

**SENATE OF PAKISTAN
HOUSE OF THE FEDERATION**

REPORT NO.25 OF 2018



House of the Federation

**SPECIAL REPORT OF THE STANDING COMMITTEE ON FINANCE,
REVENUE, ECONOMIC AFFAIRS AND NARCOTICS CONTROL
(UNDER RULE 193 OF THE SENATE RULES)**

ON

**ON THE MATTER REGARDING SEPARATION OF CADRES OF
ACCOUNTS AND AUDIT IN ORDER TO AVOID CONFLICT OF
INTEREST**

PRESENTED BY

SENATOR SALEEM MANDVIWALLA

SENATE SECRETARIAT

SPECIAL REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, ECONOMIC AFFAIRS AND NARCOTICS CONTROL ON THE MATTER REGARDING SEPARATION OF CADRES OF ACCOUNTS AND AUDIT IN ORDER TO AVOID CONFLICT OF INTEREST

I, Senator Saleem Mandviwalla, Chairman of the Standing Committee on Finance, Revenue, Economic Affairs and Narcotics Control, have the honor to present, on behalf of the Committee, Special Report, under rule 193 of the Rules of Procedure and Conduct of Business in the Senate, 2012, on the matter separation of cadres of Accounts and Audit in order to avoid conflict of interest.

2. The composition of the Committee is given as under:-

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Ilyas Ahmad Bilour	Member
3.	Senator Muhammad Mohsin Khan Leghari	Member
4.	Senator Ms. Ayesha Raza Farooq	Member
5.	Senator Muhammad Talha Mehmood	Member
6.	Senator Nasreen Jalil	Member
7.	Senator Kamil Ali Agha	Member
8.	Senator Mushahid Ullah Khan	Member
9.	Senator Saud Majeed	Member
10.	Senator Barrister Murtaza Wahab	Member
11.	Senator Osman Saifullah Khan	Member
12.	Senator Mohsin Aziz	Member
13.	Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization	Ex-Officio member

3. The Committee considered the matter in its meetings held on 2nd & 8th August, 4th October, 29th December, 2017 and 18th January, 2018. The following members attended the meetings, namely:-

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Ms. Ayesha Raza Farooq	Member
3.	Senator Kamil Ali Agha	Member
4.	Rana Muhammad Afzal Minister of State for Finance	Ex-officio Member

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4. The Committee was informed in the meeting held on 2nd August, 2017, by the Finance Division that in 2001, the Federal Government promulgated two separate Ordinances i.e. Auditor General of Pakistan's Functions, Powers and Terms and Conditions of Service Ordinance, 2001, and the Controller General of Accounts Appointment, Functions and Powers Ordinance, 2001. The AGP under its Ordinance was authorized to audit the accounts of Federation and the provinces, whereas, the CGA was authorized to carry out transfers/postings of staff within the organization. It was informed that the issue was highlighted, when the CGA office informed that the postings/transfers within the organization were being interfered by the AGP without prior consultation with the CGA. In addition, the AGP was also directing Pakistan Audit and Accounts Service (PAAS) officers working in CGA office, not to comply with the directions of CGA. Accordingly CGA approached the Finance Division and summary was sent to the Prime Minister on 30th August, 2012, in which it was proposed that the Establishment Division may take an exercise of splitting the cadres of audit and accounts with the spirit of the separation of two functions and issue an SRO to enforce the provisions of Section 6 of the CGA Ordinance, 2001, related to the requirement of Auditor General for placement of the officers of PAAS at the disposal of CGA, and AGP should not be allowed to make interventions in that regards. However, on 11th February, 2012, the proposals of the Finance Division were approved, thereafter, an SRO was issued by the Finance Division under which Establishment Division was required to undertake detailed exercise of splitting the cadres of the two organizations but till to date, the matter was pending with the Establishment Division.

5. During the meeting held on 8th August, 2017, the Additional Secretary, Establishment Division informed the Committee that the case regarding separation of cadres of Accounts and Audit was under process since long and a summary was sent to the Prime Minister's Office which was approved and an Office Memorandum (O.M) was also prepared for implementation of the decision. He said that various meetings were held in the Establishment Division in 2015, and Secretaries of Establishment, Finance and Law Divisions were part of those meetings, however, there was no consensus for implementation of O.M and no further progress was made. He further said that the officials of the Audit & Accounts Service had also some reservations on the issue, however, further course of action on the issue was stopped.

6. The Chairman Committee referred an order issued by the Finance Division on 14th March, 2013, regarding undertaking a detailed exercise by the Establishment Division for separating the cadres of Accounts and Audit in line with the Auditor-General's (Functions, Terms and Conditions of Service) Ordinance 2001, and the Controller-General of Accounts (Appointment, Functions and Powers) Ordinance 2001, and notifying that the CGA shall be administrative head of the offices sub-ordinate to him with full authority for transfer and posting within his organization. The representative of the AGP informed the Committee that the powers under para 4 of the said order were implemented. Furthermore, under the summary approved by the Prime Minister, the Establishment Division was asked to undertake a detailed exercise for separating the cadres of

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Accounts and Audit in line with the Ordinances of both the organizations. In addition, the summary which was moved by the CGA through the Finance Division was withdrawn by the CGA, however, the representative of the Finance Division rejected the statement given by AGP representative and informed that the summary was never withdrawn.

7. The Additional Secretary Finance informed the Committee in the meeting held on 4th October, 2017, that a committee was constituted to resolve the issue of separation of cadres of Accounts and Audit, and a process of consultation with all the stakeholders was under way. The Deputy Auditor General of Pakistan said that as per best international practices the separation of functions of both the organizations was required to avoid conflict of interest between them and accordingly after a long exercise and consultation with all the stakeholders, in 2001, Ordinances of both the organizations were promulgated. Moreover, under the Ordinances, the functions of both the organizations were separated but the services were remained intact. In 2013, an issue of transfer/posting of the staff occurred between the then AGP and CGA, thereafter, the matter was taken up with the Establishment Division by moving a summary from CGA requesting for resolution of administrative issues. The Additional Secretary, Establishment Division said that there was no clear direction issued by the PM office in the matter, however, Establishment Division was directed to make consultation with the Finance Division and other stakeholders and conveyed a decision to the PM Office in that regards.

8. The Committee further discussed the matter in its meeting held on 29th December, 2017, wherein the Additional Secretary, Finance Division informed the Committee that detailed consultative meetings were held with the representatives of AGP, CGA and Establishment Division and a preliminary report would be submitted to the Secretary Finance within three days. The Committee expressed its reservations over the non-separation of cadres of Accounts and Audit despite lapse of four months and directed Finance Division to resolve the issue by 15th January 2018, in case of failure the Committee would refer the matter to Senate House.

9. In the last meeting of the Committee held on 18th January, 2018, the Additional Secretary, Finance Division informed that as per directions of the Committee, various meetings were held in which AGP, CGA and the Establishment Division were invited and a sub-committee under his Chairmanship was constituted to devise a systematic mechanism on the issue but no consensus was developed due to difference of opinion among the departments. Thereafter a report was submitted to the Secretary Finance with the view point that since the government had given its clear direction through the summary, therefore, it should be implemented by the Establishment Division and separation of cadres of Accounts and Audit should be made, as per direction of the Prime Minister.

10. The Secretary Finance apprised that the Finance Division had no objection to the proposal contained in the Summary which had been sent to the Establishment Division as well as to the Committee's recommendations to have separate cadres for Audit and Accounts and assured the Committee to take up the case with the Secretary, Establishment Division for its early resolution.

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The Minister of State for Finance said that the AGP should follow the merit behind the case and the separation of the Audit and Accounts cadres was vital for the betterment of the working of the departments. He said if there was any issue in the transfer and posting of the present officers then it could be made applicable from the future recruitments. The Committee observed that the direction of the PM was conveyed in 2013, while for the last three years consultation with the stakeholders could not be concluded till yet. The Committee members were of the considered opinion that both the cadres of Accounts and Audit needed to be separated.

11. After due deliberations, the Committee unanimously recommended that both the cadres of Accounts and Audit needed to be separated to avoid conflict of interest as well as to avoid corruption in future and directed the Secretary Finance Division to take up the case with the Secretary, Establishment Division for its early resolution. The Committee also gave approval for presentation of this report to the House.



(Muhammad Tahir Khan)
Secretary (Committee)



(SENATOR SALEEM MANDVIWALLA)
Chairman (Committee)

Islamabad, the
27th February, 2018.