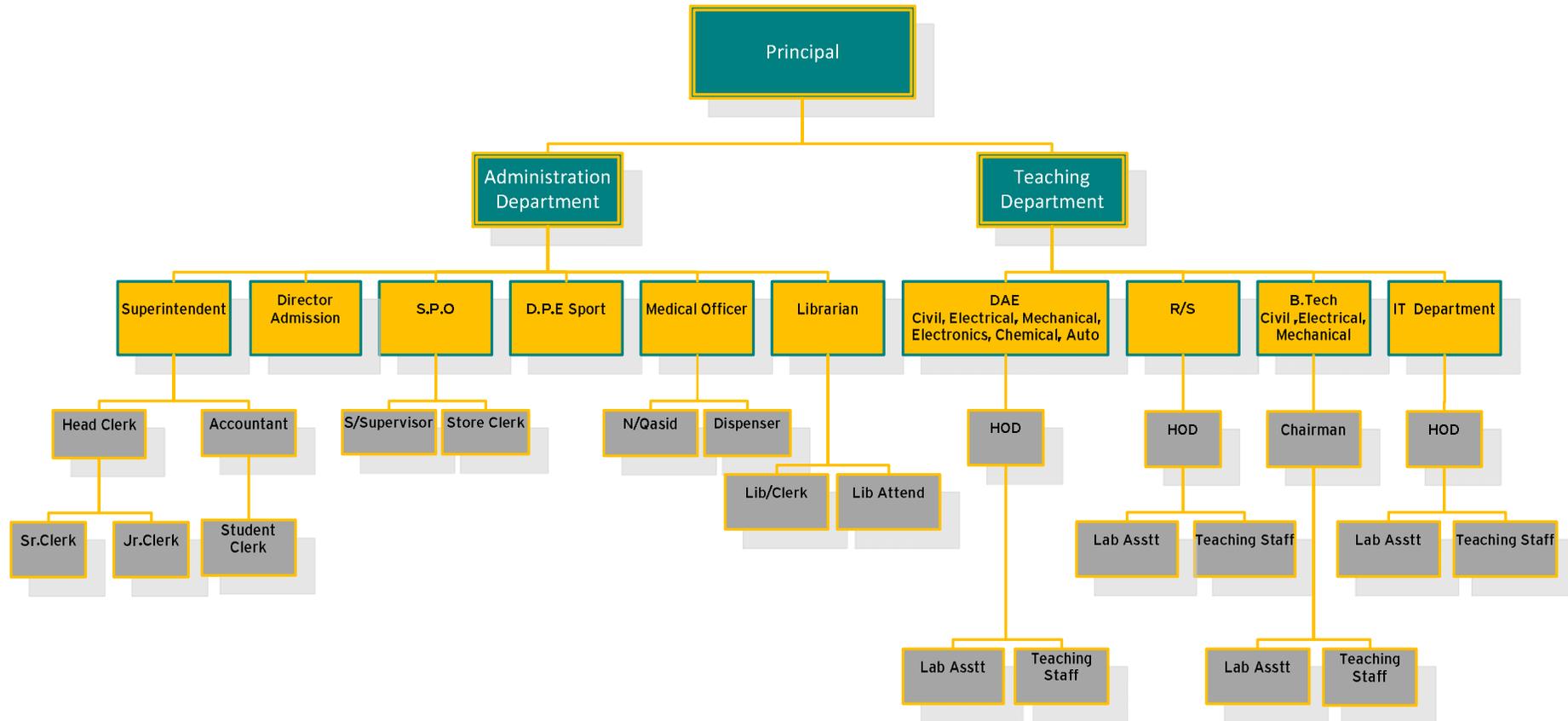
b) **Government Technical and Vocational Center, Peshawar**
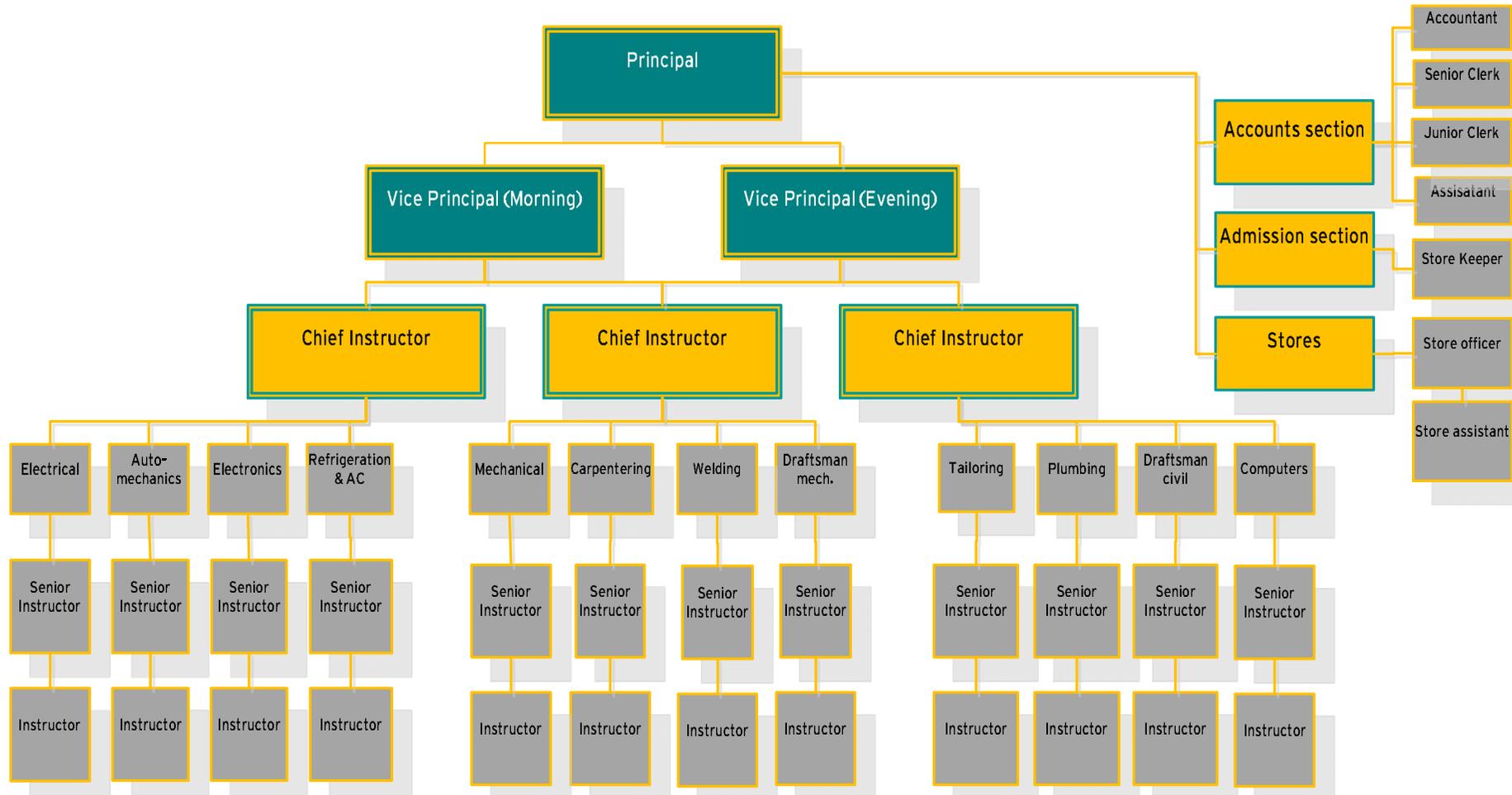
3.1.4   Governance

TEVTA Ordinance 2014 and TEVTA Rules, 2014 jointly defined the governance structure of TEVTA. As per Section 5 of TEVTA Ordinance "TEVTA Board has overall powers of administration, management and general control of the TEVTA and its affairs." In order to ensure the effective use of powers, and to discharge duties accordingly, Delegation of Financial Authority and Responsibility Rules, 2014 has been provisionally provided to TEVTA Board to replace current delegation of Power Rules, 2001. TEVTA Ordinance 2014 has specifically authorized TEVTA to exercise its powers and to take decisions, as necessary, in execution of relevant duties and functions of TEVTA.

TEVTA Board of Directors (BoD)

TEVTA BoD is the supreme body of TEVTA and it is responsible for establishment and administration of Institutes along with smooth functioning of all the Institutes. Composition of TEVTA BoD members as mentioned in TEVTA ordinance, 2014 is as follow:

Designation	Roles in BoD
Chairman - Chairman, TEVTA	Chairman
Secretaries to Government, Industries, Members Commerce and Technical Education Department, Finance Department, Planning and Development Department and Labor Department – Member	Member
A representative of Federation of Pakistan Chambers of Commerce and Industry – Member	Member
A representative of the Khyber Pakhtunkhwa Chamber of Commerce and Industry – Member	Member
A representative of Industrialist Association, Peshawar – Member	Member
A representative of Industrialist Association, Industrial Estate, Hattar – Member	Member
A representative of Gadoon Industrial Estate – Member	Member
A representative of Large Scale Manufacturers to be nominated by Government – Member	Member
A representative from the Skill Development Council, Peshawar - Member	Member
A representative of Private Sector's Technical and Vocational Training Institutions to be nominated by the Government – Member	Member
A representative from The Directorate General of Bureau of Immigration and Overseas Employment – Member	Member
A representative of Overseas Employment Promoters Agencies of the Province to be nominated by Government – Member	Member
A representative of All Pakistan Contractor Association to be nominated by Government from Categories A, B and C1 of contractors as defined by Pakistan Engineering Council – Member	Member
A Chairman of the Institute Management Committee to be nominated by the Government - Member; and	Member
Managing Director - Member/Secretary	Member

However, we noted that the **members present at the first BoD meeting were not all those assigned to their posts as per TEVTA ordinance requirements** mentioned above. The composition of the TEVTA BoD during first meeting held on 7 and 8 August 2014 was as follow:

Designation	Roles in BoD
Chief Minister, Khyber Pakhtunkhwa	Chairman
Secretary to Govt. of Khyber Pakhtunkhwa, Finance Department	Member
Special Secretary to the Chief Minister, Khyber Pakhtunkhwa	Member
Principal Secretary to the Chief Minister, Khyber Pakhtunkhwa	Member
PSO to the Chief Secretary, Govt: of Khyber Pakhtunkhwa	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Planning & Development Department	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Elementary & Secondary Education Department	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Industries Department	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Establishment Department	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Law Department	Member
Secretary to Govt: of Khyber Pakhtunkhwa, Higher Education Department	Member
Representative from KPCC&I, Peshawar	Member
Representative from Industries Association Peshawar	Member
Representative from Skill Development Council	Member
Representative from Sarhad Employees Federation	Member
Chairman IMC (Polytechnic/TVC)	Member
Director IMS, Hayatabad	Member
Vice Chancellor, UET, Peshawar	Member
Director, Sarhad Textile Mills Limited Gadoon	Member
General Manager Works, Cherat Cement	Member
Executive Director, NAVVTEC, Islamabad	Member
Special Advisor, Chief Minister's Secretariat, Peshawar	Member
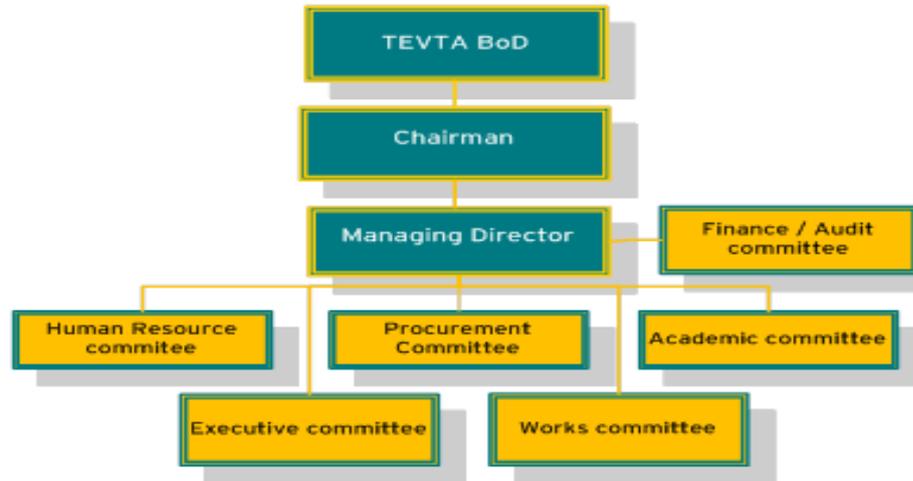
Proposed committees as per TEVTA Ordinance

Section 9, 10 and 11 of TEVTA ordinance, 2014 define role of management committee. The detailed composition and TORs are not yet developed however, extracts from TEVTA Ordinance 2014 are as follows:

a)   Management committees should be headed by the Chairman

b)   It shall have following powers:
   ► Identify the local employment opportunities or requirements of skilled labor force;
   ► Prepare annual training plan based on identified training needs;
   ► Ensure optimum utilization of the available facilities and monitor training costs;
   ► Prepare annual budget estimated of the college or institute or center concerned;
   ► Reflect on effectiveness of the prescribed training courses and suggest remedial actions;
   ► Establish institution-industry linkages;
   ► Undertake any other function as may be prescribed by the BoD;
   ► Develop a sustainable and effective mechanism by which inputs on above mentioned functions are communicated to the BoD for its consideration wherever relevant.

c)   In relation to meetings of the committee;
   ► The committee shall meet as required but not later than at least once in two months;
   ► The committee shall meet at such time and place determined by the Chairman;
   ► In case the Chairman is not available, members present for a meeting shall elect one of the present members to preside over the proceedings of that meeting;
   ► Presence of at least five members shall constitute quorum for the meeting;
   ► All decisions of the meeting shall be made by majority of votes. In the event of equality of votes, the person presiding meeting shall have a second of casting vote.

In pursuance of above mentioned options as per TEVTA Ordinance, 2014, management has placed agenda in first BoD meeting held on 07 and 08 August 2014 to formally constitute these committees. These committees are approved in principle subject to vetting by the law department. However we were informed that these committees were subsequently rejected by the Legal Department of KP as in their opinion TEVTA Ordinance, 2014 needed to be revised and roles and composition of these committees should be included in it. Therefore till the date of our assessment there were no such committees constituted..

3.1.4.1. Key committees of TEVTA

Currently, there are no committees at TEVTA. However, as per TEVTA's Ordinance, following committees have been proposed:

- ► Finance / Audit Committee;
- ► Human Resource Committee;
- ► Procurement Committee;
- ► Academic Committee;
- ► Executive Committee; and
- ► Works Committee.

a)   **TEVTA Operational Structure - Directorate Level**

TEVTA has Directorate located in Peshawar that directly oversees and supervises the activities of institutes. At directorate level, activities of TEVTA are segregated between nine different sections. Each section is headed by respective Director as per new approved organogram. Further, GIZ helps the management in drafting respective job description for each Director for which details are as under:

Section Name	Head of Section	Role of Section
Audit	Director Audit	Resource for functional matters related to financial and quality audit of KP TEVTA headquarter, projects, technical colleges, vocational centers and training centers.
Admin. and Finance	Director Admin. and Finance	Resource for functional matters related to Administration and Finance i.e. Procurement, Inventory Management, Logistics, Security, Budget, Accounts and Funds Management at TEVTA.
Planning and Development	Director Planning and Development	Resource for functional matters related to planning and development i.e. annual plan, strategic plan, projects and research and development plan.
Operations	Director Operations	Resource for functional matters related to the operational management of TEVTA institutes, industrial coordination, public private partnership, apprenticeship schemes, career placement and employment exchanges.
Academics	Director Academics	Resource for functional matters related to the academics of TEVTA sector i.e. curriculum, academic audit, registration, accreditation, CBT, NVQF and RPL etc.
Human Resource Management	Director HRM	Resource for functional matters related to human resource management i.e. HR planning, training and development, compensation management, performance management and evaluating human resource policies, programs and practices.
Monitoring and Evaluation	Director Monitoring and Evaluation	Resource for functional matters related to Monitoring and Evaluation i.e. M&E of institutions, annual work plan, public projects and donor projects etc.
Information and Communication Technology	Director ICT	Resource for functional matters related to the ICT i.e. software development, hardware, networking, Management Information System, National Skill Information System and Communication (public relations).
Works	Director Works	Resource for functional matters related to works i.e. civil, electrical, mechanical and maintenance work in general.

b)   **TEVTA Operational Linkages Between Directorate and Institutes**

TEVTA has 79 institutes in 22 districts across KP. The Directorate is involved in the following activities on behalf of the institutes:

i) Financial activities
- ► Principal of each institute is the Drawing and Disbursement Officer. However, he/she have limited financial powers to approve low value financial transactions (refer Section 3.2.4 for detail). Therefore, the principal requests staff at the Directorate for review and final approval of financial transactions exceeding his/her financial limits.
- ► In the current scenario, all the institutes prepare their own budgets. However, the budget is submitted to the Finance Department of GoKP for final approval on the basis of recommendations from Director Admin and Finance.

ii) Internal audit
- ► Institutes are responsible to assist internal audit team selected by Directorate for the execution of internal audit activities and provide their input in resolution of audit observations.

iii) Human resource activities
- ► All recruitment is handled centrally by the Human Resource Section at the Directorate with no or minimum involvement of the institutes.
- ► Institutes are also required to refer to the Directorate for resolution of disciplinary matters, posting of staff, nomination and arrangements for trainings and final approval of performance appraisals of senior staff in the capacity of either reporting or countersigning authority.

iv) Monitoring and evaluation
- ► Currently, there is no defined mechanism for monitoring and evaluation. We were informed that, in the future, institutes will be required to submit their inputs for all monitoring and progress reports to the Directorate on defined questionnaires develop for this purpose.

There are six main types of institutes which are:

- ► Technology Colleges;
- ► Technical and Vocational Centers;
- ► Skill Development Centers;
- ► Polytechnic Institutes;
- ► Technical Teacher Training Centers; and
- ► Advance Teacher Training Centers.

District wise details of Institutes are as follows:

Sr. No.	District	Type of Institute	Number of Institutes
1	Abbotabad	Technology College	1
		Technical and Vocational Center	3
2	Bannu	Technology College	1
		Technical and Vocational Center	2
3	Batagram	Skill Development Center	1
		Technical and Vocational Center	1
4	Buner	Polytechnic Institute	1
5	Charsadda	Technology College	1
		Technical and Vocational Center	2
6	Chitral	Polytechnic Institute	1
		Technical and Vocational Center	1
7	D.I. Khan	Technology College	1
		Technical and Vocational Center	3
		Polytechnic Institute	1
8	Hangu	Technical and Vocational Center	1

Sr. No.	District	Type of Institute	Number of Institutes
9	Haripur	Technical and Vocational Center	3
		Polytechnic Institute	1
10	Karak	Technical and Vocational Center	2
		Polytechnic Institute	1
11	Kohat	Technical and Vocational Center	2
12	Lakki	Technical and Vocational Center	2
		Polytechnic	1
13	Lower Dir	Technical and Vocational Center	3
		Technology College	1
		Polytechnic Institute	1
14	Malakand	Polytechnic Institute	1
15	Mansehra	Technical and Vocational Center	3
		Polytechnic Institute	1
		Skill Development Center	3
16	Mardan	Technical and Vocational Center	5
		Polytechnic Institute	2
17	Nowshera	Technical and Vocational Center	2
		Technology College	1
18	Shangla	Polytechnic Institute	1
19	Peshawar	Polytechnic Institute	2
		Skill Development Centre	1
		Technical and Vocational Center	4
		Technical Teacher Training Center	1
		Advanced Teacher Training Center	1
		Technology College	1
20	Swabi	Technical and Vocational Center	2
		Technology College	1
21	Swat	Technical and Vocational Center	3
		Technology College	1
21	Tank	Technical and Vocational Center	2
22	Upper Dir	Technical and Vocational Center	1
		Polytechnic Institute	1
		Technology College	1
Total institutes in all districts:			79

The following diagram provides details regarding the number of institutes in each category:
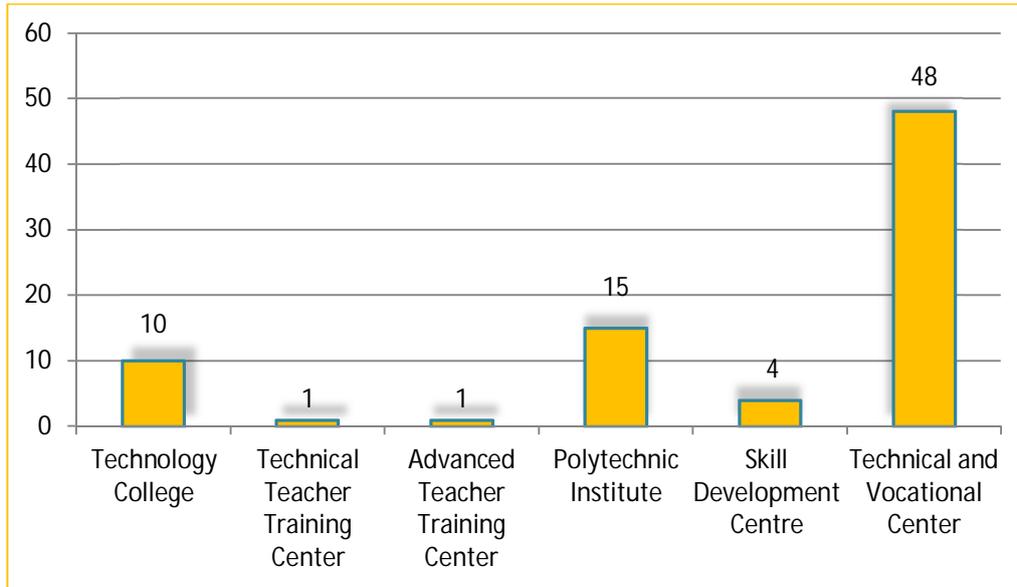
3.1.5   Control Environment

3.1.5.1 Internal audit

The TEVTA has an independent Internal Audit Section headed by the Director Internal Audit to assess the financial and procurement activities of the Institutes and ensure its compliance with applicable rules and regulation. We noted that the Internal Audit Section does not have any documented SOPs that define the scope of its activities and provide guidance to the management with respect to sample selection, planning, execution, quality review and implementation of recommendations of Internal Audit Section. Further, the Internal Audit Section solely conducts the internal audit of the Institutes and does not audit the Directorate.

a)   Internal audit sections and teams structure

Currently, Internal Audit Section is headed by Director Internal Audit who directly reports to the Chairman TEVTA. Post of Assistant Director Internal Audit is vacant and management is in process of hiring an individual for this post. Following is the overall structure of Internal Audit Section:

Internal Audit TEVTA

Following is the profile of the existing key team members in the Internal Audit Section:

S. No.	Designation	Qualification	Experience (Years)	
			TEVTA	**Other**
1	Director Internal Audit	BSc Engineering	3 months	28 years
2	Senior Clerk, Internal audit	Faculty in Arts	3 months	24 years
3	Junior Clerk, Internal Audit	Diploma in Commerce	3 months	17 years

Due to limited staff in Internal Audit Section management constitutes different audit teams with approval of the Chairman to conduct field visits and carry out internal audit on behalf of the Internal Audit Section. As per latest Internal Audit Plan shared with EY, internal audit team comprises of following members to carry the internal audit of institutes located at Hazara region:

a) Senior Clerk, Internal Audit
b) Superintendent (selected from any institute on random basis by the Director Internal Audit)
c) Assistant Professor (selected from any institute on random basis by the Director Internal Audit)

Scope of internal audit activities: As mentioned, the Internal Audit Section does not have any documented SOPs that specify detailed scope of activities of internal audit team. However, as per shared Internal Audit Plan, the TORs defining responsibilities of internal audit team are as follow:

► Any act against strict financial discipline must be reported
► Submit clear reports with figures required
► Any irregularity or embezzlements traced out afterwards that have been compromised or ignored would be the responsibility of the internal audit team
► Reports must be submitted within ten days of the completion of audit
► The audit team will stay in any of the institutions in concerned districts.
► TA/DA would be paid out of KP-TEVTA funds, parent offices or institutes funds

Internal audit planning: General Financial Rules requires that all the institutes are to be audited at least on an annual basis. We were informed by the management that a new Internal Audit Plan is prepared which covers all the institutes. We understand that due to high volume of institutes in comparison with internal audit team, such plan seems unrealistic. The Internal Audit Plan includes following information:

► Detail of institutes to be visited on different dates;
► Composition of internal audit team; and
► Brief TORs for internal audit team.

The said plan is shared with all the concerned institutes after review and approval of Chairman.

Execution of audit: Internal audit team is required to complete the field work within two days and submit the internal audit report within 10 days after the completion of field work. After reviewing the observations, we noted that the internal audit team specifically reviewed the financial and procurement activities of the institute however it did not suggest any recommendation with respect to control improvement.

Audit recommendations and action plan: Currently, all audit findings and recommendations are presented to the Chairman (previously Director General Technical Education and Manpower Training) for his input regarding investigation of identified observations. However, under the new proposed system at TEVTA, an Audit Committee will be formed which shall deal with all findings in Internal Audit Reports. The proposed members of the committee will have following composition:

► Secretary Industries Department of Government of KP;
► BoD members;
► Director Finance;
► Director Audit.

3.1.5.2 Legal Department

TEVTA does not have a Legal Department that assists to ensure compliance with applicable laws, rules and regulations and resolution of all legal cases and litigations. As per latest approved organogram there shall be a Deputy Director Legal who will report to Director Admin and Finance, however, this is post is currently vacant. As per management all legal matters are currently being referred to the Legal Department of the Government of KP.

3.1.6   Management Information System (MIS)

The Informational and Communication Technology (ICT) Section is headed by a Director with no other support staff in the section.

TEVTA does not have a Management Information System (MIS) in use at the Directorate level or at any level of the Institute. All activities are manually carried out or by using non automated software (e.g. spreadsheets).

During our review, we noted that management of TEVTA has got approval for PC-1 dated July 2013 with a total financial cost of PKR 46.514 Million with duration of 24 months for the "Development of MIS for technical institution in Khyber Pakhtunkhwa". To justify the purpose of the project the following discrepancies in the current system are highlighted in PC-1:

- ► Manual data processing is time consuming, tiresome and error prone
- ► It cannot timely provide analyzed information and generate reports of allied institutions to support the decision making.
- ► The existing computerized system lack tools to enable the analysis of statistics.
- ► Loss of files and misplacement of academic files in the institutions is common due to lack of computerized management at institution level.
- ► Student records have been managed manually and least information is provided to Directorate.
- ► There are no means of getting an overview of the actual workload on staff in the systems.

Current PC-1 for MIS has following objectives to meet:

- ► To develop the Management Information System for on-campus operate model at Technical Education Institutions i.e. Poly Technic Institutes. Commerce Colleges and Vocational Training Centers in Khyber Pakhtunkhwa province
- ► To bring an environment of a single integrated solution and removing all stand-alone / suites of software for academics and administrative processes
- ► To provide holistic view of the multiple role employees hold within the Technical Education, delivering access to services appropriately and making this information available to others
- ► To cover all aspects of technical education functioning like academic management, financial management, affiliation management, examination management, employee management, library management, inventory management, attendance, monitoring etc.
- ► Training to the Technical Education staff including all the respective staff of Poly Technic institutes, Vocational Training Centers
- ► To improve the efficiency of the Technical Education Department by timely availability of information for reporting and planning.

As per the management of TEVTA, the project has to be executed and monitored by Directorate of Information Technology and Technical Department of GoKP. TEVTA's management is not aware of any progress for the said project, however as per their verbal feedback, overall progress of the project is slow.

3.1.7 Key findings in Legal Structure (Governance and entity level controls)	Overall Rating:
	High

Detailed issues with EYFRSH recommendations and TEVTA comments are mentioned below:

1. No governance committees have been formed at TEVTA.	Rating
Finding	**Moderate to High**

As per the better practices, BoD of the organization creates various independent committees at governance level considering the nature and size of its operations. Committees assigned with the charge to oversee the organization's operations and report to BoD. Further, standing committees (at management level) are also established whose reporting line is the head of management i.e. Managing Director.

List of such committees are as follows:

► Procurement Committee;
► Recruitment Committee;
► Finance Committee;
► Audit Committee;
► Monitoring and Evaluation Committee; and
► Curriculum Monitoring Committee.

Currently, as per TEVTA Ordinance 2014, TEVTA Board is the supreme body of TEVTA and is responsible for the administration of all TEVTA functions along with the preparation of necessary guidelines for the different management level committees.

During our review, we noted that TEVTA has not established the said committees and currently Chairman TEVTA involves in all operational matters of the organization. As per management, considering the requirement of TEVTA Ordinance, 2014 and TEVTA Regulation, 2014 they have proposed constitution of these committees in the first BoD meeting held on 08 August 2014 and it was decided by the BoD that these committees shall be approved after vetting completed by the Legal Department of GoKP. Further as per discussion with the management, we were informed that these committees were subsequently rejected by the Legal Department of GoKP by stating that TEVTA's management does not have power to constitute such committees.

Implication(s)

In the absence of governance and standing committees, progress of TEVTA may not be assessed effectively. Moreover, strategic level guidelines from governance level committees may not be provided to the management of TEVTA in a timely manner.

Recommendation(s)

We recommend that BoD should coordinate with the Legal Department of GoKP to seek clarity with respect to their observation regarding power to constitute such committees and take the required action. Such clarification should be obtained in context of requirements of TEVTA Ordinance. In case of any disagreements on views provided by the legal department, required consultation with appropriate levels authorities should be made to decide on a way forward.

Management Comment(s)

Constitution of committees is the mandate of the BOD only.

2. No strategic plan prepared by the organization to focus on core objectives in the short, medium and long term.	Rating
Finding	**Moderate to High**

As per better practice, a strategic plan is prepared which documents the vision, goals and objective of the organization. The strategic plan is generally long term, normally covering five years and is approved by the governing body. Annual budgets are also prepared based on the approved strategic plan. Further, strategic plan is monitored and updated on a periodic basis to ensure there are no material deviations.

As per our discussion with senior management of TEVTA we understand that it has defined its vision as "Second to none in an appropriate and sustainable TEVTA system."

We were informed by the management that since inception, there are periodic discussions and decisions made at the TEVTA BoD and senior management level to design and implement various activities to achieve overall vision. Further, annual budgets for both development and non-development activities are prepared and approved by the management, keeping in consideration the annual requirement of different Institute and Directorate.

However, we noted that there is no formal documented strategic plan keeping in consideration the vision of the entity defining short, medium and long term objectives, goals, strategies of TEVTA.

Implication(s)

In absence of a formal strategic plan approved by the governing body (TEVTA BoD in this case) senior management may not be able to design its operational strategies / activities to achieve or gauge its achievement over the years against entity's overall mission / vision.

Recommendation(s)

We recommend that a strategic plan (at least covering upcoming five to seven years) should be prepared in line with the strategic goals of TEVTA and should be approved by the BoD. Annual work plans and operational budgets should be developed and aligned with strategic plan.

Moreover, such strategic plan should be reviewed / re assessed on a periodic basis (preferably annually) by the BoD / Senior Management of TEVTA and Monitoring and Evaluation Section to ensure that the plan remains updated for any change in strategies. Further, entity should design tools to assess the progress / achievements made against such plan.

Management Comment(s)

USAID may help in this regard.

EY
Building a better
working world

3. Documented policies and procedures manual not developed for Internal Audit and Management Information System Sections.	Rating
Finding	**Moderate to High**

As per the better practices, organizations develop policies and internal guidelines / procedures for its business processes and document them in the form of a manual. Further, such manuals are reviewed and approved by the governing body of the organization.

Currently, respective staff of each section of TEVTA is following guidelines / instructions of the senior management to perform different functions including internal audit and MIS.

However, we noted that there are no documented policies and procedure documented for the following key areas:

► Internal audit;
► Management information system.

Implication(s)

In the absence of the formally defined / incomplete policies and procedures documents, there may be inconsistent practices followed for the above mentioned areas which may lead to operational issues. Also this may lead to lack of controls and formal accountability mechanism.

Recommendation(s)

We recommend that policies and procedures for the above listed areas should be documented adequately, which should be approved by the BoD..

Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by the BoD.

Management Comment(s)

TEVTA is in infancy stage. MIS has already been prepared and is under implementation. USAID may assist for the development of documents like internal audit policy etc.

EY
Building a better
working world

4. Internal Audit Section conducts audits at the institute level but no internal audits carried out for Directorate.	Rating
Finding	**Moderate to High**

As per the better practices, Internal audit is carried out to cover all the aspects of the operations of an organisation based on detailed risk assessment exercise to assess effectiveness and operations of the internal controls environment and activities.

As per the current practice of the Internal Audit Section, region wise Internal Audit Plan is prepared by the management to conduct audits at institute level and the plan is approved by the Chairman. The plan briefly specifies the term of reference for internal audit activities. However, we noted that till date, Internal Audit Section has not covered directorate operations in its internal audit plan.

Implication(s)

Lack of monitoring of key processes / areas at the directorate level may impair the effectiveness of internal control environment and activities at such level.

Recommendation(s)

We recommend that Internal Audit Section should develop a comprehensive risk based audit plan to cover all the operations of the entity. Such risk assessment plan should be presented and approved by the BoD or Audit Committee. All the operations of the entity should be covered for the internal audit exercise.

Management Comment(s)

We shall implement the given recommendation in the near future. However, capacity building of staff may be required.

5. Internal Audit Section reports to Chairman instead of independent Audit Committee.	Rating
Finding	**Moderate to High**

As per the better practices, an independent Audit Committee should be instituted within the organization. The responsibilities of an AC primarily entails:

► Monitoring of internal controls and risk management;

► Establish procedures for the receipt and treatment of complaints or concerns regarding accounting, internal accounting controls and auditing matters; and
► Interaction with internal / external auditors of the organisation independent of the management;

As per the current practice, Internal Audit Department reports to the Chairman as and when required. Internal Audit Plan is also approved by the Chairman.

We noted that there is no Audit Committee for the said purposes.

Implication(s)

In the absence of an independent reporting of the Internal Audit Section, objectivity of the function may be impaired.

Recommendation(s)

We recommend that Internal Audit Section should operationally report directly to Audit Committee to ensure / maintain its independence / objectivity.

Management Comment(s)

We are still following the Government rules. Audit committee would be notified soon after the second BoD meeting.

6. Lack of capacity of Internal Audit Section with respect to staff strength and relevant experience to execute internal audit .	Rating
Finding(s)	**High**

As per the better practices, depending upon the nature of activities, Internal Audit Section is adequately staffed to ensure that Internal Audit activities are carried out smoothly and defined targets / objectives can be achieved timely and in realistic manner.

Currently, Internal Audit Section of TEVTA consists of four staff members i.e. Director Internal Audit, Senior Clerk, Junior Clerk and proposed position of Assistant Director which is currently vacant. Internal Audit Section is required to carry out audit of all 79 institutes at least on annual basis and in order to do so internal audit teams are constituted by including individuals (normally superintendents and assistant professor) from institutes.

Due to this practice, it may create a conflict of interest situation as well as such team members have no experience of Internal Audit. Internal audit team is required to complete Internal Audit in strict deadline of two days (per institute) which in our opinion may not be adequate to provide any meaningful outcome. Further management does not have any documented database to:

► Track the performance of internal auditors against their internal audit plan; and
► check the implementation status of all the observation highlighted by internal auditors.

Implication(s)

In the absence of adequate capacity, Internal Audit Section may not be able to fulfill its roles in an effective manner and objectivity may be compromised.

Recommendation(s)

We recommend that management should increase number of support staff with related qualification and internal audit experience so as to effectively carry out internal audit activities of institutes on its own.

Further management should develop a database / tool to monitor timely completion of internal audit activities as required by the Internal Audit Plan and check implementation status of internal audit recommendations for respective institutes.

Management Comment(s)

Staff slots are there already in the approved organizational chart. These will be filled soon after notification of rules.

7. Legal cases and pending litigation are not adequately monitored.	Rating
Finding	**Moderate to High**

As per the better industry practices, entities (especially autonomous) have well established legal or compliance department that not only ensures compliance with the applicable rules and regulations but also keep track record of all pending legal cases and litigations. Further disclosure of such pending legal cases and litigations are also required in the financial statements by most of the financial reporting frameworks due to their financial implications.

As per our discussion with the management, we were informed that currently there is no legal or compliance department in TEVTA and management has created a post of Deputy Director Legal in recently approved organogram which is currently vacant. Further, management does not have any information regarding its pending litigations and legal cases.

Any legal matters arising or legal input required is referred to the Legal Department of KPK.

Implication(s)

In the absence of legal function, legal cases and litigations may not be effectively handled and monitored and may have adverse financial and legal implications for the entity.

Recommendation(s)

We recommend that management should hire Deputy Director Legal on urgent basis with relevant experience and qualification to handle TEVTA's legal matters. Further, management should also consider defining and documenting adequate policies and procedures to ensure smooth functioning of legal department.

Management Comment(s)

Agreed for future consideration.

8. IT department is not fully established to cater various requirements of TEVTA operations.	Rating
Finding	**Moderate to High**

As per the better practices, entities establish and govern their IT department by hiring sufficiently qualified and experienced staff and by implementing IT systems (e.g. Enterprise Resource planning - ERP). IT systems are used to collect, store, manage, interpret and analyse financial and operational data. This gathering of data and information is a key tool to help BoD for analysing and making decisions to bring rapid improvements in all functions of entity.

Currently, TEVTA has an IT Department which comprises of only one person Director ICT (head of the IT Department as per approved organizational chart).

We noted that nine positions (i.e. four Deputy Directors and five Assistant Directors as per approved organizational chart) are currently vacant.

We were informed by the management that hiring procedures for the staff of IT department is currently in progress.

Implication(s)

Lack of staff resource may adversely impact the functions of the department as it increases the workload and increases risk of human error.

Recommendation(s)

We recommend that management should complete the recruitment process of establishing its IT department for smooth operations.

Management Comment(s)

With the implementation of the new project, this will improve significantly.

9. No formal / documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)	Rating
Finding	**Moderate to High**

As per the better practices, organizations are always exposed to various operational risks resulting from malfunction of any connected factor; i.e. people, system and uncontrollable factors like environmental, social and economic conditions. To mitigate the impact of these risks in a prudent and effective manner, the organizations chalk out BCS and DRP for their businesses in such a way as to ensure that they could survive with greater probability, given the most challenging conditions.

However, we noted that TEVTA does not have documented BCP and DRP for its processes to adequately manage and keep the business running under any crisis situation and ensure early recovery.

Implication(s)

In the absence of effective BCP and DRP entity may not be adequately prepared to deal with the man made or natural disaster and recovery of entity's operations, in addition information and process recovery may take longer, which may lead to operational issues.

Recommendation(s)

We recommend that TEVTA should develop and implement entity wide BCP and DRP to adequately mitigate various operational risks. The plan should broadly cover the following aspects:

► Initial preparation;
► Risk assessment;
► Business impact reviews;
► Impact analysis (Business Impact Analysis BIA);
► Threat analysis;
► Contingency considerations;
► Recovery strategy;
► Plan, development and implementation; and
► Awareness, testing, training and maintenance.

Management Comment(s)

Agreed. USAID may intervene in capacity building and technical support.

EY
Building a better
working world

10. Absence of Public Relation and Marketing Section	Rating
Finding	**Moderate to High**

As per the better practices, organizations have Public Relation and Marketing Section with individuals having suitable qualification and experience . The said section is involved in preparation and communication of information relevant to general public (i.e. prospectus, brochures, advertisements, newsletters and other notices) by using electronic media, print media and entity website. This section is responsible to ensure that information presented in above mentioned media is updated and factually correct and not of confidential nature that may adversely affect activities of the entity.

Currently, TEVTA does not have any Public Relation And Marketing Section, all advertisement, prospectus and other notices are prepared by the institutes themselves with minimum involvement from the Directorate staff.

Implication(s)

In the absence of Public Relation and Marketing Section, relevant and correct information may not be communicated to the general public, which may cause a communication gap and in some cases it may also cause reputational risk for TEVTA.

Recommendation(s)

We recommend that management should establish Public Relation and Marketing Section with individual having relevant experience and qualification.

Management Comment(s)

Covered under new OD but capacity build would again be required.

3.2. Financial Management and Internal Control Systems

Overall Area Rating	Number of Findings			
High	**High**	**Moderate to High**	**Low to Moderate**	**Low**
	02	03	-	-

Summary of Key Findings:

S. No.	Key findings identified during assessment	Issue rating
1	Documented policies and procedures manual not developed for Admin and Finance Section	Moderate to High
2	Deficiencies noted in effective management of fixed assets records	High
3	Absence of financial reporting framework for preparation of financial statement	Moderate to High
4	Discrepancies noted in management of bank accounts	High
5	Student fees is collected and managed by respective Institutes independently from the Directorate so this fee not reflected in annual budgeting process and any financial plan	Moderate to High

3.2.1   Financial Management and Internal Control Systems

At the Directorate level Admin and Finance Section is headed by the Director Admin and Finance who is required to report to the Managing Director, however currently reporting is directly to the Chairman as post of Managing Director is vacant.

Following is an overview of the proposed reporting lines of Admin and Finance Section (at Directorate) as per approved organogram:
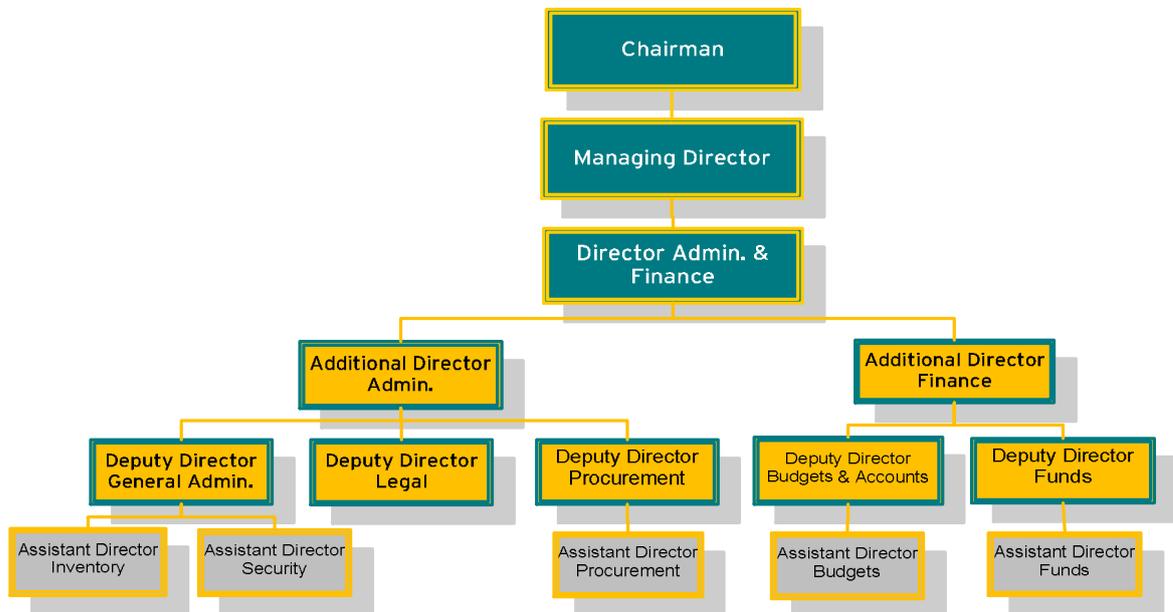
Admin. & Finance TEVTA

Currently, the finance department has 3 staff members (Director Admin and Finance, Accountant and Budget Assistant). Some key posts including Deputy Directors and Assistant Directors are vacant and we were informed that the recruitment process is yet to be initiated. All the activities of the Admin and Finance Department are supervised by the Director Admin and Finance with the assistance of support staff. Financial activities of Admin and Finance Section (at Directorate) are broadly classified in two categories:

► Budgeting
► Fund management

3.2.2   Budgeting:

Steps involved in current Budgeting Process:

Currently, TEVTA is preparing two types of budgets i.e. Developmental and Non-Developmental. Developmental Budget is prepared for different infrastructure and development schemes by Planning and Development Section (at Directorate) by using funds from Annual Development Plan of KP and monitored by Planning and Development Department of GoKP. Whereas non-developmental budget comprises of salaries and other recurring expenditures which is prepared by Admin and Finance Section (at Directorate).

a)   At directorate:

As per the approved organogram it is proposed that Budget Section (at Directorate) will be headed by Deputy Director Budgets who will work along with the Assistant Director Budgets and support staff. However, as mentioned currently recruitment process for the hiring of Deputy Director and Assistant Director is not initiated due to the absence of documented TEVTA HR policies and procedure and there is only one individual at Directorate level (i.e. Budget Assistant) after the recent transfer of Superintendent who assisted Director Admin and Finance during the budgeting process.

Budget Section (at Directorate) is involved in the execution of the following activities:

► Preparation of annual, supplementary and revised non development budgets;
► Review of individual budgets of institutes and making arrangement for its approval from Finance Department of GoKP via Industries Department of GoKP;
► Performing budget checks for all the transactions processed by the Finance and Admin Section (at Directorate).

b) At Institute level:

Currently, budgeting process at institute level is completely independent from the Directorate. Directorate staff is only involved in communicating budgetary requirements of individual institutes to Finance Department of GoKP via Department of Industries GoKP. Staff (mainly Principal and Accountant) of Institutes is then invited by the Finance Department of GoKP in budgetary meetings and requested to justify their budgetary needs and revisions (if any). Once the budget is approved, concerned Accountant General Offices are involved in disbursement of amount on a transaction wise basis by pre auditing requests.

Developmental Budget

Preparation of Developmental Budget is entirely dealt by the Planning and Developmental Section (at Directorate). The approved structure of Planning and Development Section (at Directorate) is as follows:
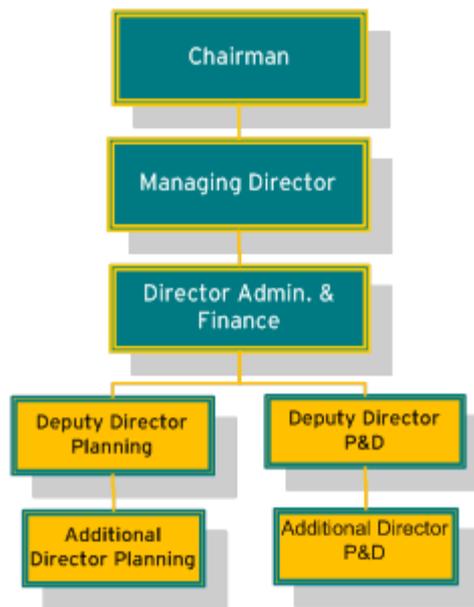
Planning & Development TEVTA

There are no documented policies, procedures and job descriptions that formally define responsibilities and authorities within Planning and Development Department. However, management is using government planning process for identification, planning, execution and monitoring of different developmental schemes.

As per discussion with Director Planning and Development steps involved in the preparation of developmental budgets as per government rules are as follows:

► **Identification of schemes**

Schemes are identified by the following authorities:

- By head of institutes considering their infrastructure needs not fulfilled by their regular non developmental budget.
- By Planning and Developmental Officers on their field visits for assessing the infrastructure of institutes.
- Schemes announced by the Chief Minister (KP) and other ministers and local MPAs.
- Schemes announced by the government departments from time to time.

► **Preparation of Annual Developmental Plan (ADP)**

Once the schemes are identified second step is the preparation of ADP to arrange financial resources for different schemes. Process involved in the preparation of ADP is as follows:

- Preparation of draft ADP by Planning and Development Section (at Directorate) after taking input from Principals of different institutes.
- Presentation of draft ADP to the Chairman for his review and input.
- Presentation of draft ADP reviewed by the Chairman to its own Administrative department (i.e. Industries Department of GoKP) for review of Secretary Admin.
- Presentation of draft ADP reviewed by Administrative Department (Industries Department of GoKP) to Planning and Development Department (Secretariat).
- Presentation of draft ADP to Chief Minister (KP) for final review and approval.
- Approved ADP is published by the Planning and Development Department (Secretariat).

► **Preparation of PC-1 and PC-2 (Feasibility Design and Estimate)**

After approval of ADP, Planning and Development Section (at Directorate) approves the budget for developmental purposes. Next step is to prepare PC-1 and PC-2 which contains description of project feasibility studies duration and financial budget required for its execution. PC-1 and PC-2 are approved as detailed below:

- Preparation of draft PC-1 by Planning and Development Section (at Directorate).
- Presentation of draft PC-1 to the Administrative Department (Industries Department of GoKP) for its review.
- Presentation of draft PC-1 reviewed by the Admin Department (industries) and sent to Planning and Development Department of KP for approval, if its overall cost exceeds PKR 60 million. For values less than PKR 60 million it is reviewed and approved either by the Chairman TEVTA, Sub Departmental Developing Working Party (SDDWP) or Departmental Developing Working Party (DDWP) depending on their individual financial power as provided by the Delegation of Powers Rules, 2014.
- Planning and Development Department of GoKP held Provincial Developmental Working Party (PDWP) meeting to discuss deficiencies in PC-1 under review.
- Revised PC-1 after Pre PDWP meeting is placed in PDWP meetings for final approval.
- In case of foreign funded project, additional approval of Center Development Working Party (CDWP) and ECNEC.
- After approval of PC-1 it is approved by the Administrative department and issues administrative approval to its effect.

Competent authorities for approval for PC-1 and PC-2 are as follows:

Approval Forum	Approval Powers	Composition of Approval Forum
Chairman TEVTA without SDDWP	Up to PKR 2,000,000	Subject to availability of fund, Delegation of Power Rules, 2014 empowered Chairman to approve developmental schemes up to value of PKR 2,000,000.
SDDWP	Up to PKR 50,000,000	Chairman TEVTA, representative of Finance Department of GoKP, representative of Planning and Development, representative from Technical and Work Department of Directorate of KP TEVTA, private member nominated by Chairman.
DDWP	Up to PKR 60,000,000	Headed Secretary of concerned department (Industries Department in case of TEVTA) with Representative of Planning and Development Department, Finance Department of GoKP and Communication of KP and Works Department of KP as members.
PDWP	From PKR 60,000,001 to PKR 5000,000,000 (All in local Funding)	Headed by Assistant Chief Secretary and include Secretaries of Finance Department of GoKP, Planning and Development Department of GoKP and Secretary of Industries Department of GoKP.
CDWP	Up to PKR 1,000,000,000 and involving Foreign fund component	Headed by Deputy Director Planning Commission with Secretary Planning and Development, Department of GoKP, Members of the Planning Commission, Assistant Chief Secretary, Development of Provinces, Representatives of

Approval Forum	Approval Powers	Composition of Approval Forum
		Finance Department of GoKP, Economic Affair Division and concerned ministers as members.
ECNEC	Above PKR 1,000,000,000 and involving Foreign fund component	Headed by Prime Minister with representatives from provinces and concerned ministers as members.

► **Monitoring of developmental Schemes**

All developmental schemes are reviewed by the Planning and Development Section (at Directorate) which prepares quarterly review reports (PC-III) for submission to Administration Department (i.e. Industries Department of GoKP) and Planning and Development Department (Secretariat). These progress reports are also presented to the Chief Minister (KP) in its cabinet meeting if required. The report contains information regarding both financial and physical performance of the development scheme in progress/s.

► **Project completion and evaluation**

On completion of project Planning and Development Section (at Directorate) prepares project completion report (PC-IV) and submit it to the Planning and Development Department of KP. There is also a criteria to evaluate quality of the scheme by preparing PC-V. However, as per the management such document is not prepared as to date nor required by reporting department (i.e. Planning and Development Department).

Non-Developmental Budget

Before the start of each fiscal year, budget of TEVTA is prepared on an annual basis by using incremental budgeting mechanism. The budget is entirely non-developmental in nature with organization's staff salaries and allowances as major portion is developed at the following two levels:

► Directorate level

► Institutes level

a) Directorate level

Before the start of each fiscal year (i.e. between December – June of last year) the Finance Department of GoKP circulates standard budget Performa (BM-02) to both (Directorate and institutes) offices via its Administration.

Department (i.e. Industries Department of GoKP) to assess its budget requirement for forthcoming year. Superintend / Assistant in budget section (at Directorate) fill the required information after obtaining inputs from different sections, salaries estimate working is completed by the budget section (at Directorate) using BM-06, which guide management in preparing salaries budget. Filled Performa is reviewed by the Director Admin and Finance (in capacity of DDO) and approved by the Chairman. Once the budget is approved the same is shared with the Secretary of Administrative department (i.e. Industries Department of GoKP) and subsequently with Secretary, Finance Department (Secretariat) for their review. The reviewed budget of TEVTA along with budget for rest of the department of KP is then presented to the Provincial Assembly session for debate and subsequently approved by the Chief Minister of KP on behalf of Provincial Assembly. Approved budget is published in the budget book (Demand for Grant) by the Finance Department (Secretariat) of KP annually and copy of approval is also sent to the Directorate through its Administrative Department and shared with concerned Accountant General Office. Accountant General then monitors release of budget / making payments on a transaction basis in form of Pre audited cheques.

b) Institutes Level

Institutes receive Performa (BM2) from the Directorate. Accountant at the institute prepares the non-development budget estimates and submits it to Principal (acting as DDO) for approval. After approval from the Principal the budget estimates are then shared with the Superintendent / Budget Assistant at Directorate. The Budget Assistant / Superintendent consolidate all the budget received from the individual institute and the Directorate and send it to the Finance Department of GoKP through their Administrative Department. Remaining approval process is same as that for the Directorate level discuss in detail above.

Budget re appropriation

a)   Supplementary Budget

Budgeting process starts each year in the month of December and is completed by the start of the fiscal year i.e. June. The subsequent revision of original budget can be made in the month of January of the reporting period. However, if circumstance necessitates need for any additional budget in the period starting from June to December then management of both Directorate and Institutes have the option to prepare and request supplementary budget using same process as opted for preparation of annual budget by justifying their revised needs.

b)   Revised Budget

Each year in the month of January budget is re-appropriated in different heads considering actual utilization for previous months and anticipated requirement of forthcoming months, the process is carried out from January to April. Revised budget statement is prepared which contain original budget versus revised budget analysis. This revised budget is also known as Excess and Surrender statement as it assists management to request for surplus budget needs or surrender the surplus funds. The same is reviewed by the Director Admin and Finance and the Chairman. Final approval is obtained from the Finance Department (Secretariat). The process has to be completed each year by end of May as per the requirements of General Financial Rules.

Budget monitoring

There are three types of monitoring carried out at both institute and Directorate which are as follows:

a)   Transaction wise monitoring

Before sanctioning of every transaction, Fund Section sends request to Budget Section to perform budgetary checks at directorate level. Similarly AG offices at both directorate and institutes level check availability of the budget by using PIFRA accounting system before issuing pre audited cheques.

b)   Periodic Monitoring

Periodic monitoring is carried out in the month of January by analyzing annual budget versus revised budget (Six month actual figures and six months projected figures) by Budget Assistant which is then reviewed by Accountant   and approved by Director Admin and Finance / Chairman. Result of annual monitoring is used for revising original budget. However justification of budget revision is not documented in revised budget statement.

c)   Monitoring by Public Account Committee:

During discussion with Admin and Finance Director we were further informed that normally two types of statement (i.e. Financial Account and Appropriation Statement) are discussed at Public Account Committee when needed. The purpose of Financial account is to check as why institute were unable to collect their respective fee collection target, whereas Appropriation Account shows comparison of actual and revised budget and management is required to explain the reason for underutilization and why the underutilized fund are not timely surrendered.

New budgeting system:

Based on our discussion with Director Admin and Finance along with the review of TEVTA rules, 2014, we noted that following new budgeting system will be implemented in future with respect to budget preparation, utilization and monitoring:

Developmental budget:

► Management will discuss with the Finance Department the requirements of developmental budget.
► The required budget will be received by the Directorate in form of Block allocation (one line budget).
► The management will then prepare and approve project specific PC-1 as per government procedure and allocate the budget for different projects as per requirements.

Non Developmental budget:

► Consolidated Non developmental budget comprising of salaries of TEVTA staff and normal operating budget will be prepared at directorate level after taking inputs from all the institutes and department at Directorate level.

► Salaries of current government staff will be managed by Accountant General and its amount will not be reflected in annual budget of TEVTA. Whereas salaries of TEVTA staff will be managed by TEVTA itself through its own bank account.

► The consolidated budget will be then presented to the Finance Department for approval and funds will be received directly in the bank account of TEVTA.

► All the institutes will be required to open their respective bank account for receiving their respective budget from the Directorate for making further disbursements.

3.2.3 Fund Management:

Banking Relationship and Accounts

As of now at Directorate level there is no bank account operations. We have been informed that Funds for non-developmental expenditure are received by TEVTA through Accountant General office at both Directorate and institute level.

We have been further informed that for future as proposed by TEVTA rules, 2014 AG office will not be involved in transaction wise disbursement of funds and salaries of TEVTA staff, instead dedicated bank account at both Directorate and Institute level will be opened for maintenance of developmental and non-developmental funds. At Directorate these bank account are to be operated by the Joint signatories as appointed by the Chairman. We noted that TEVTA does not have any documented standard operating procedure for the following to cater the banking operations requirements:

► Procedure for opening / closing of bank accounts.

► Minimum number and nature (current and deposits) of bank accounts to be operated by directorate and institutes.

► Criteria for preparation of bank reconciliation statements and its review and approval.

► Management for surplus funds.

► Assessing needs for liquid funds.

► Preparation of dedicated ledgers / bank books.

► Individuals to be treated as authorized bank signatories at the Directorate and Institute level.

Further, at the Institutes level bank accounts are opened with the commercial banks for collection and deposit of fees, however we noted following discrepancies in this respect:

► Although procedures exist with reference to comparison of bank balance as per bank book with the bank statement however, there was no documented procedure for the preparation of bank reconciliation statements.

► The lead time for submission of fee into bank accounts and its subsequent deposit into Government Treasury was not defined.

► No defined policy to deal with surplus college funds nor were taken into consideration during preparation of annual budget.

► Bank accounts were operated by single signatory i.e. Principal of institute.

3.2.4 Internal Controls : Payments – Delegation of financial powers

During our review, we noted that final approval power for any transaction is governed by the Government, Delegation of Power rules, 2001 which will be subsequently replaced by TEVTA own Delegation of Power Rules, 2014 which are currently in approval process.

For each payment accountant prepares a separate file which contains evidence pertaining to the transactions and official noting. The official noting contains individual remarks of each officer involved in the review and approval of transactions. As per our review of the payment vouchers we noted that authorities at the Directorate and Institute level are segregated as follow:

Activity	Authorized personal	
	At Directorate level	At Institute Level
Initiation of financial transaction	Accountant	Head Clerk

Activity	Authorized personal	
	At Directorate level	At Institute Level
Budget check performed	Budget Superintendent / Assistant	Accountant
Review and Approval of transaction	Director Admin and Finance or higher authority considering the provision of delegation of powers.	Principal or higher authority considering the provision of delegation of powers.
Pre audit of financial transaction	Concerned Accountant General office	Concerned Accountant General office
Recording in Bank Book	Accountant	Head Clerk
Recording in PIFRA	Concerned Accountant General office	Concerned Accountant General office

Delegation of Powers

In order to ensure segregation of duties TEVTA uses Delegation of Powers, 2001, however, BoD provisionally approved its own Delegation of powers rules, 2014 which is under review process and shall be adopted accordingly.

In the delegation of power rules TEVTA staff is classified in various categories for allocation of authorities and responsibilities. Different categories of staff authorities are as follows:

Categories for authority allocation	Designated staff of TEVTA
Officer in category – I	► Managing director ► Director ► Principals of Technology, Poly tech institutes and Technical teacher training college.
Officer in category – II	► Additional Directors ► Principals of Institutes (in BPS – 19)
Officer is category – III	► Deputy Directors ► Principals of Institutes (BPS – 18)
Officer is category – IV	► Assistant Directors ► Principals of Institutes (BPS – 17) ► Drawing and Disbursement officers (DDO) other than specified above.

Each authority has its own financial powers for each financial activity considering the availability of budget. Summary of key financial activities against with financial limits are specified in Delegation of Power Rules, 2001 are as follow:

- ► Power to approve developmental scheme;
- ► Power to incur expenditure under development scheme;
- ► Power to purchase of plant, machinery, equipment or related stores items with separate powers for using local market or international market and using local and foreign currency;
- ► Powers to purchase stationary items;
- ► Powers to incur expenses on different utilities;
- ► Power to incur different types of recurring expenses;
- ► Power to purchase or replace the vehicles;
- ► Power to incur repair and maintenance expenses;
- ► Power to suspend collection of government dues;
- ► Power to refund any dues in accordance with rules or in pursuance of decision where no appeal is proposed;
- ► Power to remit government dues in accordance with government rules;

► Power of write off losses on account of negligence and fraud and other subject to submission of full justification to Accountant General and Audit with full justification and subject to prescribe condition;
► Power to provide advances to staff; and
► Power to relax the minimum time requirement for new staff to join organization.

3.2.5 Direct and Indirect cost:

Currently at TEVTA, expenditure is not categorized into Direct or Indirect costs, since there is no such concept of project based accounting. As discussed above all the Institutes and Directorate have their own respective financial budget and all expenditures in the period are directly related to their operations. In addition to the above, each developmental scheme has its own PC-I, record of expenditure and all the expenditures are directly related to its execution. Therefore there is no concept of indirect expenditure and its subsequent allocation to concerned different cost center using predefined appropriation criteria.

3.2.6 Allowable and Unallowable cost:

Allowable and Unallowable cost are accounted for in the following manner:

► **Expenditure exceeding budgetary allocations:** All expenditures are allowable if they are within approved budget. If any expenditure exceeds the budgetary limits then it is treated as unauthorized expenditure by the auditors and requires the management to refund the same.
► **Misuse of financial powers:** If expenditure is authorized by any officer exceeding his financial powers given in Delegation of Power rules then such expenditure shall be treated as unauthorized expenditure by the both internal and external auditors.
► **Violation of applicable rules:** If expenditure is incurred in violation of the applicable rules then the same shall be treated as unallowable expense considering the nature of violation.

3.2.7 Sources of Funding

To assess the sources of funding available to TEVTA is critical to understand. Brief details of current sources of funding of TEVTA is as follows:

Source of fund	Description
Government funding for non-developmental expenses	Currently non-developmental expenses (salaries and other operating expenses) of the TEVTA are covered under annual budget of GoKP. The budget is prepared and approved through Finance Department of KP and released on transaction wise basis by concerned Accountant General Office to both Institutes and Directorate. Approximately, funds of PKR 1.22 Million per year has been received and utilised by TEVTA for non-development expenses in past three years ending 30 June 2014. Year wise detail of fund received and utilised by TEVTA is given below: <table><tr><th>Year</th><th>Allocation</th><th>Expenditure</th></tr><tr><td>2011-2012</td><td>1.310 Million</td><td>1.138 Million</td></tr><tr><td>2012-2013</td><td>1,508 Million</td><td>1.341 Million</td></tr><tr><td>2013-2014</td><td>1.801 Million</td><td>1.483 Million</td></tr></table>
Government funding for developmental expenses	Fund for development scheme arranged by TEVTA through Annual Development Plan of GoKP managed by Planning and Development Department. It is also managed by the concerned Accountant General Office. Amount of fund varies with number of project executed by TEVTA in any financial year. For details of funds released in each year please refer to section 3.6.2.
Student fund deducted from student fee	Institute share in fee collected from the student is known as Student fund. This fund is totally at the disposal of Institute Principal. During our review we noted that Principal is not reportable to Directorate regarding amount of fees collected and its related expenditure, although as per management the fee collected by the management is auditable. We were not provided with any detail of total income

Source of fund	Description
	received and expended by the Directorate under this account.

Other Sources of Funds

Fee from institutes: As per discussion with the management of Directorate and Principal of Institutes our team visited, we were informed that fee received by institute has two portion i.e. government share and institute share. Tuition, Admission and Hostel fee is collected from students on behalf of the government and deposited to the government treasury accordingly. In addition to Tuition and Admission fee institute also collects fee on account of college sport fund, medical fund, miscellaneous fund and in other heads which is the share of the institute and is used for the welfare of students. As mentioned above no details available with respect to total fees collected due to lack of financial reporting and MIS.

Latest Fee structure: As per the management revision in the fee structure pertaining to the government share is made by the Provincial Cabinet headed by the Chief Minister, Khyber Pakhtunkhwa, whereas in case institute share revision is made by institute itself with final approval of the Principal. Latest fee collection rates as per Provincial cabinet meeting notified by Industries Department of GoKP vide letter no. (B&A) IND/3-19/2014 dated 22 October 2014 are:

Course detail	Approved Per Annum rates (PKR)	
	Tuition fee / Charges	Admission fee
Diploma of Associate Engineer	500	200
Bachelor Technology	700	300
BS course	700	300
Vocational trade	300	200
Hostel fee	200	500

Similarly during our visit to different institute the structure of college share in overall fee was as follows:

i)   Government College of Technology:

Rates as per latest prospectus certificates are as follow:

Fee Heads	Associate engineer courses – Morning	Associate engineer courses – Second shift	Bachelor in Technology
	(PKR Per Annum / One time)		
Board registration fee	1,010 Once in first year	1,010 Once in first year	900 Once in first year
Board diploma fee	510 Once in first year	510 Once in first year	-
Board sport fee	190 per annum	190 per annum	100 per annum
Miscellaneous fee	2,370 per annum	2,370 per annum	8,705 per annum
Medical fund	100 per annum	100 per annum	100 per annum
Identity card	100 Once in first year	100 Once in first year	100 Once in first year
Verification of DMC	350 Once in first year	350 Once in first year	345 Once in first year
Masjid Fund	200 per annum	200 per annum	200 per annum

EY
Building a better
working world

Fee Heads	Associate engineer courses – Morning	Associate engineer courses – Second shift	Bachelor in Technology
	(PKR Per Annum / One time)		
College Security (Refundable)	1,000 Once in first year	1,000 Once in first year	1,000 Once in first year
Second shift study charges	-	9,670 per annum	-
Crockery fund	500 per annum	500 per annum	300 per annum
Hostel security fund	1,000 per annum	1,000 per annum	500 per annum
Mess Advance	3,000 per annum	3,000 per annum	1,000 per annum
Electricity and gas charges	As per actual	As per actual	2,500 per annum

ii)   Government Technical and Vocational Center

Fee Heads	Associate engineer courses – Morning (PKR per annum)
Admission Fee	50
Tuition fee	360
ID Card fee	50
Welfare fund	100
Security fee	500
Certificate / Registration fee (Board)	500
Progress card fee	30
Computer CIT / DIT fee	300

iii)   Fee collection process:

As per discussion with the principal of Government College of Technology, we were informed that fees are deposited by students in the college at Fee collection office. Two accountants are stationed there for receipt of fee from students belonging to morning and second shift respectively. Each student is issued with fee acknowledgement slip on preformatted form and the collected fee is then recorded in the fee register with predefined format containing following information:

- ► Serial number;
- ► Receipt number;
- ► Year, technology and class number;
- ► Name of student;
- ► Government dues (i.e. Admission and Tuition fee);
- ► BTE dues;
- ► Security fee;
- ► Miscellaneous fund;
- ► Developmental fund;
- ► Monitoring fee;
- ► Masjid fund;

► Total balance;
► Summary showing current month receipt, previous balance, expenditure during the month and balancing amount.

The register is closed by the Principal after review at the end of each month. The government share is deposited into the government treasury as soon as all fees (during sessions) are collected by the management . However, we noted that there are no defined timelines for depositing of such fee.

3.2.8   Accounting / Book keeping and Financial reporting System

Currently all the financial transactions are recorded in the manual bank books by the Accountant in Fund Section (at Directorate) and by the Head Clerk at Institute level. Further records against expenditure are also maintained by the Concerned Accountant General in their SAP based PIFRA accounting software when transaction file is presented to them for review for release of pre-audited cheques.

At the end of each month the Accountants at both Directorate and Institute level prepare a monthly statement independently to reconcile their respective expenditures with Accountant General and reconcile differences, if any. It is responsibility of Director Admin and Finance and Principal in capacity of DDO at Directorate and Institute respectively to prepare such statement and reconcile it from concerned Accountant General Office. On reconciliation the concerned Officer at Accountant General signs and affixes his stamp on monthly expenditure as evidence of its authentication. Institute then share their reconciled statement with the Directorate for their respective record.

3.2.9   Fixed Assets Management

Fixed Asset Register

TEVTA maintains asset registers at respective institutes (as informed to us by the management) and directorate level, however, their individual format are not standardized.

At Directorate level:

At the Directorate, single register is maintained by the Accountant to record both consumable and non-consumable assets. The register maintained at directorate contains the following information:

► Date of procurement;
► Particulars of assets;
► Receipt of assets (Showing quantity only);
► Issuance of assets (Showing quantity only); and
► Remarks (Showing name of individual to whom the asset is issued).

In the absence of financial ledgers and financial values for each asset in the Fixed Asset Register (FAR) completeness of FAR cannot be ensured. Further due to absence of asset unique identification number and asset coding, the physical verification of assets cannot be carried out effectively.

At Institute level:

At Institute level, different registers are maintained to record and track movement in both consumable and non-consumable assets. Details of asset registers maintained are as follow:

► Two main register maintained by Store In-charge in main stores for consumable and non-consumable assets. The purpose of these register is to record all assets received from respective vendors after inspection and to record name of custodians and respective location after being issued to different Labs or Head of departments as the case may be.
► Same as main store each Lab assistant also maintains two types of fixed asset registers to record the consumable and non-consumable assets respectively.
► Library assistant maintained separate register to record all the books in this custody.
► In addition to above, each lab assistant and Store In-charge also maintains dead stock register to record obsolete assets before being disposed off.

The information included in each of above mentioned registers are as follow:

a)   Consumable asset register:
► Particular of asset;

► Date of acquisition;
► Number of requisition against which it was received;
► Unit rate;
► Quantity received;
► Value;
► Work number in connection with which goods are used;
► Quantity consumed ;
► Balance;
► Date of completion of work;
► Value consumed per work;
► Value of Balance;
► Remarks and Signature of Head of Department.

b) Non-consumable asset register:
► Reference to source of supply;
► Name of articles;
► Quantity;
► Price;
► Date of Purchase;
► Condition at the time of verification (In different years);
► Initial of person responsible for safe custody of assets.

c) Dead stock register:
► Serial number;
► Name of article;
► Quantity;
► Book value;
► Date of purchase;
► Stock register no and page number from which the article is picked up;
► Date on which this is declaration is made;
► Reason for which the article is declared un serviceable;
► Name of the charge holder;
► Name of the authority or committee member declaring the store as unserviceable; and
► Remarks, if any.

Issuance and Receipt of assets

There is no standard documentation (Good Receipt Note, Good Issuance Note) being maintained at TEVTA for the receipt and issuance of assets. However, all such details are recorded on white paper with relevant custodian details and maintained in separate files. Hence there are no consolidated records available for review.

Physical Verification of Assets

There is no standard practice and procedure to carry out the physical verification of assets at the Directorate. However, as per the management of the Directorate, all assets are physically verified by the external auditors (AG Office) annually. Similarly we were also informed that at institute level internal auditors are specifically informed to carry out such physical verification and mention there remarks in the FAR regarding condition of each asset.

Further, we noted that assets are not tagged or coded nor these are mapped to the asset registers to facilitate such type of assessments.

3.2.10 Chart of Accounts, General Ledger and Financial Statements

TEVTA follows the chart of accounts as specified by New Accounting Model (NAM). The chart of accounts is comprehensive and provides details with respect to nature wise classification of all organizational expenses. This chart of accounts is used for the preparation of Annual Budget and preparation of monthly expenditure statements, which are submitted to concerned Accountant General Office by Directorate and Institutes.

3.2.11 Financial Reporting

As per the management (Accountant) currently they are not required to prepare any financial reports other than monthly expenditure statements which are submitted to the Accountant General's Office for reconciliation. These monthly expenditure statements are prepared in accordance with provisions of NAM (New Accounting Model) as applicable in the government sector. Similarly institutes prepare their own monthly expenditure statements which are then submitted to their concerned Accountant General Office for reconciliation by Accountant or Head Clerk as applicable. The reconciled statement is then shared with the Directorate for records purposes.

Monthly expenditure statements include the following information:

► Object heads: Showing different head under which expenditure are classified;
► Budget: Showing information regarding original or revised budget for the period under review;
► Departmental figures: Expenditure of month under review and progressive figures till month end as per Directorate or Institute record as applicable;
► Accountant General Figures: Expenditure of month under review and progressive figures till month end as per record of Accountant General; and
► Variation and remarks, if any.

3.2.15 Key findings in Financial Management and Internal Control Systems	Overall Rating:
	High

Detailed issues with EYFRSH recommendations and TEVTA comments are mentioned below.

1. Documented policies and procedures manual not developed for Admin and Finance Section (Directorate).	Rating
Finding	**Moderate to High**

As per the better practices, organizations develop policies, internal guidelines and procedures for its business processes and document them in the form of a manual. Further, such manuals are reviewed and approved by the governing body of the organisation.

Currently as per management TEVTA is required to comply with all government policies and regulation for execution of its financial activities. However the procedure followed and documentation used by the management in this regard are not formally documented.

Implication(s)

In the absence of formally defined policies and procedures and complete documents, there may be inconsistent practices followed for the above mentioned areas which may lead to operational issues. Also this may lead to lack of controls and formal accountability mechanism.

Recommendation(s)

We recommend that formally documented policies and procedures specific to the Finance and Administration Section (at Directorate) should be developed and should be approved by the BoD. Such policies and procedures should be aligned with the overall financial management and reporting guidelines of TEVTA.

The documented procedures and policies manual for the Admin and Finance Section (at Directorate) should cover at least key processes including:

► Budgeting
► Financial management
► Financial systems
► Accounting
► Books of accounts
► Cash management

Further approval for the documented standard procedures should be obtained from the BoD of the TEVTA. Moreover, the same should be reviewed at least once a year for updation as per the applicable requirements..

Management Comment(s)

Since it is only months old and is practicing standard Govt procedure and rules like GFR, KP-PPRA so it does not has its own Manual and documentation mechanism.

EY
Building a better
working world

2. Deficiencies noted in effective management of fixed assets related records.	Rating
Finding	**High**

As per the better industry practices, organisation establish proper fixed asset management process to ensure proper recording of assets, its efficient and effective usage and specify criteria for its retirement and disposal.

Currently, at TEVTA there is no set procedure regarding fixed asset management. Deficiencies in current fixed asset management practices are as follow:

► The format for FAR is inadequate as it does not contain information regarding financial value of fixed assets and also it does not provide information to reconcile the FAR with financial records. Columns mentioned in the FAR maintained by Directorate and Institutes are different from each other and contain the following information:
- Date of procurement;
- Particulars of assets;
- Receipt of assets (showing quantity only);
- Issuance of assets (showing quantity only); and
- Remarks (showing name of individual to whom the asset is issued).

► As per management the physical verification of the fixed assets is carried out by the external auditors once at the end of each financial year at Directorate level and by both internal and external auditors at the institute level. Further there is no internal mechanism to carry out physical verification or facilitate such process as assets of TEVTA are neither coded in FAR nor physically tagged.

► Centralized register at overall TEVTA level (Directorate and Institutes) is not maintained which provides financial information for preparation of the complete set of financial statements in future.

► Fixed assets acquired under developmental schemes are not recorded in the fixed asset register maintained by the Finance & Accounts Section (Directorate).

► Fixed assets are not insured not even material value assets.

► There are no documented policies to advise staff regarding practices that constitute asset misuse, fraud or wastage before handing over any fixed assets for use.

► There is no documented asset capitalization policy that helps management in categorizing assets in fixed and consumable assets categories.

Implication(s)

In absence of proper fixed asset management system, risk of misappropriation and misuse of fixed asset might not be effectively avoided.

Recommendation(s)

We recommend that TEVTA should establish formal standard operating procedures regarding fixed asset management that should cover all the relevant areas in detail as follows:

a) Fixed asset register must be prepared as per the best industry practice (provisions of ICAP "Technical Regulation No 06" should be taken into consideration in this regard) by including the following columns for recording additional information:
- ► Unique asset identification number;
- ► Date of acquisition;
- ► Current location of asset;
- ► Particular of assets;
- ► Value of asset at the time of acquisition;
- ► Depreciation of assets;
- ► Accumulated depreciation of assets at start and end of the reporting year; and
- ► Carrying value of asset.

b) We recommend that TEVTA should formally follow the practice to carry out independent physical verification of consumable and capital assets at least once a year. Further, management should prepare documented guidelines and instructions for individual involved in such process at both Directorate and Institute level and specify authorities involved in resolving the issue highlighted and retirement of damaged and obsolete assets. Based on such exercise a reconciliation between FAR and outcome of physical verification should be performed.

c) We recommend that TEVTA should maintain a centralized FAR that include details of all assets (Developmental and Non developmental) from both Directorate and institutes level.

d) We recommend that TEVTA management should consider insuring the high value assets at the earliest to minimize the risk associated with assets being damaged / stolen.

e) We recommend that management should draft capitalization policy in order to segregate its capital assets from consumable goods.

Management Comment(s)

Agreed. Would be possible after detachment of commerce education from TEVTA. Donor may support as & when required.

3. Absence of financial reporting framework for preparation of financial statements	Rating
Finding	**Moderate to High**

As per the TEVTA Ordinance signed on 10 September 2014, TEVTA is a corporate body having perpetual succession and common seal with powers to acquire and hold property, Sue and be sued by the said name. Clause no 15 in the ordinance mentions " The board shall within three months of the close the financial year submit to the government an annual report which shall inter-alia focus on the following:

► Financial status of the TEVTA;
► Key functions which have been undertaken during the period under consideration;
► Challenges faced during the course of activities and remedial actions taken in furtherance to attainment of objectives stated under this Ordinance."

Further as per TEVTA rules, 2014, management is required to carry out fund audit as per requirement of Auditor General of Pakistan. It is also required that management should carry out external audit on annual basis by Chartered Accountant firms selected by the Authority from list approved by the State Bank of Pakistan. The report and comments of auditors thereafter shall be submitted to the Authority.

Currently at TEVTA, financial reporting system is completely decentralized and managed with the help of concerned Accountant General of KP at institute and directorate level. Similarly management only prepare monthly expenditure to reconcile it financial record with Accountant General of Pakistan.

We understand that after approval of the above mentioned ordinance, TEVTA has become an autonomous body and is required to have its own bespoke financial reporting framework that should aid in the preparation of financial reports and guide management regarding its contents, underlying principles and other matters such as presentation, disclosure and measurement of individual item of financial statement.

Implication(s)

In the absence of financial reporting framework for preparation of financial statements, financial reports may not be prepared on standard and consistent basis which will ultimately affect the financial decision process of the relevant users.

Recommendation(s)

We recommend that TEVTA should either develop its own financial reporting framework or adopt internationally recognized financial reporting framework already used in education sector.

Management Comment(s)

USAID may help in this regard.

EY
Building a better
working world

4. Discrepancies noted in management of bank accounts	Rating
Finding	**High**

As per the better industry practices, it is necessary for an entity to have documented standard operating procedures related to the management of banking operations which should provide guidelines for the following matter:

► Criteria for opening / closing of bank accounts;
► Criteria for maintaining the minimum number of bank accounts defining individual requirement of each;
► Criteria for assigning minimum number of signatories;
► Requirement for maintaining dedicated bank book or ledgers in respect of each account;
► Criteria for maintaining of reports related to banking operations such as bank reconciliation statements;
► Criteria for assessing needs for funds and managing surplus funds, if any.

Currently, at TEVTA there are no documented standard operating procedures for managing the banking operations. As previously the funds are being routed through Accountant General of KP. As per requirements of TEVTA rules, 2014 going forward, all funds other than salaries of government staff shall be received by Directorate directly into their own bank account which will be subsequently remitted to individual bank accounts of respective institutes. However, there is no pre-defined policy for the operation of these bank accounts. Further, as per review of the institutes funds management process of the institutes, we noted the following discrepancies:

► One or more bank accounts are opened by each institute for the management of institutes share in fee received from students. However, these bank accounts are operated by single signatory (i.e. principal of respective institute).
► There is no practice to prepare and document periodic bank reconciliation statements.

Implication(s)

In absence of proper management of bank accounts, banking operations of individual institutes may not be streamlined with each other and with Directorate. Further, the risk of misappropriation of funds and mismanagement of surplus funds will be high.

Recommendation(s)

We recommend that TEVTA should document standard operating procedures related to banking operations Following aspects should be included in the SOPs:

► Criteria for opening / closing of bank accounts;
► Criteria for maintaining the minimum number of bank accounts considering its individual needs;
► Criteria for assigning minimum number of signatories;
► Criteria for maintaining bank book and ledgers;
► Criteria for the preparation and review of bank reconciliation statements.
► Criteria for assessing needs for funds and managing surplus funds, if any.

Management Comment(s)

Old Govt system in practice. Will be improved.

5. Student Fees is collected and managed by respective Institutes independently from the Directorate, so this fee is not reflected in annual budgeting process and any financial plan	Rating
Finding	**Moderate to High**

As per the better practice, head office closely monitors the fee collected by institutes and sets financial targets for its collection and subsequent utilisation through annual budgeting process.

During review we were informed that the tuition (and other) fees collected by the institutes from the students. Fees collected has two portion, a) one pertaining to the government collected under the direction of Provincial cabinet of KP and deposited to government treasury, b) secondly share pertaining to the respective institute and known as student fund used.

Although as per management student fund is auditable by both internal and external auditors but it is totally at the disposal of Principal of institute (utilised as per provision delegation of power rules on need basis) and is not reflected in annual budgeting process nor Principals are required to prepare any financial report regarding amount collected and expended during any particular financial period.

Implication(s)

Lack of controls over fees collection and reporting, may lead to misappropriation of funds.

Recommendation(s)

We recommend that management should design / document standard policies and procedures for fees collection, deposit to the bank account and reporting to the Directorate. These should be communicated to the institutes. Further Principals should be required to report all the fee collected by respective institutes and consider its utilization. Also funds collected should be considered for annual budgeting process and other financial plans prepared for institutes.

Management Comment(s)

Agreed.

3.3.   Procurement Systems

Overall Area Rating	Number of Findings			
	High	**Moderate to High**	**Low to Moderate**	**Low**
Moderate to High	-	01	02	-

Summary of Key Findings:

S. No.	Key findings identified during assessment	Issue rating
1	Documented policies and procedures manual not developed for Procurement function.	Moderate to High
2	No formal complaint handling system in place with respect to procurements.	Low to Moderate
3	No practice to prepare consolidated annual procurement plan.	Low to Moderate

3.3.1   Procurement Policies, Procedures and Practices

Procurement process is completely decentralized and separate financial powers have been specified for different officers involved in the procurement processes through Delegation of Power Rules, 2001 as used by government organizations. These rules are to be replaced by TEVTA own Delegation of Power Rules, 2014 currently in approval process in near future.

Composition of Procurement function:

Procurement section comes under Admin and Finance section and is headed by Director Admin and Finance with a proposed post of Deputy and Assistant Director Procurement which are currently vacant. Further the procurement of goods, services and consultant for development project are entirely executed by the Planning and Development Section. Most of the posts in Planning and Development Section are also vacant and currently all activities are supervised by Director Planning and Development with the assistance of support staff.

As per discussion with the management we were informed that different government department are also involved in execution of different step of procurement activities for instance:

► Directorate of Information is involved in advertisement of all the tender / procurement notices.
► Directorate of Communication and Work department (CNW) is involved in execution and monitoring of all civil work activities.
► Secretaries of Industries Department are involved in approval of procurement transaction if management at Institute and Directorate does not have financial powers as per delegation of power rules, 2001.
► Planning and Development department is involved in monitoring of activities performed (specifically procurement activities) under and developmental scheme.

3.3.2   Procurement Policies, Procedures and Practices

As per review of TEVTA ordinance, 2014 and related regulation we noted that management is required to comply with Khyber Pakhtunkhwa Public Procurement Authority (KPPPRA) Rules, 2014. We noted that financial powers of different officers for sanctioning of procurement transaction are mentioned in KPPPRA rules, 2014. KPPPRA rules, 2014. Brief extracts of KAPPPRA rules 2014 are as follows:

Chapters No	Chapter Heading	Remarks
Chapter 1	General Provisions	Include applicability of ordinance its short title and commencement and other definitions.
Chapter 2	Method of procurement of goods	It contains guidelines for procurement of goods through tendering process, three quotations and direct purchases.
Chapter 3	Procurement of works and non-consultancy services.	It provides guidelines for procurement of works and non-consultancy services either through direct purchase, using three quotations or tendering processes.
Chapter 4	Procurement of consultancy services	It provides guild lines for procurement of consultancy services through following methods: ► Quality based selection (QBS) ► Quality and cost based selection (QCBS) ► Least cost ► Single source or direct selection ► Fixed budget It also contains guidelines for following sub processes: ► Criteria for eligibility of consultants by considering risk of conflict of interest ► Circulation of EOIs ► Evaluation of EOIs ► Content of request for proposals (RFP) ► Selection of individual consultants

Chapters No	Chapter Heading	Remarks
Chapter 5	Miscellaneous provisions	It contains guidelines for following sub processes: ► Procurement planning ► Limitation of splitting and re-grouping of procurement activities ► Constitution of procurement committees and delegation of financial powers of them ► Bid solicitation documents ► Response time and bid validity ► Pre-qualification process ► Bid opening process ► Bid evaluation process ► Maintaining bid confidentiality ► Avoiding discriminatory and difficult conditions ► Open tendering process ► International competition ► Post bid negotiations ► Intimation for Disqualifications of supplier contractors and consultants. ► Blacklisting go f suppliers and consultants. ► Announcement of valuation reports ► Approval of contract award ► Rejection of bids ► Rebidding process ► Timely payment to vendors ► Closing of contract ► Records of procurement proceedings ► Public access and transparency

However, we noted that there is no standard procurement procedure prepared by TEVTA as per its practice to comply with above mentioned procurement rules and work is delegated to different individual on a need basis.

Step involved in procurement processes:

i.   Procurement Planning:

Currently there is no process for preparation of procurement plan at both Institute and Directorate level. All procurement activities are carried out on a need basis. Further Planning and Development Section (at Directorate) takes into consideration financial allocation of PC – I for different project schemes and project estimated timelines to assess procurement needs.

ii.   Procurement Execution:

In both Planning and Development Section (at Directorate) and Admin and Finance Section (at Institute) stenographer prepares procurement files containing official noting regarding need for execution of transactions. Planning and Development Section (at Directorate) provides estimates and duration of procurement activities mentioned in approved PC-I along with its administrative approvals to justify its need whereas, Admin & Finance Section (at Directorate) and institutes provide reference of requisition received from user section or store position from relevant store keeper to request goods or services to be procured. The mentioned procurement file is reviewed by the Deputy Director Planning & Development and Admin and Finance Director as applicable and approved by relevant officer considering provision of Delegation of Power Rules, 2014. Please refer section 3.2.4 for detail of Power rules.

For selection of method of procurement transaction provision of KPPPRA rules, 2014 is taken into consideration. Detail as follow:

Method of procurement for goods, services and works as per KPPPRA, 2014	Description of procedure adopted as per KPPPRA, rules 2014

Method of procurement for goods, services and works as per KPPPRA, 2014	Description of procedure adopted as per KPPPRA, rules 2014
Up to PKR 50,000	Procurement of goods up to PKR 50,000 can be executed by obtaining single quotation through direct sourcing.
Procurement between PKR 50,001 to PKR 100,000	Procurement of goods shall be procured under this financial limit by using shopping method, detail as follow: ► Minimum three quotation is required to be obtained (Quotation less than three can also be considered if minimum number cannot be achieved after soliciting). ► Request for quotation (RFQ) is send to all the prospective vendors containing same content and information. All quotations are duly acknowledged. ► Closing date, time and address for submitting quotation is been clearly defined and adhered to. ► The object of procurement as standard specification. ► Amount of applicable tax if not added to quotation, comparison of prices should be made after incorporating such applicable tax. During comparisons each item should be compared to the corresponding respective specification and bid evaluated to the corresponding total cost of bid.
Procurement of goods valuing above PKR 100,000	For all procurements exceeding PKR 100,000 principle method of procurement to be used is open tendering process involving the following procedures: ► **Single stage, one envelope procedure:** This method is used where cost is only determining factor. Each bid shall comprise of one single envelope containing financial proposal or offer and required information with bid solicitation documents ► **Single stage, two envelope procedure:** This method is used where bids are evaluated on both technical and financial grounds and price is taken into account after technical evaluation. Each bid comprise of two separate envelops contain separately technical and financial proposals. ► **Two stage, Single envelope:** This method is used for complex and specialized goods. In first stage each bid shall comprise of single package containing technical proposal after evaluation of technical proposal the successful bidders are entered in second stage and required to submit financial proposals. ► **Pre-qualification:** Same as point 3 above, this method is used for complex and specialized goods and contract valuing above PKR 1,000,000. For pre-qualification bidders are evaluated using following factors: ► Status of the entity. ► Proof of being tax payer. ► Organization profile, relevant experience, past experience, list of clients and relevant references. ► Capabilities of its human resource, personal, computing and engineering, machinery and plants as the case may be financial position of past three years. ► Any other relevant factors.

iii.   Evaluation of procurement activities:

Evaluation of procurement activities is responsibility of centralized procurement committees. However, as mentioned in governance section management is currently in process of constituting procurement and other committees and drafting its relevant TORs.

As per review of few sample procurement transactions prior to autonomous status of TEVTA, KP we noted that procurement transactions were evaluated by the following committees:

Relevant committee	Composition	Terms of reference
Procurement committees for tendering process		
Tender Opening Purchase Committee	► Director General TEVTA ► Representative from Admin Section (Directorate) ► Deputy Department P&D ► Deputy Department Admin ► Assistant Director P&D ► Relevant Technical Expert as required.	► Opening of bids in presence of bidders ► Counter signing of bids and tenders received ► Announcement of price quoted by individual bidders ► Ascertainment of earnest money received ► Recording of minutes of tender opening meeting
Technical Committee	► Representative from user departments ► Other technical experts	► Evaluation of technical proposals ► Inspection of quality of good received and work performed
Procurement committee for evaluation of transaction through three quotations		
Procurement Committee	► Accountant ► Assistant Director Budget & Accounts ► Deputy Director M&E ► Deputy Director P&D	► Evaluation of quotation received ► Counter signing of comparative statements

At the institutes level, Principal also constitutes committees for execution of transaction within financial power of principal (please refer section 3.2.4 for detail of financial powers at institution level). Such procurement committee is formed on a need basis and vary from institute to institute. As per transactions detail shared such committees have following general composition:

► Store Supervisor (Overall In-charge)
► 2 different Head of Departments whom the requested the supply of goods
► Principal (final approving authority for evaluation process

iv.   Award of contract:

On successful completion of the evaluation process the management prepares supply order in the name of successful vendor. Supply order is prepared by the Accountant at Directorate and by Store Supervisor or Head Clerk in Institutes respectively. The supply order is approved and reviewed by Director Admin and Finance at the Directorate and by Principal at institute level and contain following information:

► Name and address of vendor;
► Description of required goods;
► Quaintly, agreed rate and overall cost of transactions; and
► Proposed timeline for delivery of supply.

v.   Payment to the supplier:

On successful completion of the work Accountant at Directorate and Head Clerk at the institute level update the official noting in the procurement file and place the invoice along with other documentation showing successful completion of the procurement activity for review of the Director Admin and Finance and to the Principal as applicable.

Final approval for the payment is provided by the Director Admin and Finance or Principal or any other senior officer based on financial power as per delegation of power rules, 2001 (please refer section 3.2.4 for detail of financial powers). After approval, file is sent to the concerned Accountant General Office for preparation of pre audited cross cheque in name of relevant vendor. Particulars of cheque is recorded on the invoice against which it is issued and recorded in the manual cash book maintained by Accountant or Head Clerk at the Directorate or Institute as applicable. Please refer section 3.2.4 for detail of payment process.

	Overall Rating:
3.3.3 Key findings in Procurement System	**Moderate to High**

Detailed issues with EYFRSH recommendations and TEVTA comments are mentioned below:

1. Documented standard operating procedures are not developed for Procurement function.	Rating
Finding	**Moderate to High**

As per the better practices, organizations develop policies and internal guidelines / procedures for its business processes and document them in the form of a manual. Further, such manuals are reviewed and approved by the governing body of the organisation.

Currently TEVTA is required to comply with KPPPRA rules, 2014 and guidelines to carry out the procurement activities. For this purpose different individuals are engaged. However, we noted that there are no documented policies and procedure documents for the Procurement Section.

Implication(s)

In the absence of the formally defined policies and procedures and incomplete documents, there may be inconsistent practices followed for the above mentioned areas which may lead to operational issues. Also this may lead to lack of controls and formal accountability mechanism over the procurement function.

Recommendation(s)

We recommend that policies and procedures for the procurement function should be documented adequately, which should be approved by the Board.

Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by the BoD. Compliance with those above policy should be checked by the Internal Audit Section during their field work.

Management Comment(s)

Agreed. Will be improved in accordance with the corporate body requirement.

2. No formal complaint handling system in place with respect to procurements.	Rating
Finding	**Low to Moderate**

As per the better practices, organizations have formal complaint handling system and constitute a committee for redressal of grievances to address complaints of bidders that may occur prior to the entry into force of the procurement contract.

Currently, we have been informed there is no defined mechanism for redressal of vendors' complaints regarding procurement process. If any such complaints are received management follows the instruction of senior management, hence it is an adhoc or need based process.

Implication(s)

Lack of a formal and well-designed complaints handling mechanism may adversely impact procurement transparency and fair competition principles.

Recommendation(s)

We recommend that there should be a formal and well-designed complaint management system for having the following key features to keep the procurement process transparent and ensure fair competition.

► Commitment;
► Fairness;
► Transparency and access;
► Responsiveness;
► Privacy and confidentiality;
► Accountability; and
► Systematic approach in recording complaints and outcomes.

Management Comment(s)

Agreed/ Required.

3. No practice to prepare consolidated annual procurement plan at entity wide level and Individual institute and directorate level	Rating
Finding	**Low to Moderate**

As per better practice, organizations prepare consolidated procurement plans which specify timelines of different activities of procurement like preparation of technical specifications / bid documents / ToRs, advertisement dates, evaluation dates, contract signing dates, contract completion dates , etc. to ensure that planning for procurement of goods and services is according to the desired requirements of organisation. Further preparation of procurement plan is also now required by KPPPRA rules, 2014.

However we were informed that at TEVTA no procurement plan is prepared at the Institute or at the Directorate level. Instead procurement transactions are either executed on a need basis or compare with timelines and as year wise cost estimates provided PC-1, in case of development projects.

Implication(s)

Lack of planning and monitoring over procurement processes may lead to inefficiency in the procurement process. Further common procurements entity wide (for example office equipment) may not be consolidated to seek the benefits of bulk procurement.

Recommendation(s)

We recommend that management of TEVTA should prepare a consolidated procurement plan for all approved procurement needs to ensure that each activity complete within stipulated time and get maximum benefit by way of bulk procurement. Further procurement plan should comprise following information and timelines to improve the effectiveness of planning tool:

► Preparation of technical specifications / bid documents / ToRs;
► Advertisement dates;
► Evaluation dates;
► Approval dates from the concerned authorities;
► Contract signing dates; and
► Contract completion dates.

Further, we recommend that the management should maintain a consolidated database of all the procurements being carried out throughout the entity at various levels. Such procurement MIS / database should be reviewed on a periodic basis by the Director Monitoring and Evaluation and Director Internal Audit and should be compared with approved procurement consolidated plan.

Management Comment(s)

Agreed.

3.4. Human Resource Systems

Overall Area Rating	Number of Findings			
	High	**Moderate to High**	**Low to Moderate**	**Low**
High	02	03	-	-

Summary of Key Findings:

S. No.	Key findings identified during assessment	Issue rating
1	Vacant key positions in different sections (at Directorate) as per approved organizational structure.	High
2	HR function is not fully established to handle processes after achieving autonomy.	High
3	Documented policies and procedures manual not developed for HRM section.	Moderate to High
4	Recruitment and training files not maintained adequately.	Moderate to High
5	No procedures establish to carry out Training Need Assessment (TNA) and development of Training Plan.	Moderate to High

3.4.1 Overall HR Policies and Procedures

TEVTA has staff at two different levels; i.e. Directorate and Institutes. There are no regional or agency offices and all matters are dealt with at the Directorate in Peshawar. The current approved structure of HR Department (at Directorate) is as under:
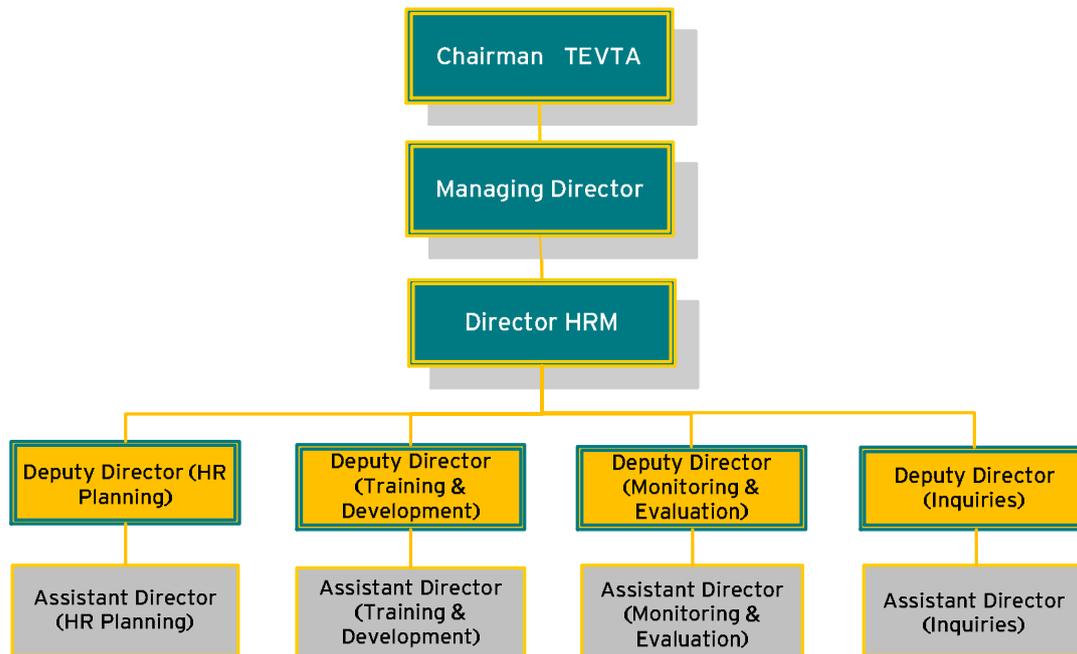
All the four Deputy Directors and Assistant Directors positions as per the approved organogram provided above are currently vacant. As per the Director HRM, these positions shall be filled when TEVTA rules are enacted. TEVTA does not have any documented HR related policies and procedures. Previously it was following Government rules and procedure for dealing with HR matters. However as per Director HRM these rules and procedure are currently not valid as instructed by Chairman. As per discussion with Director HRM, Human Resource Management Section (at Directorate) is required to perform following activities:

- ► Issuing notifications pertaining to the HR matters based on recommendations of all directors;
- ► Align organizational affairs of all departments for strategic human resource management;
- ► Read, assess and introduce best HR practices in the organization;
- ► Devise HRM policies and guidelines aligned with provincial public service rules;
- ► Maintain pay plan by conducting periodic pay surveys, job evaluations and preparing budgets;
- ► Provide input in preparation of annual budget of the HR department and disburse accordingly;
- ► Develop, revise, update and evaluate training content and operationalize staff training;
- ► Study, assess, introduce and maintain employee benefit programs;
- ► Develop and supervise systematic and unbiased employee appraisal mechanism;
- ► Coordinate with Legal Section (at Directorate) to ensure legal compliance in HR matters; and
- ► Process all kinds of disciplinary cases filed by concerned directors.

a) HR planning

As per discussion, we were informed that till date no such planning is performed at TEVTA. However, TEVTA plans to carry out a detailed planning exercise following the finalization of its rules. This activity will cover detailed plans in relation to employee recruitment, training, rationalization of staff levels, performance evaluation, payroll planning, fund disbursement, benefit plans etc. Further at the institute level, planning for technical courses will be differentiated on a basis of nature of course offered. Courses with high volume will be prioritized for resource allocation and vice versa. The designated authorities, frequency of planning and other guidelines are the matters which are yet to be finalized.

b) Recruitment process

During our review, we were informed that management is currently involved in preparation of HR policies and procedure as per requirement of TEVTA Ordinance, 2014 and related rules. As per the interim SOP, appointments for all the grades are at halt till finalization of service regulation by the Director HRM and approved by the Chairman/Authority.

3.4.2 Recruitment process before autonomous status of TEVTA:

a) Recruitment Committee:

Previously recruitment of staff above BPS-17 was carried out by the Provincial Services Commission (PSC), whereas remaining staff was hired by the Directorate with minimum involvement of respective Institutes. For hiring of staff by PSC different committee or boards are formed. Detail of general composition as per PSC rules are as follow:

Scale of staff to be recruited and recruitment committee involved	Composition of committees	
	Head Members	Role in committee
BPS 18 and above recruitment carried out by Provincial Selection Board	Chief Secretary, KP	Chairman
	Additional Chief Secretary, KP	Member
	Senior Member, Board of Revenue	Member
	Administrative Secretary Concerned	Member
	Secretary Establishment and Administration	Secretary
Departmental Selection Committee	Appointing Authority	Chairman
	Officer nominated by the Administrative Department	Member
	Officer nominated by the appointing Authority	Member

Selection of staff below BPS-17 were being carried out by Recruitment Committee constituted on a need basis considering the scale of post by Director HRM.

Proposed Recruitment Committee:

As per TEVTA Ordinance, 2014 many governance committee are proposed to be formed including HR committee. The proposed committee chaired by Chairman, includes Director HR and two private members recommended by the BoD. However, composition of the said committee along with other proposed committees have been rejected by the Legal Department of KP.

b) Shortlisting Process:

Previously as per the government rules and regulation the PSC adopted following step with respect to recruitment of staff:

► Vacancy advertisement;
► Screening process;
► Interview of shortlisted candidates;
► Selection of successful candidates;
► Orientation of selected candidates; and
► Pre-service training.

Selection shall be carried out on the basis of a screening process with a maximum of 100 marks on the following basis:

► Basic education (60 marks)
► Higher education (17 marks)
► Experience in relevant field at 1.5 mark per year (15 marks)

► Interview (8 marks)

As per management all the documentation related to shortlisting process have been retained by Provincial Services Committee, hence not available for our review.

Proposed Shortlisting process:

We were informed that TEVTA does not currently have its own policies and procedure. Further as per management processes followed will be similar to the one followed under previous process by the Provincial Selection Committee, however, going forward it will be supervised by TEVTA own Human Resource Management Section (at Directorate).

3.4.3 Current Employment Strength

TEVTA does not have any monitoring system of its own and does not maintain a database to track changes in employee structure and take any corrective action to reduce staff turnover or fill vacant posts. Employment strength of staff at Directorate and Institute level are as follows:

i) Directorate level

TEVTA's organogram has been approved in first BoD meeting. The organogram only show reporting lines of senior posts and there are no figures / details provided with respect to all the levels of staff. During our review recruitment we were provided with the list of staff above BPS-17 tabulated below:

Proposed post	Sanctioned Posts (as per latest approved in organogram)	Number of created posts	Filled	Vacant
Chairman	1	1	1	-
Managing Director	1	-	-	1
Directors	9	9	9	-
Deputy Directors	29	2	1	28
Additional Directors	5	-	-	5
Assistant Directors	42	4	4	38
Total Staff	**87**	**16**	**15**	**72**

We have been informed that current directorate staff will be transferred to the vacant posts mentioned above to cater for the current operational needs of TEVTA.

Following is the list of staff under grade 17 and below excluding Directors:

Designation	Sanctioned	Filled	Vacant
Research officer	1	-	1
Superintendent	3	3	-
Apprenticeship Officer	1	-	1
Stenographer	1	-	1
Assistant	10	10	-
Computer Operator	3	2	1
Against Computer Operator	2	2	-
Junior Scale Stenographer	3	3	-
Senior Clerk	11	11	-
Data Entry Operator	1	-	1
Junior Clerk	18	17	1
Driver	7	7	-
Daftari	1	1	-

Designation	Sanctioned	Filled	Vacant
Naib Qasid	22	22	-
Chowkidar	3	1	2
Sweeper	2	2	-
Total Staff	**89**	**81**	**8**

ii)   Institute level

As per details provided (updated on 22 July 2014), there are 1269 total sanctioned posts at the institute level. These will temporarily be filled through new hiring and promotions, as per information provided to us. We were provided with the following details:

Total post	Sanctioned	Filled	Vacant
Professor BPS-20 (Technical)	23	8	**15**
Professor BPS-20 (Related Subject)	7	1	**6**
Associate Professor BPS-19 (Technical)	95	61	**34**
Associate Professor BPS-19 (Related Subject)	29	17	**12**
Assistant Professor BPS-18 (Technical)	173	63	**110**
Assistant Professor BPS-18 (Related Subject)	54	30	**24**
Principal BPS-19	2	2	**0**
Principal/Vice Principal BPS 18	19	0	**19**
Vice Principal/Training Manager/Trainer/Chief Instructor Senior/Staff Trainer Instructor BPS-17	165	118	**47**
Lecturer BPS-17 (Technical) – Male	172	140	**32**
Lecturer BPS-17 (Related Subject) – Male	56	42	**14**
Junior Instructor BPS-14- Male	187	118	**69**
Instructor BPS-14	232	108	**124**
Junior Trade Instructor BPS-10	55	41	**14**
Total Staff	**1269**	**749**	**520**

Above mentioned staff status both at the Directorate and institute levels show significant deficiency of human resources which may lead to operational issues for TEVTA.

3.4.4   Appraisals and promotions

We have been informed that TEVTA does not have a defined mechanism of its own proposed staff to be hired. However, for performance evaluations government staff, government procedures are taken into account. As per government procedure each year, annual performance appraisal is conducted for each government employee using two different performance evaluation forms. Details are:

a)   Yellow form is used for employees in BPS – 19 and 20
b)   Pink form is used for employees in BPS – 17 and 18

EY
Building a better
working world

Both forms have similar content and approving authorities (Reporting and Countersigning). Detail as follow:

Section number	Information contain		Filled and Signed by
	Pink form	**Yellow Form**	
Part – 1	Contain following information: ► Name ► Personal number ► Date of birth ► Date of entry in service ► Post held during the period ► Academic qualification ► Knowledge of languages ► Training received during reporting period ► Post served	Contain following information: ► Name ► Personal number ► Date of birth ► Date of entry in service ► Post held during the period ► Academic qualification ► Knowledge of languages ► Training received during reporting period ► Post served	Filled by Individual whose performance is to assess.
Part – 2	Contain following information: ► Job Description ► Brief account of achievement	Contain following information: ► Job Description ► Brief account of achievement	Filled by Individual whose performance is to assess.
Part – 3	Contain comments of reporting officer over: ► Officer's performance on the job ► Knowledge of work and ability to plan, organize and supervise ► Analytical skills ► Competence to take decision ► Quality and quantity of output ► Achievement of personal target ► Comment on Officer contribution ► Agreement with information disclosed in Part – 2 by individual himself ► Integrity, morality, uprightness and honesty ► Officer strength and weakness ► Role of officers in vaccination, immunization camping ► Area and level of performance expertise ► Training and Development needs ► Overall grading (in very good, good, average and below average) ► Fitness for promotion	Contain comments of reporting officer over by rating officer abilities from A to D: ► Officer Intelligence ► Confidence and will power ► Acceptance and responsibility ► Reliability under pressure ► Financial responsibility ► Relation with supervisor, colleagues and subordinate ► Behavior with Public ► Ability to decide routine matters ► Knowledge of relevant laws, rules, regulations and procedures ► Role of the officer in vaccination and immunization	Filled by reporting authority whose performance is to assess.
Part - 4	Contain comments of countersigning officer: ► How often work of officer work is review ► Disagreement with assessment of reporting officer ► Overall grading ► Recommendation for promotion ► Evaluation of quality of assessment	Contain comments of countersigning officer: ► Performance in job ► Integrity, morality uprightness and honesty ► Focus on officers strength and weakness not covered in Part III ► Special aptitude ► Recommendation for future training	Filled by countersigning officer

Section number	Information contain		Filled and Signed by
	Pink form	**Yellow Form**	
	made by reporting officers	► Overall grading ► Fitness for promotion	
Part 5	Remarks of second countersigning officer.	► Remarks of second countersigning officer: ► Evaluation of the quality of assessment made by the reporting officer.	Filled by countersigning officer

This appraisal is linked to the promotion of each government employee. A Personal Evaluation Report (previously known as Annual Confidential Report (ACR)) is prepared for all the employees across all service grades by the reporting authority of each employee. These reports are forwarded to the Directorate where the Chairman or Managing Director is the countersigning authority. If an employee has a questionable report, he is called by the authority and asked to explain the reasons behind the report.

The principals at the institute level are also subject to the same rules and regulations and report directly to the Director HRM, whereas they serve as reporting or counter-signing authority for their respective staff members.

3.4.5 Disciplinary procedures

TEVTA does not have any documented procedures to deal with disciplinary matters and follows Government rules and regulations (Efficiency and Disciplinary Procedures) in this regard. Efficiency and Disciplinary procedures define criteria to deal with following disciplinary issues:

- ► Disregard of Instructions;
- ► Misleading statements;
- ► Carelessness, inefficient, dilatory, wasteful working;
- ► Malingering;
- ► Strikes or inciting others to strike;
- ► Joining another employment while in service of the BoD without prior permission of the management;
- ► Pressurizing officials to gain advantage for his own or others;
- ► Disobedience;
- ► Theft, fraud, dishonesty, breach of any law;
- ► Wilful damage to or loss of TEVTA goods or property;
- ► Habitual late attendance; and
- ► Sexual harassment.

Although not documented but procedures followed for resolution of complaint as per Director HRM is as follows:

- ► Intimation of complaint along with the supporting evidence to Director HRM;
- ► Composition of independent complaint resolution committee on a need basis comprising of officers from BPS 19 and 20;
- ► Investigation carried out by the committee;
- ► All involved parties are interviewed and written statements obtained;
- ► Investigation report is prepared and forwarded to Director HRM along with proposed recommendations such as pay cut, demotion, termination etc.; and
- ► Final decision is made by the Chairman.

3.4.6 Orientation and Training

i. Orientation

We were informed that TEVTA follows Government policies for orientation of staff and does not have any defined policy of its own in this regard. Government employees receive orientation upon recruitment, however, no documentation or orientation files are maintained.

We have been informed that at the time of joining of an employee, respective sections conducts orientation of new employees. Orientation includes the following:

► Orientation on administrative policies (e.g. working hours, leaves, medical facility, disciplinary policies, etc.); and
► Understanding of job responsibilities and authorities.

ii. Training

During discussion we were informed that currently TEVTA does have any documented policies that guide management in assessing training needs considering need of institute and directorate level staff and development of a training plan as per such assessment.

As per common practice in a government entity / department all the individual are required to complete minimum number of training hours to get better rating in their performance appraisal and be eligible for subsequent promotion. Also currently all required trainings are arranged by different training institutes (especially Technical teacher training college) and management follow their respective nomination instruction accordingly. With regard to criteria for selection of employees on equitable basis, we were informed by the Director HRM that primarily those employees, who are on the verge of promotion are nominated for trainings. Similarly we were informed that once all the mandatory trainings are completed by employee there is no criteria for refresher trainings.

Mandatory trainings can be bifurcated based on their duration and the grade of staff they are applicable to as under:

a) Three month trainings: These are primarily targeted for the employees working as BPS - 19 and above. The subject matters of these include but are not limited to:

► Administrative matters;
► Disciplinary matters;
► Total Quality Management (TQM);
► Communication skills; and
► Government rules and regulations such as KPPPRA, Service rules etc.

b) Six month trainings: These are primarily targeted for the employees of BPS – 18 and below. The subject matters of these include but are not limited to:

► Teaching skills;
► Skill up gradation;
► Knowledge enhancement; and
► Other operational matters.

Further we informed that management does not subsequently retain any training files or carry out post training assessment to ensure that desired objectives of training are adequately achieved.

iii) Retirement, resignation and termination

TEVTA does not have an approved policy of its own to handle matters relating to retirement, resignation and termination. For said situations, the competent authority follows common Government practices / policies. We were informed that the said policies will be adhered to until the formulation of TEVTA specific policies.

3.4.7 HR Procedures at the Institute level

a) Recruitment process

There is no separate HR function at the Institute level. All staff recruitment is handled by Directorate itself. However as per Principal in very rare occasion, subject to availability of student funds, the Principal of institute hire the required staff on short term contract (not more PKR 15,000 per month) to fulfill their short term needs until permanent substitute is arranged. As per Principal the candidates are arranged through internal employees or other colleagues' reference and properly assessed before he gets selected for the post.

b) Appraisals and promotions

Performance Evaluation criteria and documentation at institute level is same as used by Directorate for its own staff.

c) Disciplinary procedures

Disciplinary procedure is same as mentioned above for the Directorate level.

d) **Orientation and Training**

Orientation and training processes at Institute level are same as mentioned at Directorate level.

e) **Retirement, resignation and termination**

Retirement, resignation and termination processes at Institute level are same as mentioned at Directorate level.

3.4.8 **Staff Time Management**

a) **Staff Time Management System at TEVTA Directorate:**

TEVTA does not have any defined staff time management policies of its own and follows government regulations in this regard. Staff attendance is manually recorded in the attendance register which is maintained in the Administration & Finance Section.

b) **Staff Time Management System at Institute level:**

At Institutes, attendance is maintained in attendance registers which are maintained by the heads of departments and are subject to review by the Principal on periodic basis.

Both at the institutes and Directorate level, there is no evidence that attendance record is considered for the purpose of preparation of payroll and any consideration provided to the leaves status extracted from such attendance records.

c) **Leave Management at Directorate and Institutes**

We were informed that there is no approved leave policy at TEVTA and Government policy is adhered to in this regard. The Government of Pakistan 'Leave Rules' are relevant here.

3.4.9 **Payroll System**

TEVTA does not manage its own payroll and all payments are made through AG office. If any change is required in the payments to be disbursement, a change statement is issued to the AG office by respective Disbursement Officer to whom the said amount is reportable.

3.4.10 **Travel Policies and Procedures**

TEVTA follows Government of Pakistan travel policy and does not have any approved policies or procedures of its own. We were provided with a notification reference No,FD(SOSR-II)8-52/2012 according to which the following daily allowance rates are applicable:

Basic Pay Scale	Ordinary rates (PKR)	Special rates (PKR)
1-4	310	500
5-11	390	550
12-16	700	900
17-18	1,250	1,600
19-20	1,550	2,050
21	1,750	2,500
22	1,750	3,000

Ordinary rate is applicable for all the geographical areas not classified as special. Special rate is applicable for Peshawar, Chitral, Swat and Abbotabad.

At Directorate and Institutes, travelling is made by employee as and when travel is required. Respective Section head provides the administrative approval of the travelling plan for each employee.

Mileage allowance

Mileage allowance is paid to the employees for their travelling on official needs. TEVTA does not have any defined policy of its own in this regard and follows Government policy. The approved rate per kilometer travelled stands at PKR 2.5.

EY
Building a better
working world

	Overall Rating:
3.4.11 Key findings in Human Resource System	
	High

Detailed issues with EYFRSH recommendations and TEVTA comments are mentioned below.

1. **Vacant key positions in different sections as per approved organizational structure.**	Rating
Finding	**High**

As per better practices, senior management of the organisation ensures that all the key positions of organisation are filled as per their approved organisational structure with skilled and committed employees to maintain overall quality and efficient execution of organisation's functions.

Currently, we noted that TEVTA has an approved organogram/ organization structure which is reviewed and approved by the BoD in their first meeting dated 7 and 8 August 2014. As per the interim policy, all appointments in all grades will be at halt till framing of Service regulations by Director HRM and approved by Chairman/competent authority.

During our review we noted that from total of 176 sanctioned positions at the Directorate level, 80 positions (i.e. 45% of the total sanctioned) are vacant inclusive of following key managerial positions:

► Managing Director;
► Deputy Directors;
► Additional Directors; and
► Assistant Directors.

At the institute level, out of 1,269 sanctioned positions, 520 positions (i.e. 41% of the total sanctioned) are vacant inclusive of following key positions:

► Principal/Vice principal;
► Professor;
► Associate Professor;
► Assistant Professor; and
► Lecturer.

For details of these posts, please refer to above section 3.6.4.

Implication(s)

Lack of resources may have an adverse impact on TEVTA operational capacity, specifically in case of further expansion of operations. In some instances it may lead to segregation of duties and / or lack of supervisory controls issues.

Recommendation(s)

We recommend that a recruitment plan should be developed to fill all the key positions on a priority basis as per approved organisation structure. In case any of the above listed positions are not required or merged with another position, organizational chart should be updated accordingly.

Management Comment(s)

Correct.

2. HR function not fully establish to handle processes after achieving autonomy.	Rating
Finding	**High**

As per the better practise, each organisation has a number of personnel in its HR section with sufficient qualification and experience to handle the HR matter of all the staff in organisation.

As per discussion with Director HRM we were informed that previously Accountant General of Pakistan and Provincial Selection Commission was involved in management of staff payroll and hiring of different individuals above BPS-17 for both Directorate and Institutes respectively. The HR Section was mainly involved in issuing transferring and promotion orders, carrying out performance appraisal of senior staff at institutes and in compliant resolution process.

However, going forward there will be two categories of staff in TEVTA i.e. government staff and TEVTA own staff. Accountant General of Pakistan will continue the payroll management of government staff; however the recruitment and payroll management of TEVTA staff would be entirely overseen by Human Resource Management Section.

We noted that there is no proper HR function in place currently to deal all HR related matters. In order to deal with human resource matter development of new policies and procedures has been initiated by Chairman and all recruitments are currently at halt till these procedures are finalised. Further new post of four Deputy Directors and four Assistant Director have also been proposed to handle new workload, however these are currently vacant due to the above mentioned reason. Moreover, we also noted that Staff time management and attendance records are maintained manually and decentralized at directorate or institute level. These records are not taken into consideration for the preparation of the monthly payroll.

Implication(s)

HR matter may not be effectively handled due to absence of established Human Resource Management Section.

Recommendation(s)

We recommend that management should take immediate steps for full establishment of the HR function by speeding up the development of HR policies and procedure manual, and recruitment of all HR function related vacant posts such as Additional, Deputy and Assistant Directors to enhance its functional capacity.

Management Comment(s)

Correct.

3. Documented policies and procedures manual not developed for HRM section.	Rating
Finding	**Moderate to High**

As per the better practices, organizations make policies and internal guidelines/ procedures for its business processes and document in the form of a manual. Further, such manuals are reviewed and approved by the senior management of the entity.

Currently as per management, TEVTA does not have own HR policies and procedures. A process of drafting of HR regulations for TEVTA has been initiated as per the management.

Implication(s)

In the absence of well-defined policies and procedures, the process may be inefficient and inconsistent which may result in operational inefficiencies and loss to the entity.

Recommendation(s)

We recommend that policies and procedures for the HR function should be documented adequately, which should be approved by the Board.

Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices. The changes should be approved by BoD.

Management Comment(s)

Yes agreed.

4. Recruitment and training files not maintained adequately.	Rating
Finding	**Moderate to High**

As per the better practices, organizations maintain complete recruitment documents in respective personnel files of its staff. Such files are subsequently utilized for multiple purposes e.g. appraisals, taking any disciplinary actions, leave calculation etc. Further, training files (i.e. both in-house and outbound training) are also maintained in which training records of all employees are retained.

Currently, TEVTA management has not made any recent recruitment. Recruitment files of the government staff shifted from the Directorate General of Technical Education & Manpower Training are not available at TEVTA and we were informed that as their recruitment process was completed by Provincial Service Commission - PSC who do not share any information regarding the recruitment process.

Further, we also noted that management does not maintain any records that show the reason for conducting any training, the detail proceedings of such training, and the costs incurred on its arrangement.

Implication(s)

Transparency in recruitment processes and need for holding any trainings and other workshops cannot be effectively justified to external reviewers and auditors. This may lead to assertion of lack of transparency which may impact TEVTA's reputation adversely.

Recommendation(s)

We recommend that TEVTA should maintain recruitment files and training files which should contain at least following documents:

► **Recruitment files:**
  ► Approved job description of the post;
  ► Evidence of advertisement;
  ► Log of CV received from candidates received;
  ► Long listing for selection of candidates for interviews;
  ► Composition of recruitment committee with its formal notification and TORs;
  ► Shortlist or merit list showing top candidate to whom job offer is made;
  ► Job offer letter and subsequent acceptance from candidate; and
  ► Appointment letter or contract signed with employees.

► **Training need assessment:**
  ► Evidence of training need assessment;
  ► Formal approval for execution of training;
  ► Justification and approval for selection of venue for training;
  ► Training notification issued to individual trainee and their senior officer to ensure their presence;
  ► Report on proceeding of training with snapshot; and
  ► Pre and post training assessment analysis to check adequacy of training.

Management Comment(s)

Correct.

5. No procedure established to carry out Training Need Assessment (TNA) and development of training plan.	Rating
Finding	**Moderate to High**

As per the better organizational practise, Human Resource Management section carry out training need assessment of overall organisation by taking inputs from staff and their immediate supervisors to assess possible capacity building areas of its staff. Based on such assessment management prepares a Training Plan on an annual basis by mentioning the number of trainings to be held during the year for a particular category of staff. Input for this plan is also taken into account during estimation of financial budget.

However, during our review, we were informed by Director HRM that currently there is no practice to carry out a Training Need Assessment for its staff and there are no formal training plans. Moreover, trainings are provided on a need basis particularly to fulfil mandatory training needs of staff as required by their annual performance appraisal.

Implication(s)

► Lack of comprehensive Training may lead to employees being not aware of recent technical development or understand their job responsibilities fully.

► Due to lack of trainings, employees will not be acquainted with latest knowledge and skills. Further, operational efficiency of employees will be adversely affected which in turn, will impact organization operations.

► In the absence of training records, compliance with the Training Plan may not be tracked.

Recommendation(s)

We recommend that a comprehensive training plan should be prepared, based on training needs assessment exercise for all the employees (at least for the key positions) of the entity. This should specifically cover all training provided to managerial staff in different areas to equip them with latest knowledge and skills.

Further, training records should be maintained to identify areas where trainings have not been imparted as per plan.

Management Comment(s)

Rightly reported.

EY
Building a better
working world

3.5.   Project Performance Management

Overall Area Rating	Number of Findings			
High	**High**	**Moderate to High**	**Low to Moderate**	**Low**
	1	1	1	-
Rating for Project management and execution	**Low to Moderate**			
Rating for Project Monitoring	**High**			

Summary of Key Findings:

S. No.	Key findings identified during assessment	Issue rating
1	Documented policies and procedures manual not developed for planning and development section and monitoring and evaluation functions.	**Moderate to High**
2	Monitoring and Evaluation section of TEVTA is not fully established as only Director Monitoring and Evaluation has been appointed at TEVTA whereas all other posts are vacant,	**High**
3	Independent impact assessment exercise not carried out.	Low to Moderate

3.5.1 Project management / execution

As mentioned in section 3.2 above all the development projects are planned, executed and monitored by the Planning and Development Section. Planning and Development Section is headed by the Director Planning and Development and has the following structure:
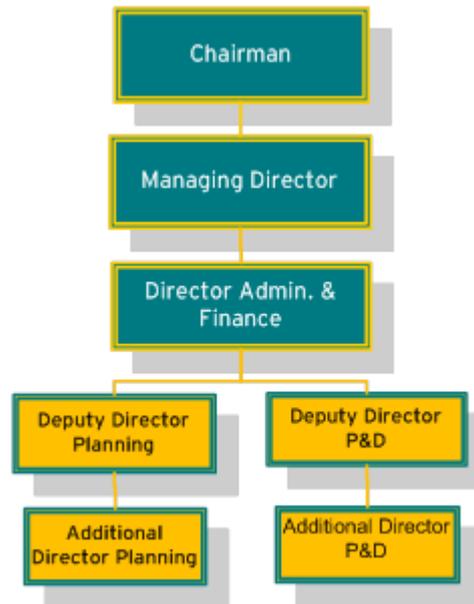
Currently Post of Deputy Directors and Additional Director are vacant. Step involved in execution of development projects are as follow:

| 1	**Identification of schemes:** Schemes are identified by head of institutes, Planning and Developmental Section officers, Chief Minister (KP) and other ministers and local MPAs.
2	**Preparation of Annual Developmental Plan:** Once the schemes are identified second step is the preparation of annual developmental plan to arrange financial resources for different schemes.
3	**Preparation of PC-1 and PC-2 (Feasibility Design and Estimate):** Next step is to prepare PC-1 and PC-2 which contains description of project feasibility studies duration and financial budget required for its execution.
4	**Monitoring of developmental Schemes:** All developmental schemes are reviewed by Planning and Development Section and prepare quarterly review reports (PC-III) for submission to administration department (i.e. Industries Department, KP) and Planning and Development Department (Secretariat).
5	**Project completion and evaluation:** On completion of project Planning and Development Section prepares project completion report (PC-IV) to be submitted to Planning and Development Department. There is also a criteria to evaluate quality of the scheme by preparing PC-V.

EY
Building a better
working world

Detailed steps under each sub process are covered in section 3.2. However, there are no documented SOPs or TORs for Planning and Development Section. As per Job Descriptions of Director Planning and Development he is required to carry out following activities:

► Lead the formulation, development and implementation of a broad, coordinated set of plans and development programs to meet the goals and priorities set by the KPTEVTA management.
► Lead the design phase of the projects. Participate in the design, budget and documentation phase by working closely with their director to make sure that the scope and direction of each project is covered.
► Coordinate the foreign funding agencies and NGOs for seeking the projects.
► Responsible for the efficient administrative control of all the matters connected with the projects budget estimates, its implementation, implications and controls.
► Responsible to take approval on re allocation of funds for development schemes.
► Represent TEVTA in meetings organized by the Planning and Development Department and Finance Department of GoKP.
► Provide input in the preparation of the annual budget of the Planning and Development Section in conjunction with the Finance Department of GoKP.

3.5.2   Project monitoring

As till date monitoring and evaluation of developmental schemes are carried out Planning and Development Section itself and report directly to Planning and Development Department and Industries Department of GoKP. For monitoring of the project management was required to submit different reports on a predetermined Performa specified by the Planning commission.

After the establishment of TEVTA under TEVTA Ordinance, 2014 Monitoring and Evaluation section has been formed headed by the Director Monitoring and Evaluation. The proposed Monitoring and Evaluation section will have following structure:
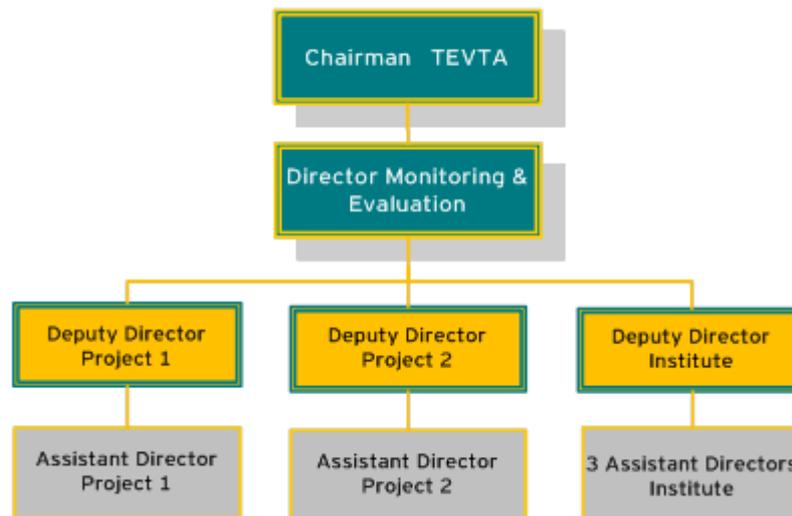
We have been informed that currently all the post of Deputy Directors and Assistant Directors are vacant. Only Director Monitoring and Evaluation has been appointed and Monitoring & Evaluation Section has not yet initiated its activities under the revised set up. In the absence of Departmental TORs and documented Standard Operating Procedures (SOPs) we were unable to assess the overall scope of the Monitoring and Evaluation Section. However as per review of Job Description of Director Monitoring and Evaluation we noted that he (with his department) will be required to perform the following functions:

► Periodic monitoring of the institutions through structure mechanism to evaluation their performance and complete reports
► Periodic visit of field offices and institutions to gauge operational performance, identification of missing facilities, academic environment, staff position, student ratios and follow up of recommendation made after the visits.
► Establish plan on project risk management and early warning system for all projects and programmes.

► Work closely all the functional heads to design annual work plan from all the functional or project heads.
► Provide inputs in the preparation of annual budget and propose revision and re-appropriations in budget of M&E Section in conjunction with Finance Section of TEVTA, KP.

	Overall Rating:
3.5.3 Key findings in Project Performance Management	**High**

Detailed issue with EYFRSH recommendations and TEVTA comments is mentioned below.

1. Documented policies and procedures manual not developed for the following:	Rating
► **Planning and Development section and**	
► **Monitoring and Evaluation section.**	
Finding	**Moderate to High**

As per the better practices, organizations develop policies and internal guidelines / procedures for its business processes and document them in the form of a manual. Further, such manuals are reviewed and approved by the governing body of the organization.

In the past monitoring and evaluation of development projects had been the responsibility of Planning and Development Department. After formation of TEVTA under TEVTA Ordinance, 2014, a Monitoring and Evaluation Section has been formed which headed by Director Monitoring and Evaluation with three Deputy Directors and Five Assistant Directors.

Currently only Director Monitoring and Evaluation has been appointed, whereas all other posts are vacant. Further as per management it is in process of development of standard operating procedures and monitoring and evaluation framework to define scope of Monitoring and Evaluation activities.

Implication(s)

In the absence of the formally defined / incomplete policies and procedures documents, there may be inconsistent practices followed for the above mentioned areas which may lead to operational issues. Also this may lead to lack of controls and formal accountability mechanism.

Recommendation(s)

We recommend that policies and procedures for the above listed areas should be documented adequately, which should be approved by the Board.

Further, on an annual basis such policies and procedures should be reviewed, and updated for the changes in the entity's practices.

Compliance with the above policy should be checked by the Internal Audit Section. Moreover, the policy should be considered for review and updation at least on an annual basis.

Management Comment(s)

In the previous set up most of the activities mentioned above used to be handle by P & D Section of DTE and the DG Monitoring office of P&D department but now TEVTA has to do it on its own on the pattern of other reputed corporate bodies in the country.

2. Monitoring and Evaluation section of TEVTA is not fully established as only Director Monitoring and Evaluation has been appointed at TEVTA whereas all other posts are vacant,	Rating
Finding	**High**

As per better practices, there is an independent Monitoring Department formed within an organization which monitors independently the progress of various activities / projects being implemented by the entity on an ongoing basis. To maintain objectivity, role of said department is limited to the monitoring and not engaged in the implementation of the programs / projects.

As discussed earlier, TEVTA has proposed establishment of Monitoring and Evaluation Section headed by Director Monitoring and Evaluation with three Deputy Directors and Five Assistant Directors. This department will be reporting to the Chairman. Currently only Director Monitoring and Evaluation has been appointed at TEVTA, whereas all other posts are vacant, hence we understand the M&E function is not fully operative / effective.

Implication(s)

In the absence of proper M&E function, effective monitoring and evaluation of different organisational activities cannot be made for timely decision making process.

Recommendation(s)

We recommend that the management should expedite establishment process of Monitoring and Evaluation Section and ensure that scope of its activities should cover following.

► Development and Implementation of "Results Based Management/Monitoring (RBM)" Framework.
► Independent monitoring of all the projects without engaging in its implementation activities;

► Preparation of the monitoring plan;
► Executing the monitoring plan;
► Preparation of the standard checklist and maintaining the same;
► Reporting to the Chairman TEVTA;
► Follow-up of the observations;
► Continuous management support for Course Correction through reporting of data against the Performance Indicators developed at the Outputs, Outcomes and Impact level results;
► Development and implementation of data collection tools;
► Specific 'Trades' Need Assessment, its planning and monitoring in terms of their demand at provincial, national and international levels; and
► Planning and monitoring of 'linking trainees with industries, businesses' and self-employment etc.

Management Comment(s)

Agreed.

3. Independent impact assessment exercise not carried out	Rating
Finding	**Low to Moderate**

As per better practices, an independent impact assessment exercise is carried out by the organization for assessment of its programme objectives along with actual achievements at different stages of the project. The main purpose of this exercise is to ensure that all proposed objectives are aligned and in case any issue is identified during impact assessment exercises then proper mitigation measures are taken to overcome them.

During our review, we noted that an independent impact assessment exercise has not been carried out by the management of TEVTA to assess effectiveness of different parameters of the programme. We were further informed that at the completion of project Planning and Development Section is required to carry out project evaluation report (PC-5) to assess the achievement of project objectives as per the requirement of planning commission, however till date no such report has been prepared by TEVTA.

Implication(s)

In absence of impact assessment of the implemented programme, problematic issues may not be identified in timely manner that ultimately impact all desired objectives from the programme.

Recommendation(s)

We recommend that an impact assessment exercise should be carried out by TEVTA by engaging an independent technical consultancy firm on a biannual or at least on an annual basis depending upon the available resources. This will enable TEVTA to assess the effectiveness, relevance and impact of its TEVTA operations / programs. Furthermore, this will also help TEVTA design its future operations / strategy.

Management Comment(s)

No system exists.

3.6.   Organization Sustainability

The following aspects have been covered to analyze organizational sustainability and capacity assessment of TEVTA based on limited data available with the management due to limited financial management and reporting systems as discussed in detail in section 3.2 above:

3.6.1   Sources of Funding

The sources of funding available to TEVTA and their continuity is critical to understand. TEVTA is in process to enhance its existing operations. Currently, following are the key sources of funding for TEVTA:

*Source of fund	Description
Government funding for development projects / schemes	Funds for development schemes were being arranged by TEVTA through Annual Development Plan of GoKP managed by Planning and Development Department of GoKP. Same as non-development expenditure, disbursement of these funds were also managed through concerned Accountant General Office. Amount of fund allocated and received, has varied with the number of project executed by TEVTA during any financial year. For detail of fund released during each year please refer to the detail below.
Government funding for non-developmental expenses	Currently non-developmental expenses (salaries and other operating expenses) of the TEVTA are covered under annual budget of GoKP. The budget is prepared and approved with the support of Finance Department of GoKP and released on transaction wise basis by the concerned Accountant General Office to both Institutes and Directorate. As per the information provided to us by the management, funds of worth PKR 1,224 million per year on average has been received and utilised by TEVTA for non-development expenses during the past four years ended 30 June 2014. Year wise detail of funds received and utilised by TEVTA has been detailed in tables below.
Student fund collected with the student fee	Institute share in fees collected from the student is known as the Student fund. Under current arrangement as discussed above in section 3.2, collection and utilization of such funds is totally at the discretion of Institute Principal. During review we noted that Principal is not reportable to Directorate regarding amount of fees collected and its related expenditure, although as per management that fee collected by management is auditable. We were not provided with any figures related to total fees received and expended by Directorate under this account.

3.6.2   Details of development scheme as per Annual Developmental Plan for financial year 2014-15:

As per Annual Developmental Plan currently total 35 development financial schemes are in process of execution during the financial year ending 30 June 2015 with the total cost of PKR 10.7 billion and with current year allocation of PKR 2.194 Billion. These projects have been fully financed by GoKP except one project i.e. Capacity building of Technical Teachers of Technical and Vocational Training Centers in Malakand Division at Peshawar and Ghazi. Total cost of project is PKR 251.5 million, out of which PKR 205.2 million is to be provided by JICA (i.e. 81.57% of the total cost of the project).

Financial details of the entire scheme to be implemented by TEVTA in financial year 2014-15 are as follow:

	Number of Projects	Total project cost	Expenses till 30 June 2014	Allocation for 2014 - 2015
		Amount in PKR		
Ongoing Schemes	29	10,336,508,000	3,401,437,000	2,094,046,000
New Programs	06	380,000,000	-	100,000,000
Total Amount	**35**	**10,716,508,000**	**3,401,437,000**	**2,194,046,000**

Spending Trends of budget allocated under Annual Development Plan:

Our team requested last five years financial figures of receipt and utilization of development funds, however, we were provided with only two year figures. According to such 82% of the funds allocated were utilized by the management:

Year	Allocation	Expenditure	Utilisation
2011-2012	107,478,898	107,478,898	100%
2012-2013	303,311,000	193,456,297	64%
Weighted Average Utilisation Ratio			**82%**

3.6.3   Allocation and spending trend analysis of non-developmental budget:

Based on the information received from the management for various project activities <u>completed</u> during the previous years, following is an analysis to assess the absorptive capacity of TEVTA for the projects carried out during the last three years:

Year	Allocation	Expenditure	ApUI	BPI	AUI	OACI
Non-developmental budget						
2011-2012	1,310,013,000	1,138,939,040	86.9%	100%	86.9%	86.9%
2012-2013	1,508,772,280	1,341,357,921	88.9%	100%	88.9%	88.9%
2013-2014	1,801,588,300	1,483,960,598	82.4%	100%	82.4%	82.4%
Appropriation Utilization Index (ApUI) = Expenditure/Allocation (ability to utilize funds relative to the spending target)						
Budget Programming Index (BPI) = Released funds*/Allocation (extent to which the funds have been released by donors)						
Allotment Utilization Index (AUI) = Expenditure/Released funds* (extent to which TEVTA effectively utilized the available resources at any given time)						
Overall Absorptive Capacity Index (OACI) = AUI/BPI (ability to utilize the allotments received and the relative priority given to TEVTA by different donors.						

Released funds are equal to allocated funds as 100% funds are released by AG office per transaction.

Appropriation Utilization Index (ApUI), Allotment Utilization Index (AUI), Overall Absorptive Capacity Index (OACI): Considering the fact that all funds is made available to TEVTA through AG office therefore requested funds are equal to allocated funds, the **ApUI**, **AUI** and **OACI** for TEVTA are equal and stand at 86.9%, 88.9% and 82.4% over the last three years respectively. This indicates that TEVTA management has been able to utilize only 82.4% of it targets of expenditure in the last years.

Budget Programming Index (BPI): The results show that funding from the Government has been received in its entirety as BPI is at 100% of the funds allocated. This is indicative of smooth flow of funds to TEVTA by the Government.

(Please refer to Annexure 1 for measures of absorptive capacity)

3.6.4 TEVTA capacity / performance assessment:

Current capacity in terms of staff strength and capability:

TEVTA is a relatively large organization in terms of its size and operations. In terms of staff below is a comparison of approved positions with the current state of filled positions:

Description	Directorate	Institutes	Total
Approved positions	176	1,269	**1,445**
Existing filled positions	96	514	**610**
Vacant positions	80	741	**821**
%age of vacant	**45%**	**58%**	**56%**

The above table shows that 56% of the total approved positions are currently vacant (including some key senior level positions), which may have an adverse impact on the ability to manage and utilize its resources in an efficient manner. As per the interim policy, appointments in all grades will be at halt till framing of Service regulations by Director HRM and approval of the same by the Chairman/competent authority.

Staff strength at Institutes:

TEVTA is a service organization and its main objective is to provide demand driven skills trainings to deserving youth. To achieve this objective TEVTA has established 79 Institutes all over KP to carry out its operations. The staff strength of Institutes in comparison to approved positions is tabulated below:

Designation	Approved positions	Existing filled positions	Vacant positions	
			No	**%age**
Professor BPS-20 (Technical)	23	8	**15**	**65%**
Professor BPS-20 (Related Subject)	7	1	**6**	**86%**
Associate Professor BPS-19 (Technical)	95	61	**34**	**36%**
Associate Professor BPS-19 (Related Subject)	29	17	**12**	**41%**
Assistant Professor BPS-18 (Technical)	173	63	**110**	**64%**
Assistant Professor BPS-18 (Related Subject)	54	30	**24**	**44%**
Principal BPS-19	2	2	**0**	**0%**
Principal/Vice Principal BPS 18	19	0	**19**	**100%**
Vice Principal/Training Manager/Trainer/Chief Instructor Senior/Staff Trainer Instructor BPS-17	165	118	**47**	**28%**
Lecturer BPS-17 (Technical) – Male	172	140	**32**	**19%**
Lecturer BPS-17 (Related Subject) – Male	56	42	**14**	**25%**
Junior Instructor BPS-14- Male	187	118	**69**	**37%**
Instructor BPS-14	232	108	**124**	**53%**
Junior Trade Instructor BPS-10	55	41	**14**	**25%**
Total	**1269**	**749**	**520**	**41%**

Institute Growth Analysis:

The Institutes network of TEVTA has expanded progressively over the years. Currently, TEVTA has a network of 79 institutes with the annual training capacity of 17,100 students in 10 different trades of technology and vocational institutes. The following provides a graphical presentation on expansion of Institutes each year:
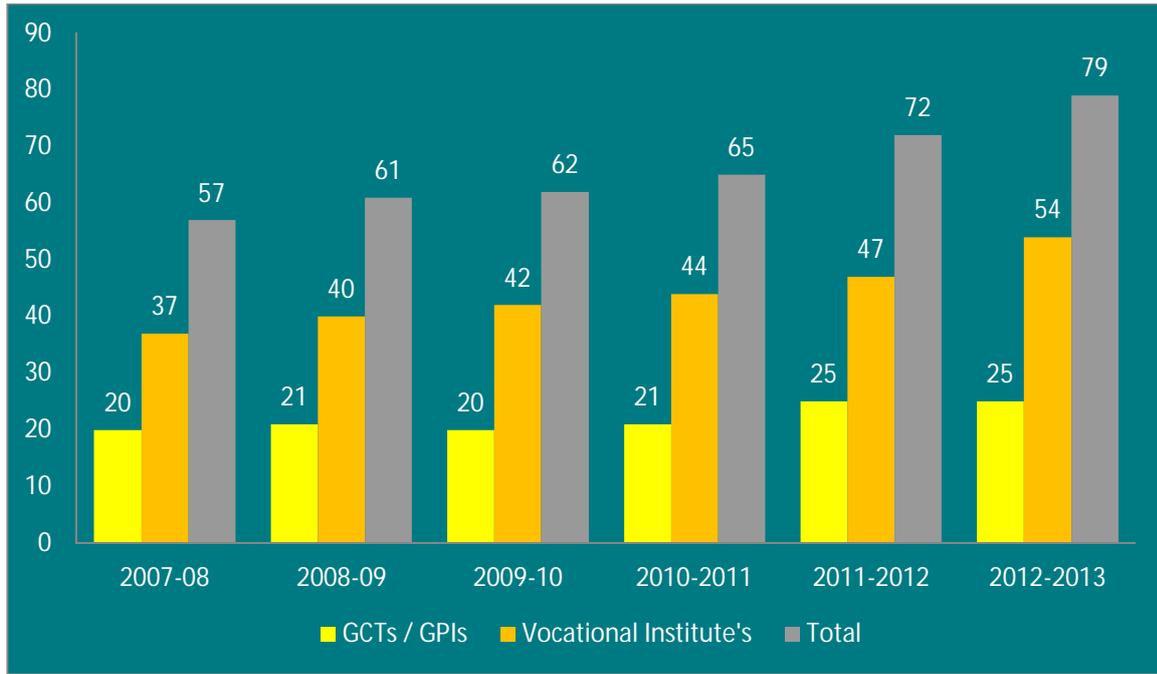
*These are number have been taken from the annual enrollment report for period ended 2011-12 and additional data provided by GIZ consultants for preparation of these reports.

Gender wise details of student institutes:

TEVTA has total 79 Institutes, with a gender mix of 20 females and 59 males institute. Percentage of female teachers in comparison to total has not been significantly improved over the years as provided in the figure below:
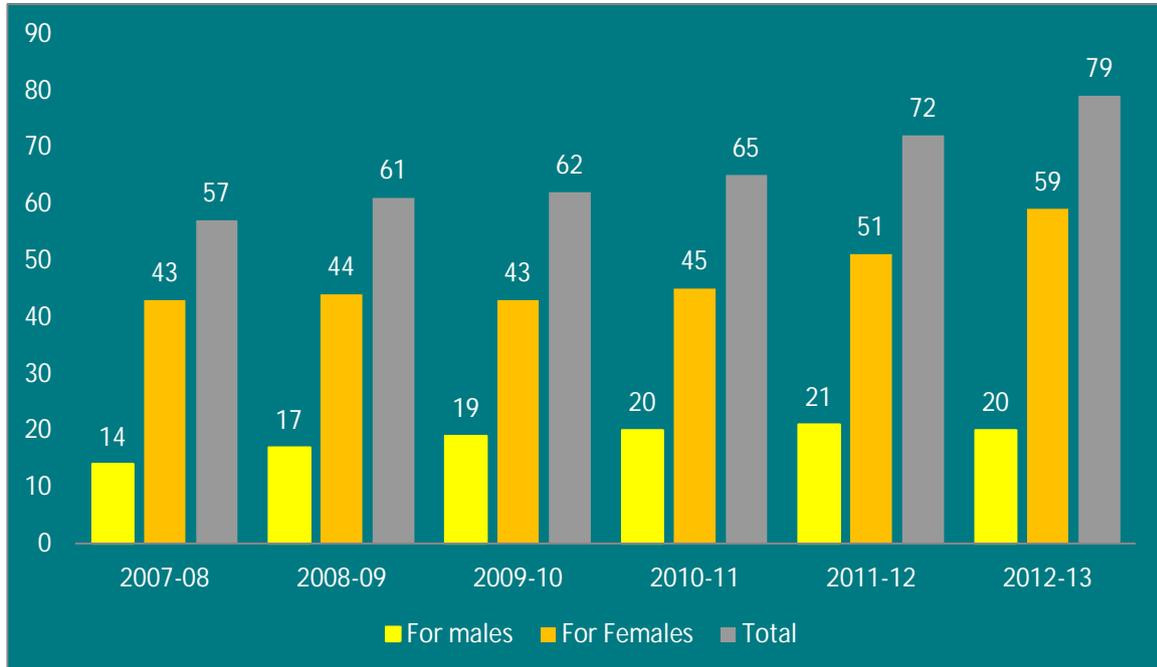
Students Strength:

As per the data provided by the management, we noted that there are currently total 21,471 students. Current growth rate considering past five years average is around 3 percent and this is directly incremental with establishment of new institutes, as each institute has fixed number of seats, per requirement of Higher Education Commission (HEC) and Board of Technical Education (BTE).

Details of student strength in past five years are as follow:

Particulars	Student Number per each year				
	2008-09	2009-10	2010-11	2011-12	2012-13
GTIs / GPIs	13,477	15,316	15,805	16,156	17,100
Vocational Institute	5,760	5,998	4,809	4,041	4,371
Total	19,237	21,314	20,614	20,197	21,471
Percentage (GTIs / GPIs)	70%	72%	77%	80%	80%
Percentage (Vocational)	30%	28%	23%	20%	20%
Gender allocation					
Male student	18,206	19,493	18,881	19,478	20,682
Female student	1,031	1,821	1,733	719	789
Total	19,237	21,314	20,614	20,197	21,471
Percentage of Male student	95%	91%	92%	96%	96%
Percentage of Female student	5%	9%	8%	4%	4%

Average students per teacher ratio:

There are 749 teaching staff in TEVTA. The total enrollment of students stands at 17,100 in Technology and Poly technical institutes and 4,371 in Technical and Vocational Centers that is total student strength of 21,471 in the FY 2012-13. Based on these figures the student to teacher ratio stands at 28 students per teacher.

Top trades:

Based on the information provided to us by the management, we have noted that the following are top 10 running trades of TEVTA. The most acceptable trades in Technology institutes are Civil Technology and Electrical Technology whereas in Technical and Vocational Centers, Electrician and Refrigeration/Air-conditioning are the most acceptable trades:

**Top ten trades in Technology and Poly-technical Institutes:**

S.no	Trade	No of enrolled students	% age to total students
1	Civil Technology	6,212	36%
2	Electrical Technology	4,920	29%
3	Mechanical Technology	2,592	15%
4	Electronics Technology	508	3%
5	Diploma In Information Technology	419	2%
6	B.Tech Electrical	377	2%
7	Computer Hardware Technology	328	2%
8	Tele Communication Technology	281	2%
9	Chemical Technology	255	1%
10	B.Tech Mechanical	221	1%

Technology Institutes - Enrolled Students

Legend:
- Chemical Technology
- Computer Hardware Technology
- Diploma In Information Technology
- Mechanical Technology
- Civil Technology

(x-axis: 7000, 6000, 5000, 4000, 3000, 2000, 1000, 0)
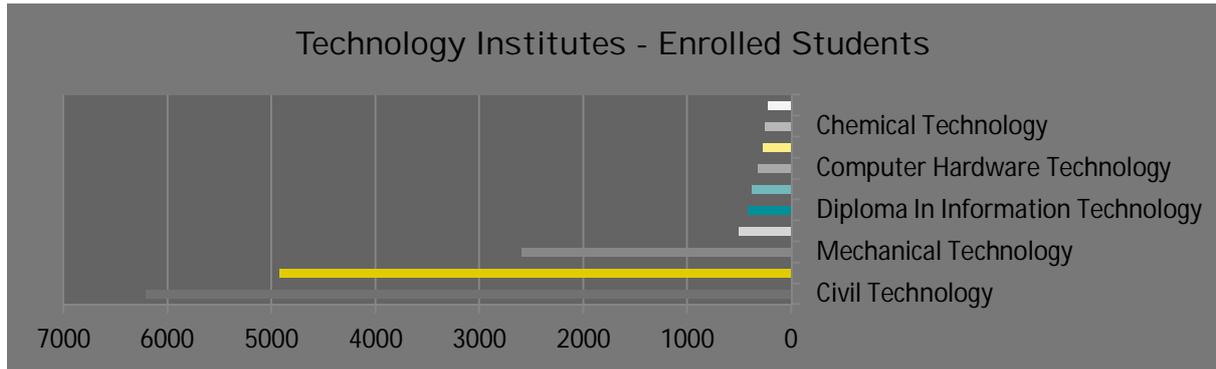
Top ten trades in Vocational Institutes:

S.no	Trade	No of enrolled students	% age to total students
1	Electrician	1176	**27%**
2	Refrigeration and Air-conditioning	564	**13%**
3	Electrician(TSC)	331	**8%**
4	Tailoring	307	**7%**
5	Plumber	266	**6%**
6	Auto Mechanic	243	**6%**
7	Electrical Technology	225	**5%**
8	Short Course	187	**4%**
9	Civil Draughtsman	175	**4%**
10	Computer	168	**4%**

Vocational Centers - Enrolled Students

Legend:
- Civil Draughtsman
- Electrical Technology
- Plumber
- Electrician(TSC)
- Electrician

(x-axis: 1400, 1200, 1000, 800, 600, 400, 200, 0)
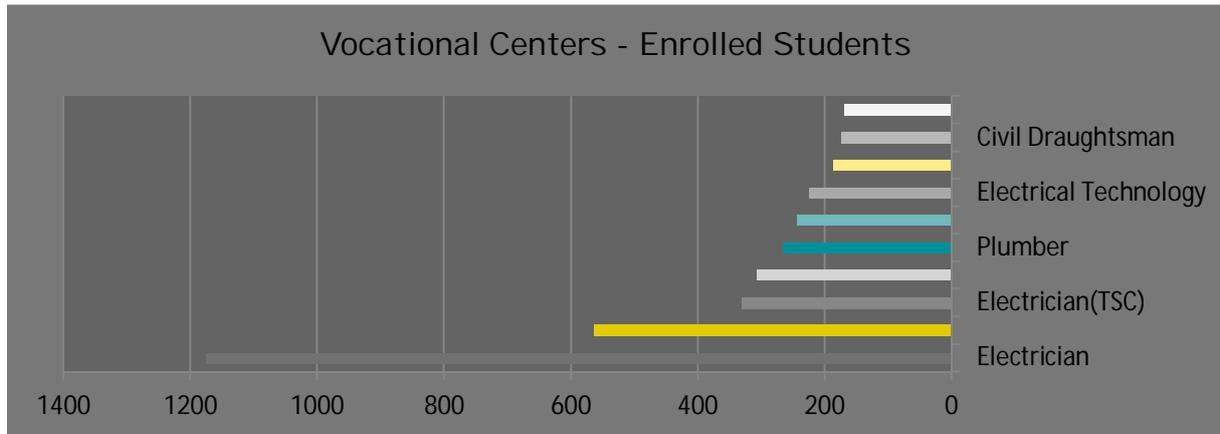
Overall conclusion:

Based on the above analysis, we assess that TEVTA is primarily dependent on the government funds to sustain its operations. Utilization of development and non-development budget has not been 100 percent, which indicates a need to strengthen TEVTA's M&E function going forward to ensure timely completion of project activities and utilization of allocated fund in most effective manner.

In the absence of adequate financial reporting system we were unable to analyse following ratios to check its sustainability status:

► Income to expenditure ratios
► Proportion of different sources of funding ratio
► Solvency ratios
► Liquidity ratios
► Horizontal and Vertical analysis of financial statements

EY
Building a better
working world

The performance of TEVTA's operations cannot be assessed properly as monitoring and evaluation section has not been fully established and some of the relevant data was not available. All the data acquired from the GIZ consultant assists TEVTA's management in the preparation of the Annual Enrollment Report.

Our assessment of human resources position provided that only 43% of current approved posts are filled, which is an indicator that TEVTA capacity to expand its operations any further within the limited resources available may be a challenging task.

Due to non-availability of data, we were unable to perform analysis based on following ratios:

► Job placement Ratio
► Student Dropout ratio
► Number of Beneficiaries per project

EY
Building a better
working world

4   Others matters

We have carried out the Pre-Award Assessment and prepared this report as per the scope of work mentioned under task order number ASP-CPO/A&C/Pre Award – TEVTA/16-2014 dated 28 August 2014. This report is solely for assisting the USAID in their decision to extend funding to TEVTA and is for their own internal purposes.

Our work in connection with this assignment is of a different nature to that of an audit. Because the above work steps do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance thereon. Had we performed additional work steps or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our comments are based on the work carried out on the basis of information provided by TEVTA, the stakeholders and other publicly available information. In performing our work, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us, whether original or copies.

In accordance with our policy, neither EYFRSH nor any Partners or employees undertakes responsibility arising in any way whatsoever, to any person other than the management of USAID and ASP-RSPN in respect of the matters dealt with in this report, including any errors or omissions therein, arising through negligence.

All analysis in this report, conclusions or assessments has inherent limitations.

The findings in our report are based on our field work from 20 October 2014 and up to 14 Nov 2014. We have not undertaken to update our report for events or circumstances arising after that date.

Any changes to the key internal controls, policies and procedures subsequent to our discussion with management, which have not been communicated to us, have not been evaluated by us and accordingly we do not report on any shortcomings in the same.

The information, advice or recommendations relating thereto contained in this report, in draft or final form, provided to the USAID (through ASP-RSPN) by us during this engagement are given in confidence.

No other EY Entity other than EYFRSH shall have any legal duty of care to the client in connection with the performance of any of the services by its personnel, and the client shall be entitled to rely only on EYFRSH for the performance of the services or with respect to any Report. The client [and its affiliates or other persons or entities for or in respect of which any of the services are provided] shall have no recourse, and shall bring no claim whether based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise against any EY Entity (other than EYFRSH), or against any subcontractors, members, shareholders, directors, officers, managers, partners, principals or employees of EYFRSH or any other EY Entity ("EY Persons"), or any of the assets of any thereof, in connection with the performance of the Services or otherwise under this Agreement.

Neither EYFRSH nor any of its subcontractors will be liable to the USAID, ASP-RSPN or TEVTA for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill, collectively, "Excluded Damages") in connection with the performance of the Services or otherwise under this Agreement, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if TEVTA is advised of, or the parties had contemplated, the likelihood of such Excluded Damages.

The aggregate liability of EYFRSH and its subcontractors to USAID, ASP-RSPN and TEVTA in connection with the performance of the Services or otherwise under this Agreement shall be limited to the fees actually received by EYFRSH in respect of the Services directly relating to and forming the basis of client's claim, regardless of whether liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise. The preceding limitation shall not apply to liability that has been finally determined to have resulted from the fraud or other wilful misconduct by or on behalf of EYFRSH.

USAID, ASP-RSPN shall not bring any claim relating to the services or otherwise under this Agreement after 12 months of the act or omission alleged to have caused this claim.

Any liability shall be governed by, and construed in accordance with, the laws of Pakistan as if it were made and fully to be performed in such jurisdiction by residents thereof.

The services and the information, records, data, advice or recommendations relating thereto contained in any reports, materials, presentations or other communications, written or otherwise, in draft or final form, provided by

EYFRSH (collectively, "Reports") are intended solely for USAID, ASP-RSPN and TEVTA information and internal use (consistent with the purpose of the engagement). The client may not rely on any draft Report. EYFRSH shall have no obligation to update any final Report for events occurring after its delivery.

Our report to you is based on the information provided, discussion with management personnel, and interviews as provided in Annexure 2 and work steps as provided in Annexure 3. We have not, except to such extent as you requested and we agreed to undertake, sought to verify the accuracy of the data or the information and explanations provided by management. There is an inherent risk involved in deriving factually incorrect information from these sources; accordingly the correctness of information contained therein cannot be assured.

EYFRSH assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this report to any third parties. If others choose to rely on the contents of this report, they do so entirely at their own risk.

5 Annexure

Annexure 1 - Definition of Pre-Award Assessment rating

1. Individual area assessment

Rating	Description
High	**Inadequate Capacity** Key deficiencies and significant weaknesses are not remediable before award.
Moderate to High	**Weak Capacity** Some deficiencies and significant weaknesses are not easily remediable before award.
Low to Moderate	**Adequate Capacity** Deficiencies and significant weaknesses (if any) are remediable before award.
Low	**Strong Capacity** No deficiencies or significant weaknesses noted.

2. Individual finding assessment

| Rating:	Description
High	A key deficiency and significant weakness in control over a key risk to the business, which is not remediable before award.
Moderate to High	A significant deficiency and weakness in control over a key risk to the business, which is not easily remediable before award.
Low to Moderate	A deficiency and weakness in control over a key risk to the business which is timely remediable before award.
Low	An improvement idea to strengthen the existing controls.

Annexure 2 - People whom we had discussions with for the Project at TEVTA

Name	Designation	Department
At Directorate level		
Nauman Wazir	Chairman	Overall TEVTA
Monibullah Khan	Director	Internal Audit
Abdul Maqsood	Director	Human Resource Management
Mohammad Ullah	Director	Admin and Finance
Khurram	Director	Information communication technology
Inayat Rehman	Director	Curriculum
Moghul Baz	Director	Planning and Development
Saeed	Director	Monitoring and Evaluation
Nowsherwan	Director	Works
Sajjad	Director	Operations
At Government College of Technology, Peshawar		
Eng Sartaj Gul Khattak	Principal	Overall Institute
Eng Ajmal	Vice Principal	Overall Institute
At Government Technical and Vocational, Peshawar		
Arshad Ali	Principal	Overall Institute
At Government Technical and Vocational Centre, Charsada		
Istiyaq Khan	Principal	Overall Institute

Annexure 3 - Scope and Methodology of this assessment

Planning

a. Conduct pre-entrance meeting with ASP-RSPN team to understand the assignment expectations.
b. Conduct an entrance meeting with participants from USAID, ASP-RSPN, **target entity** and EYFRSH.
c. Mobilize project team.
d. Identify process owners.
e. Conduct introductory meeting with the process owners to understand the current structure and identify the process to be covered under the assignment.
f. Agree the format/structure of the pre-award assessment report.
g. Identify and agree project milestones and timelines.
h. Agree protocols for communication.

Key deliverable:

Communication protocols / customized checklist / entrance presentation

Execution

a. Understand organizational & accountability control environment. Review & understand organizational structure accountability environment, review governance structure, practices and controls at an entity level
b. Understand current state. Understand the policies and procedures of the entities under review have in place currently for the key processes.
c. Assess & evaluate current state and benchmark with better practices. Identify whether there are any risk and control gaps, compliance gaps or areas for improvement and whether the entity have capacity /capability to manage USAID funding and activities – Risk rating will be performed on the basis of four risk levels as agreed with USAID in previous engagements and will be aligned with the NUPAS checklist.
d. Conduct absorptive capacity analysis based on the historical spending plans, burn rate analysis and number and volume of projects manage
e. Compile a list of key findings noted during the assessment and recommend remedial /corrective actions.
f. Perform quality assurance of work performed, findings noted and recommendations made.
(Kindly note NUPAS checklist will be used as a key tool for carrying out our assessment)

Key deliverable:

A list of observations with risk ratings and recommendations for the Pre-awards assessment report

Report finalization

g. Compile the draft pre-award assessment report containing our risk assessment of the entity, brief overview about each process evaluated and key findings and recommendations.
h. Carry out meetings with the management / process owners of the target entity to discuss the pre-award assessment report.
i. Management to provide comments on the pre-award assessment report;
j. EYFRSH team will incorporate the management comments on draft report and submit the final version of the pre-award assessment report to the USAID / ASP-RSPN for their comment.
k. EYFRSH team will incorporate the comments received from the USAID / ASP-RSPN management and submit the final version of the report.
l. Carry our exit meeting to formally close the project.

Key Deliverable:

Pre-award assessment report / Exit presentation

Annexure 4 - Compliance with the USG rules and regulations

For the purposes of assessment, as to the areas identified and the financial and management capacity of TEVTA, we have considered, but not been restricted to the following:

► ADS 303.3.9.1 Pre-Award Surveys.
► Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Automated Directives System, Section 303.7 Mandatory References).
► Standard Provisions Annex for Strategic Objective Agreements with Foreign Governments (USAID Automated Directives System, Series 300 References).
► Grants and Cooperative Agreements to Non-Governmental Organizations (USAID Automated Directives System, Series 300 References, ADS 303.

While assessing TEVTA, we have kept in mind that although TEVTA might not have all requirements in place in its current operations, it must have the capacity to do so in the event of receiving funding from USAID.

Annexure 5 - Measure of absorptive capacity

ApUI = Spending / Allocation	ApUI indicates TEVTA's ability to utilize funds relative to the spending target. In principle, the index takes on values that range from 0 to 100%. At one end of the scale, an index = 100% would imply full achievement of the target. At the other end, an index = 0 would mean extremely poor performance.
Budget Programming Index (BPI) = Released / Allocation	This index basically shows the extent to which the project budget (allocation) for TEVTA has been released by donor agencies as agreed.
Allotment Utilization Index (AUI) = Spending / Released	AUI shows the extent to which TEVTA effectively utilizes the available resources at any given time.
Overall Absorptive Capacity Index (OACI) = AUI / BPI	This measures the congruence between TEVTA's ability to utilize the allotments received (AUI) and the relative priority given to TEVTA by the donor agencies (BPI). OACI exceeds unity if the allotment utilization rate is greater than the relative priority given to TEVTA by donor agencies. An OACI > 100% suggests that the authority can still absorb more funds, if funds would have increased. Conversely, OACI falls short of 100% if the allotment utilization rate is lower than the relative priority given to the entity by donor agencies. An OACI < 100% indicates that donors programmed more funds for the entity then what it can absorb. On the other hand, an OACI = 100% represents the midpoint that is achieved when budget programming matches TEVTA's capacity for fund absorption. This is dependent upon budgets allocated to TEVTA by donors and not completely in TEVTA's control.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Advisory Services

Whether your focus is on broad business transformation or more specifically on achieving growth, optimizing or protecting your business having the right advisors on your side can make all the difference. Our 30,000 advisory professionals form one of the broadest global advisory networks of any professional organization, delivering seasoned multidisciplinary teams that work with our clients to deliver a powerful and exceptional client service. We use proven, integrated methodologies to help you solve your most challenging business problems, deliver a strong performance in complex market conditions and build sustainable stakeholder confidence for the longer term. We understand that you need services that are adapted to your industry issues, so we bring our broad sector experience and deep subject matter knowledge to bear in a proactive and objective way. Above all, we are committed to measuring the gains and identifying where your strategy and change initiatives are delivering the value your business needs.

ey.com