PIPFA JOURNAL

Vol: 10, Reg. No. MC-1112

July - September 2013

Celebrating 20th Year of Excellence

PIPFA

PIPFA

Pakistan Institute of Public Finance Accountants

اَلْحَمْدُ لِلّٰهِ

Consistently Outstanding. Outstandingly Consistent.

In 2002, with a branch network of only 6 branches in 4 cities we were one of the smallest banks in the country. Today, with a vast network of over 325 branches in over 94 cities across Pakistan and an average annual growth rate of 50% over the last decade, Pakistan's first and largest Islamic bank, Meezan Bank is also the fastest growing bank in the country.

Meezan Bank
The Premier Islamic Bank

ARGUS

111-331-331 & 111-331-332 www.meezanbank.com

PIPFA JOURNAL
Vol:10, Reg. No. MC-1112 July - September 2013

CONTENTS

Messages:

Articles:

News Updates:

Why PIPFA?

PIPFA's Membership entails many advantages like:

- Entitlement to use Designatory letters APFA or FPFA and distinction of membership.
- Continuing Professional Development through publications, seminars, workshops etc.
- Eligibility for Chief Financial Officer or Company Secretary of listed company.
- Entitlement for qualification pay etc. to PIPFA Public Sector Qualified.
- Opportunities to inter-act at the national level with elite accounting community.
- Exemptions in examination of ICAP, ICMAP, CIMA-UK, ACCA etc.
- Professional activities like election of representatives etc.
- We are aslo pursuing Higher Education Commission of Pakistan to grant PIPFA qualified / member equal to B.Com Graduate.
- Dealing also with Federal Board of Revenue (FBR), Pakistan to allow PIPFA members for Tax Practicing.

Head Office:

M1-M2, Mezzanine Floor, Park Avenue, 24-A, Block 6, PECHS, Shahra-e-Faisal, Karachi
Tel : 021-34380451-52
Fax : 021-34327087
E-mail : pipfa@pipfa.org.pk
Website: www.pipfa.org.pk

Lahore Office:

42 Civic Centre, Barkat Market, New Garden Town, Lahore.
Tel : 042-35838111, 35866896
Fax : 042-35886948
E-mail : pipfalhr@pipfa.org.pk

Faisalabad Office:

Ajmal Centre -1, 289-1, Batala Colony, Faisalabad
Tel : 041-8500791, 041-8530110
E-mail : pipfafsd@pipfa.org.pk

Islamabad Office:

14-K, Firdous Plaza, F-8 Markaz, Islamabad
Tel : 051-2851572
E-mail : pipfaisl@pipfa.org.pk

Salient features of PIPFA Qualifications:

- On qualifying Final Level, one may apply for the management level jobs like Financial Advisor / Financial Officer.
- Elevation in Auditor General of Pakistan for BPS -17 is possible after qualifying PIPFA.
- Students may join audit firms as Audit Trainee or internship in Financial Institutes/ Organizations.

Pakistan Institute of Public Finance Accountants

BOARD OF GOVERNORS

Mr. Muhammad Ashraf Shaikh
President
(Nominee of AGP)

Mr. Shahzad Ahmad Awan
Vice President
(Nominee of ICMAP)

Mr. M. Sharif Tabani
Secretary
(Nominee of ICAP)

Mian Muhammad Shoaib
Treasurer / Joint Secretary
(Elected)

Mr. Muhammad Sharif
Member
(Elected)

Mr. Jawed Mansha
Member
(Nominee of ICMAP)

Mr. Mohammad Maqbool
Member
(Nominee of ICAP)

Mr. Sajid Hussain
Member
(Elected)

Mr. Sajjad Ahmad
Member
(Nominee of ICMAP)

Mr. Sarmad Ahmad Khan
Member
(Nominee of ICAP)

Mr. Shahzad Raza Syed
Member
(Nominee of AGP)

Mr. Asif Khan
Member
(Nominee of AGP)

STANDING COMMITTEES

EXECUTIVE COMMITTEE

Mr. Muhammad Ashraf Shaikh	Chairman
Mr. Shahzad Ahmad Awan	Member
Mr. M. Sharif Tabani	Member
Mian Muhammad Shoaib	Member

BOARD OF STUDIES

Mr. Shahzad Raza Syed	Chairman
Mr. Jawed Mansha	Member
Mr. Sajid Hussain	Member
Mr. M. Sharif Tabani	Member
Mr. Mohammad Maqbool	Member
Mr. Sajjad Ahmad	Member

EXAMINATION COMMITTEE

Mr. Shahzad Ahmad Awan	Chairman
Mr. Jawed Mansha	Member
Mr. Sajid Hussain	Member
Mr. M. Sharif Tabani	Member
Mr. Muhammad Sharif	Member
Mr. Mohammad Maqbool	Member
Mr. Asif Khan	Member

REGULATION AND DISCIPLINARY COMMITTEE

Mr. Mohammad Maqbool	Chairman
Mr. Sajid Hussain	Member
Mr. Shahzad Ahmad Awan	Member
Mr. Asif Khan	Member

PUBLICATION AND SEMINAR COMMITTEE

Mr. Jawed Mansha	Chairman
Mr. Shahzad Ahmad Awan	Member
Mr. Shahzad Raza Syed	Member
Mr. Sarmad Ahmad Khan	Member
Mr. Muhammad Sharif	Member

President

Respected Members and Dear Students, السلام علیکم

I am honored to present 10th edition of PIPFA Journal. PIPFA has achieved a tremendous amount of success over the past years as a result of remarkable participation by its students, members, Board Members and secretarial staff. We have made significant achievements to celebrate and we want you to be a part of it….every step of the way!

Institute's events foster education, inspiration, networking and opportunities for learning and mentoring. Participation in PIPFA activities provides you considerable relationship and limitless learning opportunities.

It is said that tomorrow's challenges shape today's education. Never has this statement been more relevant than now. Our commitment to preparing our members and students for these challenges is what drives Pakistan Institute of Public Finance Accountant's mission. We are committed to a career-oriented, hands-on education that addresses the multifaceted changes and needs of an emerging global market.

Without question, the human mind is an incredible tool. But this tool often remains locked when we don't follow our passion. This is a challenge we all face as we decide to trust in ourselves and in our abilities. So I encourage you to take full advantage of all that PIPFA is offering and have to offer. The possibilities are exciting. Reach out and unlock your potential.

Accountants drive our global economy - creating wealth, jobs, and meaningful work for billions. Accountants revolutionize organizations, and also work inside corporations leveraging new opportunities and creating new successes.

PIPFA has a focused and ambitious plan and an outstanding team that includes members and students from previous years and talented new ones to achieve its goals. PIPFA looks forward to the active involvement of its members, students and volunteers to strengthen and build the Accountants' ecosystem. Please join us.

Muhammad Ashraf Shaikh

Chairman Publication & Seminar Committee

Let me start by saying I am deeply honored and humbled to present 10th edition of PIPFA Journal. I have a profound respect and passion for this Institute and I'm incredibly motivated to serve our Institute, our Members and our students.

Our first article provides detailed know how about Performance Audit & its tools, as you know that Performance auditing is an area new enough in the history of auditing. Its growth parallels the evolution of politics and public administration from one-dimensional focus on control of inputs (resource) towards broader attention to accountability for outputs and outcomes.

Performance audit is considered to be one of the most effective means for improving performance and governance. Improvement systems model allows for a wide concept of effectiveness of auditing, the application of theory to practice which is a frequent object of scientific research, often a topic of scientific discussions.

Audit, initially created as an accounting oriented function has been transformed into management oriented profession. Nowadays performance audit is an independent profession, which is playing a significant role in the management of organizations and country's policy.

Second article is about Insurance and third is about Risk Management, it is fact that Human being, his family and properties are always exposed to different kinds of risks. Risk involves the losses. Insurance is a tool which reduces the cost of loss or effect of loss caused by variety of risk. It accumulates funds to meet individual losses. It is not device to prevent unwanted event of happening or cause of loss but protects them against that loss by compensating which has lost.

I would like to express my considerable appreciation to all authors of the articles in this issue of the PIPFA Journal. It is their generous contributions of time and effort that made this issue fabulous. At the same time I would like to encourage all our readers to consider sharing their special insights with the PIPFA fraternity by submitting an article.

Jawed Mansha

PERFORMANCE AUDIT;
Main Tool Of Measuring Efficeincy And Ensuring Accountability

By: Muhammad Saeedullah Yousafzai, FPFA

Performance Audit is assessment of overall performance of development projects and programs; an instrument to sharpen the process of accountability. In 1977 the Lima Conference of the International Organization of Supreme Audit Institutions (INTOSAI) office recognized the importance of this type of auditing. Many countries amended their Audit Acts / Rules and scope of audit was expanded to efficiency or value of money audit (Muhammad Jamil Bhatti, 2002).In traditional auditing, only financial data is used to give an opinion on financial position of an entity or project, while in performance auditing non-financial data is also taken into consideration.

That governments should apply themselves to continuously improving their performance, particularly with respect to the management of public funds and the stewardship of public assets, appears now to be a generally accepted principle of good governance. Instead of focusing on transaction, it assesses the whole project or organization (Geoffrey B. Sprinkle, 2000). Main focus of audit in performance audit is achievement of target. Even if no irregularity has been made, but the target is not achieved that entity / manager is taken to task. Economy, efficiency, effectiveness and environmental effects are assessed and accordingly general recommendations are made (Rashid Ahmed Saleh, June 2002). It is defined as “is an assessment of the activities of an organization to see if the resources are being managed with due regard for economy, efficiency and effectiveness and accountability”. Right time to acquire a resource is also linked to the need to be fulfilled. The resource should be available to satisfy the need when it is required. It should neither make other resources 'wait' nor should wait for other resources. Therefore, the auditor reviews procedures to foresee demand, procurement and availability of resources.

Right place for a resource is the one where it is needed. The resources may be available where they are not needed. For example, there may be jobs which are unmanned and there may be men who do not have work. The auditor reviews the system for signaling the resource gaps. Right Cost

refers to lowest cost in the life-cycle of a resource.

Main objective of performance audit are as below:

1. To inform stake holders that how their employees / public servants obtained value for money spent out of firm's account or public exchequer and how they ensured any recovery.
2. To improve governance and encouraging better management practices in the organization, based on self-assessment.
3. Helping managers in making sound judgments.

Performance audit can be thought of as a set of systematic efforts, initiatives and processes that have a number of characteristics. It identifies performance in terms of results (outputs, outcomes, effects, impacts, etc.). It is assumed that levels of intended achievement (performance targets, service standards, etc.) are measurable. Traditional audit was checking of books but in performance audit, audit and performance are linked (Chistopher Politt & Hilka Summa, 1997).

Approach of Auditors; In performance audit main concern is value for money and hence an auditor interviews the executive officers, visits the field and physically verifies the facts.

Its scope is not limited to examination of financial statements, waste, extravagance, inefficiency or infectiveness, it goes beyond that and analyses causes of non-performance as well. Following are main features of performance audit;

- It is not only audit for managers but also an aid to management.
- Constraints of management or natural reasons are taken into consideration and recommendations are made on the basis of real life situation.
- Findings are quantified in terms of cash, rupee or dollar, as the case may be.
- Policies and procedures are assessed and stress is put on objectivity, with no preconceived conclusions.
- Findings and conclusions are made on verifiable facts and in cooperative relationship with management (Liaqat Ali Chaudhery, 2004).

Process of Performance Audit

Performance audit is carried out in following main stages.

1. Planning: At this stage auditors prepares for audit, studies the entity, its mandate, organization, budget, main programs, applicable laws and regulations and basic procedures of the organization. Issues of potential significance are identified to economize on cost of audit. Adequacy or inadequacy of the data lays down the audit criteria and identifies issues of potential significance. Sometimes, disagreements develop with the management regarding the appropriateness of the audit criteria. In such a situation the matter is resolved either by referring to a higher authority or by allowing the auditor to go ahead independently or simply by abandoning the effectiveness audit restricting its scope to economy and efficiency aspects only
2. Execution: The auditor examines all documents, visits fields, meets management employees and collects data. The data is analyzed in the light of rules regulations and goals. Objective, mission statement and purpose of the project / entity is examined and it is assessed that whether the goal has been obtained or otherwise or partially. Here comes the idea of value for money whether value has been obtained or not. Cost / value benefit analysis is carried various test and formulas are used

and results are obtained. At the execution stage the auditor reviews the adequacy of the management's system of effectiveness measurement. If no such system exists then the auditor develops a system of his own.

3. Reporting: Findings are tabulated, verified through statistical formulas and report preparation is started. The text of audit report gives facts, findings and recommendations. The facts relate to the background, financing, executions and operations of the program / project. The findings discuss the extent to which objectives have been achievement and at what cost, major achievements and constraints are highlighted. Recommendations part of the report gives general direction for actions. It qualifies expected savings or other benefits (Muhammad Akram Khan, 1988).

Tools of Performance Audit

It is an ongoing monitoring and reporting of programme accomplishments, particularly progress towards pre-established goals. (US General Accounting Office, 1998). It is gives information on what management does and reports based on what programmes are achieving for citizens and at what cost. This implies agreeing on expected outcomes, measuring progress toward them and using that information to improve performance and report results (English and Linquist, 1998).

Performance audit is using performance information effectively and assessing the requisite or expected outcomes, in the light of expectations (KPMG, 1998). In performance audit all those tools are used which are commonly availed by management, for decisions making in organization.These include followings:

1. Audit command language (ACL)
2. Net present value (NPV)
3. Internal rate of return (IRR)
4. Average , Ranges, Regression analysis
5. Benefit / Cost Ratio (B/C Ratio)
6. Sensitivity test Ranking etc.

The list is exhaustive and auditor may use any tool based on his expertise and nature of the project organization. He may also use Bar chat, column chart, line graph or pie chart to show the results, both actual and expected variations may be highlighted through statistical tools. The audit report should be based on 5 C's i.e criteria, condition, cause, conclusion and corrective action (Liaqat Ali Chaudhery, 2004). Criterion explains as how the auditee action has been measured or what criterion has been involved by the management. Condition will clearly state in the findings as to what was the actual condition observed by auditor and how it differed from laid down procedure. The audit findings should identify causes for the gap between the criterion and condition. Conclusion should be based on taking into account both financial and non-financial factors. If corrective action by management has been taken then that may be identified or otherwise auditor may suggest corrective action to rectify the situation if possible.

Most notable progress in adoption of performance audit is the development of non-•'denancial audit approaches by auditors. Non-financial performance (NPI) indications are those performance indicators that are not part of organizations accounting data. NPIs are needed as financial information does not and cannot cover all aspects that influence an organization's performance (Fizza Pervez Afzal, 2004). The reinforcement, by the accounting and audit community, of the need for regular, i.e. annual, accountability reporting with a focus on results achieved, related costs, performance indicators, etc., is consistent with the performance management paradigm. It has driven the development of internal control and internal audit functions in government with an emphasis on management control frameworks, results-based budgeting, performance reporting, etc. (Christopher Pollitt and Hilka Summe, 1997). A good indication of the extent to which performance audit, and the use of performance indicators and performance measures, is increasingly rooted in the administration of governments, is the evolving role of the external/legislative auditor (Michael Barzelay, 1997). For example, Western Australia, New Zealand, Sweden, the US, England and Wales now carry out audits of performance indicators and issue opinions instead of stress on regulatory audit (Christopher Pollitt, January 2003).

Pitfalls in Performance Audit

Performance audit is a very good instrument of accountability and is helpful in bringing transparency and efficiency, but there are still problems, of which we must take cognizance. Inadequate indicators that do not measure what they are intended to, i.e. what evaluators would call 'poor construct validity'. This situation often arises when a performance assessment process is implemented hurriedly, under pressure, and indicators are chosen in haste or without sufficient consideration. This 'classic' pitfall is due typically to a lack of appropriate knowledge and know-how; as well, the link between activities and outcomes is usually taken for granted by those who carry out the programme and is treated as something 'obvious'. Use of performance information to ends for which it was not intended. Another important risk is goal displacement. This phenomenon occurs when performance auditor creates incentives to the detriment of the programme's relevance; and performance indicators targets overtake the programme's raison d'etre. It may fail to achieve the desired results if insufficient attention is given to the implementation process; the measurement approach reduces dynamic and complex multi-dimensional programmes to simplistic formulae and/or mechanistic linear processes; the focus of the assessment effort is on cosmetics rather than fundamentals; and, likely the surest way of producing goal displacement, there is failure to involve stakeholders and obtain buy-in. The problems associated with goal displacement can be exacerbated by what could best be called 'perverse incentives'. For example, raising the stakes associated with management increases the likelihood that people will 'work •'derst to the indicators' and produce by whatever means the required performance information (Ian C. Davies 1999). Low-probability programme technologies, i.e. 'soft' programmes such as social interventions, are particularly vulnerable to lack of attention to what is really important because it is difficult to measure. What is measured, or even measurable, often bears little resemblance to what is relevant (Perrin, 1999). Auditors are in a position to, and should, draw more on the practice's wide span of knowledge, know-how and resources to address competently both the methodological and political aspects and evaluative enterprise, especially in the context of performance management initiatives (Ian C. Davies, 1999). Auditor should make a point of telling people at the outset of any audit that he conducts that he follows two simple principles of fairness: that manager is accountable only for those things over which he has control, and he is not expected to do the impossible. Communicating these principles serves as a constructive starting point for collaborative enterprise (Pollitt, Christopher, et al, 1999). Discussing and agreeing to some rules of the game is equally important, for example: making sure there is prior agreement on the interpretation of measures and the uses of performance information; instituting a mechanism to assess the performance management initiative or process itself generating the active involvement and participation of stakeholders and ensuring transparency of process. A •'denal lesson learned is that independent input can be extremely helpful for developing an appropriate and credible performance management approach (Ian C. Davies, 1999).

Auditor independence is the most important quality for performance auditors, as it will affect the results. In performance audit, auditors should not be responsible to develop the organization's operation or correct the defects found during the audit process. Auditors are only responsible for monitoring the feedback that should be implemented by the organization (Arens, et al, 2005). Auditors have an authority to implement the feedback or correct the defects; it will create bias and reduce auditor's independence and the quality of the feedback, particularly if the auditors will perform audits again in the next period.

Sometimes performance audit may decrease the performance of a public organization. This unintended consequence appears where the expectation of performance is too high or too low (Theil and Leeuw, 2002). Development of the indicator is the most risky process in performance audit. Overvaluing or misinterpreting the performance will bring a negative feedback for the organization.

The shareholders in a private entity include those who have shares in the organization, while the stakeholders in a public organization have a wider definition as voters, tax-payers, society, parliament, and other interest groups. This shows that performance audit has more challenges in public organization than in private entities (Arens, et al,2005). In private sector, accountability is relatively limited to the management or organization and to the clients or customers. Accountability in private sector is also relatively easy to define because the value of goods in private sector is better measured. On the other hand, in accountability in public sector is more complex, because it involves multiple stakeholders (Bovens, 2005).

This shows that performance audit in public sector is more complex and broader. Public sector organization also often deals with cross cutting issues policy (Geoffrey B. Sprinkle, 2000). "Performance measures can be used to evaluate, control, budget, motivate, promote, celebrate, learn, and improve the organization's performance" (Behn, 2003). Performance audit is a comprehensive audit that audit and all aspect in organization, such as economy, efficiency and effectiveness (INTOSAI's Auditing Standards, 2004). In terms of scope, performance audit may cover all aspect in organization, but in terms of implementation, performance measurement may advance in action and timing. New Public Management (NPM) involves the transfer of knowledge and principal from private to public sector, which has proved to be more efficient; so that a corporatized public service can also be audited or measured with the similar tool applied in the private sector (Michael Barzelay, July 1997).

Case Study:

Government of Khyber Pakhtunkhwa province gave autonomy to four tertiary care hospitals of the province in 1999. These included Khyber Teaching Hospital (1400 beds), Hayat Abad Medical Complex (500beds), Lady Reading Hospital (1600 beds), and Ayub Teaching Hospital (600 beds). With autonomy these hospitals were given one line budget and their management was run through Board of Governor (Management Council). Basic purpose of granting autonomy was to improve patient care and bring efficiency. It was assumed that with passage of time these hospitals would make their own revenue and government would stop budgeting them.

To asses effects of the autonomy, I undertook performance audit of Khyber Teaching Hospital. Following indicators were used.

1. Number of outdoor/indoor patients treated in a year.
2. Surgery carried out in one ward in one year.
3. Cost reduction of treatment for patients.
4. Lab tests carried out in a week on yearly basis.
5. Presence / attendance of doctors, paramedics, nurses during duty hours.
6. Bad occupancy rate of patients.

The data before autonomy and after autonomy was taken into consideration. Data for twelve years 1998 to 2009 was tabulated and comparison was made. It was observed that with the increase of population, number of patients had increased tremendously, but patient care had declined. Before autonomy attendance of employee was very good and it had declined by 30% with passage of time. New machinery had been purchased, but patients were less satisfied. Most of the tests which were supposed to be carried out in Hospital Laboratory were referred to private laboratories. Patients, who were supposed to be operated, waited for longer time. Senior doctors were least interested in patient care and they give 1-2 hours to the hospital. Number of doctors had increased many-folds, but few were present during duty hours. OPD was mostly manned by trainee doctors. There was no uniformity; in some wards OPD was for 6-days a week, while others had 1 or 2 days a week. Bad occupancy rate had declined to 65% in 2008 and 66% in 2009. In 2008 there were 65565 indoor patients and 430313 outdoor patients, but in 2009 it was 65572 and 416029 respectively. Cost per patient in 2006 was Rs.512, Rs.545 in 2007, Rs.590 in 2008 and Rs.606 in 2009. Administrative expenditure had increased but patient care had declined. Budget was 95% provided by provincial government and the hospital had failed to generate its own resources. Its own collection through various sources had increased, but due to increase in salaries it was just 5-6% of the total budget. Board of Governor (Management Council) consisted of political appointees who were more interested in promoting welfare of their voters, rather than patients care. Doctors union had become stronger and management was unable to control them, their every demand was accepted but no action could be taken against them (Yousafzai, Muhammad Saeedullah , 2010).

It was concluded that Autonomy Act of Provincial Assembly was not fruitful and with autonomy, service of the hospital/s had deteriorated. No improvement in performance had been observed. Due to strong lobby of doctors, government could not think of abolishing autonomy. Many doctors were scions of parliamentarians, high officials and therefore no action could be taken against them, resultantly patient care suffered. Autonomy failed to bring economy, efficiency and effectiveness.

References

Christopher Pollitt (January 2003), Performance audit in Western Europe: trends and choices, Critical Perspectives on Accounting, Volume 14, Issues 1-2, pp. 157-170.

Christopher Pollitt and Hilka Summe (1997), Performance Audit and Public Management, University of Vermont pp. 79.

Theil and Leeuw (2002), Evaluation in Public Sector Reform: Concepts and Practice in International Perspective ,Edward Elgar Publishing.

John English, Evert A. Lindquist (1998), Performance Management: Linking Results to Public Debate, Institute of Public Administration of Canada.

Fizza Pervez Afzal (July 2004), Essentials about Non-Financial Performance Indicators PERFORMIT VOL-XXIII, No.3 pp. 85-102.

Geoffrey B. Sprinkle (July 2000), The Effect of Incentive Contracts on Learning and Performance, THE ACCOUNTING REVIEW Vol. 75, No. 3 pp. 299-326.

Ian C. Davies (1999), Evaluation and Performance Management in Government, Sage Publications London Vol. 5(2) pp.150-159.

Khan, Muhammad Akram (1988). Performance auditing-the three 'E's'. Asian Journal of Government Audit. retrieved 13 July 2013, from http://www.asosai.org/journal1988/performance_auditing.htm

Liaqat Ali Chaudhery (2004), Auditing More Effectively, PERFORMIT Vol-XXIII No.3,pp. 47-71.

Michael Barzelay (July 1997), Central Audit Institutions and Performance Auditing: A Comparative Analysis of Organizational Strategies in the OECD, Governance, Volume 10, Issue 3, pp. 235-260.

Muhammad Jamil Bhatti,
Hand book for performance Audit, AATI Lahore

Pollitt, Christopher,et al (1999), Performance or Compliance? Performance Audit and Public Management in Five Countrieshttp://ideas.repec.org/b/oxp/obooks/9780198296003.html#cites

Rashid Ahmed Saleh (June 2002,) The Impact of Eucalyptus Plantations on the Environment Under the Social Forestry Project Malakand, Audit report, published by Auditor General of Pakistan.

Yousafzai, Muhammad Saeedullah (2010), Performance Audit Report on Autonomous Health Institutes of Khyber Pakhtunkhwa, submitted to director general audit KPK.

INSURANCE
A Brief Knowledge

By: Syed Yamin Mustafa, APFA

From early days men needs protection in every aspect of life. The sense of protection invents procedures and ways to safeguard the various interests including life and households. This sense of protection later on developed with a broad base insurance covers for industrial and commercial installations and businesses dealing in millions of Dollars comprising Machinery, Materials and price less prestige lives of persons engaged in performing their duties in commercial and Industrial operations.

The need of protection developed an industry called insurance, which provide a broad base of facilities and covers for every aspect of industrial and commercial concerns and also provide knowledge of different areas for which insurance covers may be obtained and also the methods and procedures which to be followed to get maximum covers at lower cost.

In the following lines we will discuss the insurance in brief.

What is Insurance?

"Insurance can be defined as a contract (Policy) in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. "

The above definition provides that an individual or entity can make its losses good arising out of an accident occurred whether naturally or otherwise if the same is covered in insurance contract.

We can classify the major insurance policies as under.

General Insurance

General insurance comprises following main insurances.

1. Property insurance: It includes insurance of Building plant and Machinery stocks business Interruption.
2. Motor Vehicles
3. Electronic Equipment
4. Misc. policies (Cash in safe, Cash in transit, Fidelity Guarantee etc.)
5. Erection /construction All Risk
6. Third party Liability (Property & Human life)
7. Workmen compensation
8. Personal Accident

Stocks and Business Interruption policies can be based on declaratory basis in which 75% premium is paid on inception values (sum insured) and remaining 25% premium adjustment will be made at the end of the year on the average sum insured calculated on the basis of actual declaration made during the year. In case of return of premium 1/3rd or actual refund which ever is lower will be paid.

Marine Insurance

It can be defined as the insurance covering damages to Hull and machinery of the vessel, cargo carried on the vessel and also offers protection against liabilities to shipping and transport related companies but it also covers the transaction made by Road and Air. Marine insurance can be classified in two ways.

1. Marine cargo insurance that covers movement of cargoes through Air Road and Sea.
2. Marine hull insurance covers ship structure, it is divided in two policies. Time policy that covers a particular period for example one year and Voyage policy that covers place to place for example Karachi to London, for a particular voyage.

Agricultural (Crop) Insurance

Pakistan s' agricultural sector contributes a reasonable share in country s' GDP. To provide facilities Insurance companies took initiative to introduce Crop Loan insurance. The duration from crop sowing to harvest is crucial for farmers and they are under threat of climatic changes. The scheme covers the production loans provided by the banks to the farmers and cover unavoidable losses to crops from flood, Drought, Excessive rain, Hailstorm, Frost, Disease and insect attack. Livestock covers also provided to indemnify the losses against death arising out due to natural causes, disease, injury and accident.

Following are few insurance companies, which are providing general insurance services in Pakistan. However there are other Insurance companies as well.

SR. Sr.#	Name of Insurance Comoany	Sector
1	Adamjee Insurance Company Ltd.	Private
2	Askari General Insurance Company Ltd.	Private
3	Central Insurance Company Ltd.	Private
4	Century Insurance Company Ltd.	Private
5	EFU General Insurance Ltd.	Private
	Jubilee General Insurance Company Ltd.	Private
6	Muslim Insurance Company Ltd.	Private
7	National Insurance Company Ltd.	Public
9	PICIC insurance Ltd.	Private

Health Insurance

It is natural that individuals intent to live long and enjoy the colors of life provided by Almighty Allah and they are naturally cautious about their health. Insurance companies capitalized this desire and provide health related insurance covers.

It covers Health related risks of individual such as hospitalization (In patient), Maternity benefit cover, out patient cover, terrorist cover for innocent person (Injury due to act of terrorism) it also provides international cover to provide medical facilities during staying at abroad. Some of the covers are optional. All covers are subject to certain exclusions (Risk & treatment not covered) and terms and conditions.

Life Insurance

Insurance companies also planned to secure lives of persons to provide financial benefits to the individuals and their heirs in case of death or body injuries through different covers or policies. We will discuss following covers in brief.

1. Life
2. Accidental death benefits (ADB)
3. Natural Disabilities (PTD Natural)
4. Accidental Disability (PTD Accidental)
5. Loan coverages.

In the case of death financial compensation equal to sum insured is to be paid. In case of Accidental death if ADB cover is included in the policy financial compensation equal to double of sum insured is to be paid. In cases of disability the financial compensation will be paid according to the rats specified in the schedules provided in the policy.

The following major insurance companies provide life insurance in Pakistan.

Sr.#	Name Of Insurance Company	Sector
1	Adamjee Life Insurance Company Ltd.	Private
2	American Life Insurance Company (Pak) Ltd.	Private
3	EFU Life Assurance Ltd.	Private
4	Jubilee Life Insurance Company Ltd.	Private
5	State Life insurance Corporation	Public

Takaful

In recent years Islamic concept of insurance has been introduced under the name of Takaful. This is an attempt to perform insurance operations, which are monitored and approved by Islamic Laws. We can define the Takaful as under.

"Takaful is an Islamic insurance concept which is grounded in Islamic muamalat (banking transactions), observing the rules and regulations of Islamic law. Takaful is basically a system of Islamic insurance based on the principle of mutual assistance and voluntary contribution, where the group shares the risk collectively. It is operated on the basis of shared responsibility, brotherhood, solidarity and mutual cooperation or assistance, which provides for mutual financial security and assistance to safeguard participants against a defined risk."

The word Takaful is derived from the Arabic verb Kafala, which means to guarantee; to help; to take care of one's needs. This concept has been practised in various forms for over 1400 years. Muslim jurists acknowledge that the basis of shared responsibility was practised between Muslims of Mecca and Medina laid the foundation of mutual insurance. It is based on the concept of social solidarity, cooperation and mutual indemnification of losses of members. It is a pact among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any of them, out of the fund they donate collectively.

The following insurance companies are performing Takaful operations in Pakistan.

Sr. #	Name Of Insurance Company	Sector
1	Dawood Family Takaful	Private
2	Pak Kuwait Takaful Company Ltd.	Private
3	Pak Qatar General Takaful Ltd.	Private
4	Pak Qatar Family Takaful	Private
5	Takaful Pakistan Ltd.	Private

We have tried to provide basic or initial knowledge about insurance to our readers in order to create a overview regarding insurance and some insurance companies operated in Pakistan and we hope that this initial knowledge will helps to understand insurance.

I am thankful to EFU General Insurance Ltd, Adamjee Insurance Company Limited, State Life Insurance Corporation and SECP Takaful Guide for updating my knowledge on the subject.

LET'S PLAY RISK....

By: Bunti Lal , APFA

Objective:

The objective of this article is to understand the phenomenon of Risk & its impact in other words "Dealing with Risk" in order to get reasonable assurance to achieve the desired Vision Mission Strategic Objectives and Goals of an organization.

Background:

Risk is used to describe as final outcome may differ from what was expected at the time when the decision was taken, risk and uncertainty plays vital role must be taken into account in strategic planning sometimes these both are to be used interchangeably but there is difference between these too, risk can be quantified based on probabilities and uncertainty can not. Every industry/sector is subject to risk varies from industry to industry being inherent factor "Risk can never be eliminated but can also be minimized". An organization might be facing of different risks but most important need to carefully deal with are Strategic and Operational risk, might result in serious threat/impact to an organization as a whole. Strategic risk arises due to strategic decisions taken in light of external environment by directors for persuading to goals and objectives. Strategic example is in early 1980s IBM reported the largest corporate loss; IBM did not predict the revolutionary effect that PCs would have on manufacturing and consumers. IBM changed from being predominantly

a hardware manufacturer to consultancy services, and sold its laptop business to Lenovo a china based company. Operational risk arises due to day to day operations in light of internal environment, operational risk example is "Banks urged to adopt strong risk management culture", There is a pressing need for banks to modify their fragmented approach of operational risk management in favour of a much more comprehensive governance and risk management framework through clearly defined roles and responsibilities along with reporting procedures, The State Bank of Pakistan (SBP) Governor dwelt at length on three main areas, including operational risk management - the issues and challenges; treatment of operational risk and emergence of sound principles risk management and regulatory developments and supervisory expectations to strengthen the operational risk management within the banking sector.

Strategic Risk	Operational Risk	Commercial Risk
Financial Risk	Audit Risk	Currency Risk
Interest rate Risk	Market Risk	Credit control Risk
Financial record Risk	Financial reporting Risk	Finance provider's Risk
Credit Risk	Liquidity Risk	Legal Risk
Political Risk	Technology Risk	Data security Risk
Internet Risk	Fraud Risk	Health & safety Risk
Environmental Risk	Probity Risk	Knowledge management Risk
Property Risk	Trading Risk	Human error Risk
Disruption Risk	Production Risk	Organizational Risk
Reputation Risk	Industry specific Risk	Insurance Risk
Economic Risk	Inflation Risk	Natural Disasters Risk

Risk Management

RISK AVERSION:

Risk aversion depends upon the management psychology and behavior, for example management might choose to invest into a bank account with a low but guaranteed interest rate rather than into a stock that may have high expected returns which also involves a chance of losing value. However management may have different types of attitudes towards risks as follows:

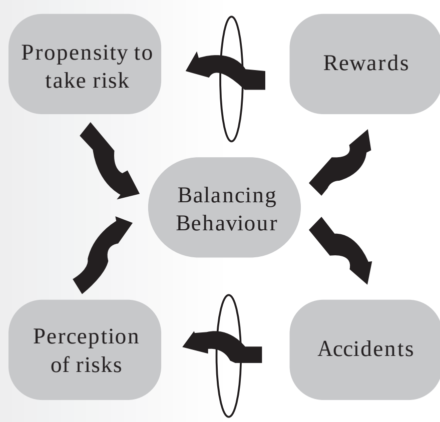
a) A risk seeker is a decision who is interested in the best outcome irrespective of small chance of occurrence. The perception always alien with the philosophy of high risk-high return and reward.

b) A risk neutral is a decision maker who is interested in most likely outcome having the greater chance of occurrence.

c) A risk averse is a decision maker who already assumes the worst possible outcome even if there is remote chance of occurrence.

Risk Thermostat Model (John Adam)

John Adams is a Professor of Geography at University College in London specializing in risk management; Risk management is a balancing act. It involves balancing risks and rewards. The risk thermostat is a simplified model postulates that everyone has a tendency to take risks - the setting of the thermostat, some like it hot, others cool, but no one wants absolute zero. The tendency is influenced by the potential rewards of risk taking perception's of risk are influenced by experience of accident losses - one's own and others' risk taking decisions represent a balancing act in which perceptions of risk are weighed against propensity to take risk accident losses.



Risk Assessment Process: (Eight Components)

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations, established in the United States and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

The COSO framework defines internal control as a process, affected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the achievement of objectives as effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The risk management framework is still geared to achieving an entity's objectives; however, the framework now includes four categories:

i. Strategic: Long term goals, aligned with and supporting its mission.

ii. Operations: effective and efficient use of its resources.

iii. Reporting: reliability of reporting.

iv. Compliance: compliance with applicable laws and regulations.

1. Internal Environment - The internal environment of an organization sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
2. Objective Setting - Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
3. Event Identification - Internal and external events affecting achievement

of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management's strategy or objective-setting processes.

4. Risk Assessment - Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.
5. Risk Response - Management selects risk responses - avoiding, accepting, reducing, or sharing risk - developing a set of actions to align risks with the entity's risk tolerances and risk appetite.
6. Control Activities - Internal Controls, Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
7. Information and Communication - Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.

8 Monitoring - The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

Risk assessment involves identifying, analyzing, profiling, quantifying and consolidating risk, risk appetite refers to strength and level of risk an organization can bear varies from organization to organization. The Ernst & Young report managing risk across enterprise emphasis that risk assessment should into a consistent, embedded activity rather than be carried out as a significant stand alone process. In 2005 British Petroleum (BP) launched a code of conduct regarding what BP has expectations and wants to ensure that all employees will comply with legal requirements, company standards, safety, workplace behaviour, bribery, corruption and financial integrity.

There is a saying by John Paul Jones “It seems to be law of nature, inflexible and inexorable, that those who will not risk cannot win”. By virtue of nature risk can be controllable and beyond the control of an organization (Uncontrollable) example of uncontrollable risk is the plan developed by the National Disaster Management Authority (NDMA) in collaboration with the Japan International Co-operation Agency (JICA), NDMA commission has approved a “Disaster Risk Reduction Policy” to create capacity for early warning system and for identifying and monitoring vulnerability and hazard trend.

“To know about all possible risks and understanding potential impact is an art”

Control Limitations:

Internal control, no matter how well designed and operated, can provide only reasonable assurance to management and the board of directors regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the realities that human judgment in decision-making can be faulty, and that breakdowns can occur because of such human failures as simple error or mistake. Additionally, controls can be circumvented by the collusion of two or more people, and management has the ability to override the internal control system. Another limiting factor is the need to consider controls' relative costs and benefits.

RISK MITIGATING STRATEGIES:

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories. First Avoidance (eliminate, withdraw from or not become involved), second Reduction (optimize - mitigate), third Sharing (transfer - outsource or insure) and finally Retention (accept and budget). Ideal use of these strategies may not be possible. Some of them may involve trade-offs that are not acceptable to the organization or person making the risk management decisions.

Responsibility....?

The Executive Management, Risk management committee, Internal auditor, External auditor, Managers and staff but it won't be wrong to say that everyone working in the organization is responsible, However Board has the overall responsibility of risk management as being part of the Corporate Governance responsibilities.

“You can measure opportunity with the same yardstick that measure the risk involved. They go to gather”

Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

IAASB Proposals

For Enhancing The Auditor's Report: Potential Impact on Audits of Unlisted Entities

By Brian Bluhm,
Deputy Chair, & Phil Cowoperthwaite
Member, IFAC SMP Committee

Introduction

The International Auditing and Assurance Standards Board (IAASB) has released proposals that could fundamentally transform the auditor's report, greatly enhancing its communicative value. The Exposure Draft (ED) proposes a new standard, International Standard on Auditing (ISA) 701, Communicating Key Audit Matters in the Independent Auditor's Report, and a number of revisions to existing standards, including ISA 700, Forming an Opinion and Reporting on Financial Statements (see IAASB press release). While the proposals stand to significantly change the shape of auditor reporting for listed entities, the impact on unlisted entities is likely to be much smaller. Nevertheless, there are proposed requirements that apply to all audits. These are intended to help demonstrate the value of the audit and, furthermore, may improve service and promote engagement efficiency.

This article summarizes this impact and suggests how small- and medium-sized practices (SMPs) and small- and medium-sized entities (SMEs) can get involved to help ensure the best possible outcome.

Proposals

The proposed new and revised standards deal mainly with reporting considerations, which typically involve decisions by the auditor toward the end of the audit process. There are, however, aspects that may have implications for what the auditor does at or near the beginning of the audit, such as agreeing the terms of and planning the engagement, as well as communicating with those charged with governance. The most significant implications for the audits of unlisted entities are described below.

Content of the Auditor's Report

The centerpiece of the proposals is proposed ISA 701. This completely new standard establishes requirements and guidance for the auditor's determination and communication of key audit matters in the auditor's report. Key audit matters, which are selected from matters communicated with those charged with governance, are required to be communicated in the auditor's report for listed entities. Auditors of financial statements of unlisted entities may also be required, or may decide, to communicate key audit matters in the auditor's report.

For example, law, regulation, or national auditing standards may require auditors of unlisted entities in a particular jurisdiction to communicate key audit matters. Moreover, the auditors of other unlisted entities may wish to use the new mechanism of key audit matters on a voluntary basis. Where key audit matters are communicated for audits of financial statements of unlisted entities (either voluntarily or when required by law or regulation) then such matters should be determined and communicated in the same manner as for listed entities (see paragraph 4 of proposed ISA 701 and paragraphs 30 and A30-A31 of proposed ISA 700 [Revised]).

ISA 700 has been revised to establish new required reporting elements, including a requirement for the auditor to include an explicit statement of auditor independence and disclose the source(s) of relevant ethics requirements, for all audits including those of unlisted entities. Similarly, ISA 570, Going Concern, has been amended to establish auditor reporting requirements applicable to all audits. The IAASB believes it is in the public interest for this to have universal application.

Agreeing the terms of the Engagement

In light of the possibility of auditors of unlisted entities communicating key audit matters in the auditor's report, or being requested by management or those charged with governance to do so, the IAASB has proposed limited amendments to other ISAs, including ISA 210, Agreeing the Terms of Audit Engagements. Specifically, if the auditor is not required to communicate key audit matters but intends to do so, a new requirement has been established for the auditor to include a statement in the audit engagement letter regarding such intent. This will provide an additional opportunity for the auditor to communicate with management and those charged with governance to ensure there's a clear understanding as to the nature of the key audit matters to be disclosed.

Communicating with those Charged with Governance

In light of proposed ISA 701, amendments are proposed to the required auditor communications with those charged with governance for all audits. The most significant proposed change to ISA 260 relates to the existing requirement for the auditor to communicate an overview of the planned scope and timing of the audit with those charged with governance. Proposed ISA 260 (Revised), Communication with Those Charged with Governance, expands this requirement to include communicating about the significant risks identified by the auditor (see paragraph 15 of proposed ISA 260 [Revised]).

Communication with those charged with governance about significant risks is likely already occurring in many audits, including those of SMEs, as ISAs demand a risk-based approach to the audit. But the IAASB believes audit quality could benefit from explicitly requiring such communication in every audit. The proposed requirement would provide those charged with governance with insight into those areas for which the auditor determined special audit consideration was necessary and, in so doing, help those charged with governance to fulfill their responsibility to oversee the financial reporting process. This will also provide the auditor with an opportunity to garner additional insights into significant risks from those charged with governance and, thereby, help ensure the audit program is appropriately focused.

The IAASB believes it is in the public interest to establish this requirement for audits of financial statements of all entities, not only for listed entities. Communicating with those charged with governance about significant risks is not expected to result in a significant burden on auditors who are not required to communicate key audit matters in the auditor's report (e.g., auditors of unlisted entities), as proposed ISA 260 (Revised) remains flexible for such communication to be made orally. In addition, the IAASB proposes requiring the auditor to communicate, as part of communicating the significant findings from the audit, circumstances that require significant modification of the auditor's planned approach to the audit, to align with the factors the auditor considers in determining key audit matters (see paragraph 16(c) of proposed ISA 260 [Revised]). This will provide further opportunity for dialogue with those charged with governance to help ensure all responsible parties have a full understanding of areas of significant auditor attention.

Feedback

The IAASB believes that the proposed ISAs can be implemented in a manner proportionate to the size and complexity of an entity and welcomes the views of both preparers and auditors of financial statements of unlisted entities, including SMEs, in this regard. The IAASB also invites respondents to comment on areas where additional guidance may be helpful to illustrate how the proposed ISAs can be implemented in a proportionate manner. The IFAC SMP Committee has been providing regular and robust input to the IAASB throughout the ED's development, starting with a response letter to the Invitation to Comment. Please tell us (in the IFAC SMP Community on LinkedIn) and the IAASB (click on Submit Comment) what you think about the ED and consider field testing ISA 701 on unlisted entities.

Resources

For a summary of the proposals, see the At a Glance.

For a detailed explanation of the proposals, see the Explanatory Memorandum.

For the proposed new and revised ISAs, see the ED.

For related resources for SMPs from IFAC, its members, and others, see Implementation in the SMP area of the IFAC website (www.ifac.org/SMP) or the SMP Committee's Delicious page.

Quotes

Without education it is complete darkness and with education it is light. Education is a matter of life and death to our nation. The world is moving so fast that if you do not educate yourselves you will be not only completely left behind, but will be finished up. The Holy Prophet (PBUH) had enjoined his followers to go even to China in the pursuit of knowledge. If that was the commandment in those days when communications were difficult, then, truly, Muslims as the true followers of the glorious heritage of Islam, should surely utilize all available opportunities. No sacrifice of time or personal comfort should be regarded too great for the advancement of the cause of education.
Quaid-e-Azam Muhammad Ali Jinnah

I have learned silence from the talkative, toleration from the intolerant, and kindness from the unkind; yet, strange, I am ungrateful to those teachers.
Khalil Gibran

I don't measure a man's success by how high he climbs but how high he bounces when he hits bottom.
George S. Patton

Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence.
Helen Keller

Success is not final, failure is not fatal: it is the courage to continue that counts.
Winston Churchill

Take up one idea. Make that one idea your life - think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success.
Swami Vivekananda

“Don't worry about failures, worry about the chances you miss when you don't even try.”
Jack Canfield

“The best revenge is massive success.” - *Frank Sinatra*

Career Success Begins with Leadership
Leadership begins with self-discovery

We cannot touch and feel "leadership," though we can see and often hear the results of it when it is effective or ineffective, of good character or poor ethics. There are literally hundreds of leadership programs available for executives, mid-level managers and new leaders. Many of these address developing the abilities of leaders in the areas of strategic and critical thinking, enhancing relationships, negotiating, managing risks, people, change, conflicts and financials, making the right decisions, managing work-life balance -- all of which are no less difficult to transact than the technical skills required in any strategic leadership function.

But beyond fundamental academic or technical skills, people need to learn how to identify their strengths and combine those with their passions in ways that empower them to establish and achieve a vision for their lives. They need to learn how to manage their time and to set, pursue and systematically reassess their progress toward achieving goals that empower them to realize their potential. Equipping people with the tools they need to seize control of their futures is a powerful step toward securing a strong future for these individuals, and also our nations as a whole. The best solution to our countries' problems lies in helping people, especially our future leaders, to learn to live reflective, purposeful lives.

Helping our leaders to learn and understand who they are is important. Through their triumphs and trials, they will have the processes and tools to know how to draw from inner strength and act with discipline. This understanding will help them cope with the pressures of addressing the issues and opportunities of globalization and consolidation, the changing go-to-market strategies, the explosion of available information or more sophisticated, knowledgeable clients and customers. And, for those just trying to survive each day, they must have this strength and understanding to develop the means to access fundamental necessities of living, and to persevere beyond their circumstances.

The earlier we initiate this process of self-discovery, the better. Our new hires often become the leaders of corporations, organizations, communities and government. In serving as executives and managers, these leaders are expected to serve as community influencers and corporate representatives who heed the needs of those experiencing poverty, health crises or lack of education, all the while assessing any political and governmental discrimination, criminality or other implications. Giving them self-knowledge and a vision at the outset of their careers gives them the freedom to choose the direction they desire and the environments in which they want to work and live. It helps them from stumbling into the quicksand of life's disappointments.

To be successful, people must have a vision of what success looks like for them. With a well-understood, deep motivation for their personal and professional pursuits, their priorities will come into focus. They will not be thinking about procrastinating, taking a detour from their calling, or sabotaging their success. When people are truly focused and engaged, they become the masters of their destinies. They are truly free.

Gaining self-awareness—and then doing something about it—is not a task everyone is willing to take on. Many people are content with things the way they are. People may desire greater success, but they don't want to exert the effort to improve themselves. One possible reason for this is they don't even realize they have the power to do something about it if they wanted to. If you're not aware there's a problem, or you don't think you have the ability to change your circumstances, you will stay where you are. The good news is that by the act of looking inward to seek our true selves, we are taking responsibility and moving toward self-actualization. You can only start to maximize your potential once you know exactly who you are, and what is important to you.

Leadership abilities and characteristics must be well-developed in order to lead effectively. Yet, there is a fundamental dimension missing from this equation. It encompasses leaders discovering the core of who they are -- and who they can become. There is a constant in leadership. It is the freedom of the individual to know precisely who he is and what drives him, and on this platform become clear on how he must lead, exercise his abilities, display his character, make his choices and serve his constituents. Exceptional leaders are able to adapt to new tasks, to new roles, to new environments, and still be productive. They realize that with the management and growth of their "internal strength," they can and must positively respond to the external environment, which is often outside of individual control.

A leader's depth of internal knowledge and strength stands the test of time, congruently, consistently, and no matter the nature of the circumstances. This leadership foundation can be one of the most elusive to discover, unless the process and tools for doing so are made accessible. Once accessed, the ensuing discoveries are keys to opening doors for developing new abilities and characteristics, as well as creating or recognizing new opportunities.

Leadership is everything, whether you are leading a life, a community, an organization or a business, or you are in school. If you want ownership of your life, business and its privileges then progress and transformation should begin with you.

Source: www.success.com

IFAC News

IAASB Proposes Standards to Fundamentally Transform the Auditor's Report; Focuses on Communicative Value to Users

The International Auditing and Assurance Standards Board (IAASB) released proposals to enhance the future auditor's report. The IAASB's Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs), responds to calls from investors, analysts, and other users of audited financial statements in the wake of the global financial crisis for the auditor to provide more relevant information in the auditor's report based on the audit that was performed.

“We expect the proposed new and revised standards will result in substantive changes to how auditors contemplate and approach communication to users of their reports-the beneficiaries of a financial statement audit,” explained Prof. Arnold Schilder, IAASB Chairman. “These changes are critical to the perceived value of the financial statement audit and thus to the continued relevance of the auditing profession.”

The IAASB's deliberations on the proposed new and revised ISAs were informed by international research, two public consultations, stakeholder outreach including three public roundtables held in 2012, and the 165 responses to the June 2012 Invitation to Comment: Improving the Auditor's Report. “The signals from these inputs were clear: Change is essential. There is support for the IAASB's direction, and for a global solution. Challenges exist, but they can be overcome,” added Prof. Schilder.

The Exposure Draft includes a new proposed ISA titled Communicating Key Audit Matters in the Independent Auditor's Report. This proposed ISA directs auditors of financial statements of listed entities to communicate in their report those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements. “The intended outcome of this proposal is more informative audit reports, with information about the audit of the financial statements that is unique and more specific to the entity that has been audited,” noted James Gunn, IAASB Technical Director.

Among other enhancements, the IAASB is also proposing requirements for auditors to include specific statements about going concern in their reports, to make an explicit statement about the auditor's independence from the audited entity and, for listed entities, to disclose the name of the engagement partner in the auditor's report. The Exposure Draft includes example reports that illustrate the application of the proposed new and revised ISAs in various circumstances.

How to Comment

The IAASB invites all stakeholders to respond to this Exposure Draft, which includes specific questions for respondents on key aspects of the proposals and highlights areas of focus for various stakeholders in responding to the Exposure Draft. To access the Exposure Draft and submit a comment, visit the IAASB's website atwww.iaasb.org. Comments on the Exposure Draft are requested by November 22, 2013.

IESBA Clarifies Definition of "Those Charged With Governance"

The International Ethics Standards Board for Accountants (IESBA, the Ethics Board) released final changes to the definition of “those charged with governance” in its Code of Ethics for Professional Accountants (the Code).

The changes are intended to more closely align the definition of “those charged with governance” in the Code with that in the International Auditing and Assurance Standards Board (IAASB)'s International Standard on Auditing (ISA) 260, Communication with Those Charged with Governance, thereby eliminating any potential confusion. The Ethics Board does not expect any changes will be necessary to accounting firms' systems and methodologies or common practice.

The changes clarify that a subgroup of those charged with governance of an entity, such as an audit committee, may assist the governing body in meeting its responsibilities. In those cases, if a professional accountant or firm communicates with such a subgroup, the Code requires the professional accountant or firm to determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

“The changes to the definition reflect the Ethics Board's ongoing commitment to eliminate unnecessary differences with the IAASB's standards, which serves to enhance our shared stakeholders' understanding of our standards and guidance,” said Jörgen Holmquist, chair of the IESBA. “Furthermore, by clarifying the definition, the Ethics Board aims to promote more consistent application of the Code, which is critical to its mission to ultimately foster a consistent and high level of ethical behavior by professional accountants around the world.”

As with all revisions to the Code, the changes have been approved following confirmation by the Public Interest Oversight Board that due process in developing the changes was followed. The changes, effective on July 1, 2014, will be printed in the 2014 Handbook of the Code of Ethics for Professional Accountants. The 2013 Handbook is currently available to download or purchase.

IPSASB Publishes First Recommended Practice Guideline on the Long-Term Sustainability of Public Finances

The International Public Sector Accounting Standards Board (IPSASB) has issued Recommended Practice Guideline 1 (RPG 1), Reporting on the Long-Term Sustainability of an Entity's Finances. RPG 1 provide guidance on reporting on the long-term sustainability of a public sector entity's finances over a specified time horizon in accordance with stated assumptions on policy and demographic and economic variables. RPGs are a new type of publication that provides guidance on the broader aspects of financial reporting that are outside the financial statements.

The sovereign debt crisis brought into sharp focus the importance of the fiscal condition of governments and other public sector entities to the global economy. Concerns persist about the ability of governments to meet debt servicing obligations. The extent to which governments can maintain their current levels and quality of service delivery and meet social benefit program obligations-without raising taxes and contributions or increasing debt to unsustainable levels-is a major economic and social issue.

Although such concerns have generally existed in nations with well-established social programs, there is a growing realization that they also extend to fast-developing nations that have recently established such programs.

Policies and decisions current as of the reporting date have a long-term impact on future inflows and outflows of resources. Information on the consequences of such policies and decisions supplements information on liabilities, expenses, assets, and revenue in the financial statements. Flows that are captured by long-term fiscal sustainability reporting include:

- Future tax receipts and intergovernmental transfers that do not meet the definition of an asset
- Obligations relating to social benefits programs that do not meet the definition of a liability

“RPG 1 provides straightforward guidance on presenting information about the capacity of an entity to provide social benefits at existing levels, to maintain existing taxation revenues and to meet its financial commitments,” said IPSASB Chair Andreas Bergmann. “By developing guidance on reporting information about the long-term sustainability of an entity's finances, RPG 1 reflects the IPSASB Conceptual Framework's position that, in order to meet users' needs, the scope of financial reporting is more comprehensive than the financial statements.”

The development and finalization of the RPG benefited greatly from the oversight of a task force with a wide membership, including representatives of (a) standard setters with involvement in developing guidance for reporting on fiscal condition, (b) governments that have many years' experience reporting on long-term fiscal sustainability, and (c) supranational organizations such as the International Monetary Fund, the Organisation for Economic Co-operation and Development, and Eurostat, the statistical agency of the European Union.

SECP NEWS

SECP to amend Single-Member Companies Rules

In order to facilitate the corporate sector, especially entrepreneurs, the Securities and Exchange Commission of Pakistan (SECP) has proposed amendments to the 2003 Single-Member Companies (SMCs) Rules.

At the moment, 1,672 single-member companies are registered with the SECP, which represent a mere 2.6% of the total corporate portfolio. The concept of SMC was introduced in 2003 to encourage transformation of sole proprietorships into corporate entities. An SMC can be formed with just one-member compared with the requirement to have at least two members for a private limited company and a minimum of three members in case of a public limited company.

In view of relatively slow growth of SMCs, the SMCs Rules have been reviewed and certain amendments have been proposed to further simplify the requirements especially relating to the nominee and alternate nominee directors. At present, the SMCs have to report particulars of nominee and alternative nominee directors to the registrar along with their consent to act as such. This mechanism is proposed to be revamped for promoting the SMC concept. An explicit provision regarding nominee of single member has been proposed in the rules in place of a nominee director. Also, a clarification has been made regarding nominee to be a natural person only. Further, through a provision, the role of nominee has been defined in case of death of single member, by defining an elaborate succession mechanism.

Besides, these amendments also allow a body corporate to be a subscriber of an SMC. Earlier, only natural person could form an SMC. The amendments also introduce the concept of “non-member” director for SMCs who has been defined as a director nominated by a body corporate, government, institution or an authority, which is a member of the SMC.

The SMC Rules amendment notification has been vetted by the Law Ministry, and it has been published in the official gazette. The draft amendments have also been placed at the SECP web discussion forum at: http://forum.secp.gov.pk/forum.php to elicit public opinion. It is envisaged that the proposed amendments to the rules shall not only simplify the regulatory mechanism, but also pave the way towards corporatization and documentation of the SME sector.

SECP revising NBF sector regulatory framework

Keeping in view the inherent risks in the present composition of financial sector, the Securities and Exchange Commission of Pakistan (SECP) is the process of revising the NBF sector to reform the entire financial sector.

Mr. Imtiaz Haider, the SECP Commissioner for Specialized Companies Division, has said that the roadmap was rolled out in the form of a report in March 2013. In the said report, the SECP suggested to develop an alternative financial system by way of promoting non-bank financial (NBF) sector to diversify the inherent systemic risk and provide different asset classes to promote savings as well as meet the specific needs of participants. Other recommendations included some macrolevel suggestions regarding taxation regime, encouraging long-term savings and channeling these savings to under-served segments.

Mr. Imtiaz Haider further said that a good number of market professionals, industry participants and financial institutions provided comments on the report. Moreover, some new ideas were also received. The SECP has analyzed the feedback given by the public on the suggested reforms.

Considering the suggested way forward given in the report and comments received from the public, the SECP has now started the process of revisiting prevalent regulatory regime for the NBF Sector.

The proposed way forward can be categorized into two parts. The first part requires longer time period for implementation as it requires consent of different stakeholders such as State Bank of Pakistan, Ministry of Finance and Federal Board of Revenue etc. as well as amendments to various statutes. Prior to considering the implementation of this part, the SECP will consider State Bank's feedback on the way forward suggested in the report.

The second part can be implemented in the shorter run as it requires changes to the existing regulatory framework without the involvement of any external stakeholder. The SECP has initiated the process and the requisite amended framework would be implemented during this calendar year after completing the public consultation process.

SBP NEWS

SMEs can serve as growth engine of economy: Governor SBP

Mr. Yaseen Anwar, Governor State Bank of Pakistan has said that close collaboration among the key stakeholders would help in creating synergies for growth of SMEs. In his keynote address to 7th Pakistan SME Conference on "Strengthening Institutional Ties for Increasing SME's Access to Finance" organized by M/s Shamrock Conferences at Lahore, he said SMEs "have the potential to serve as a growth engine of the economy by providing economic linkages/ services to the corporate sector, generating employment and alleviating poverty."

According to the Governor SBP, the SME sector contributes 30 percent towards Pakistan's GDP, employs more than 78 percent of the non-agricultural workforce, accounts for 35 percent of the value added in the manufacturing industry, and generates 25 percent in export earnings.

"However, despite its strong potential, the SME sector is vulnerable to economic shocks and hence is perceived as a highly risky sector by the banks," Mr. Anwar said, adding that the key reason for the low level of exposure in the SME sector is the banks' reticence towards this market segment.

Mr. Anwar mentioned high risk perception, high transaction costs of lending and increasing NPLs, lack of proper accounting records and financial literacy as some of the problems contributing to this reticence.

He further said that this state of affairs "demands a robust strategy for the development of the SME sector."

The Governor SBP said that the stakeholders appeared to be operating in their silos. He stressed the need for forging close collaboration among the key stakeholders like SBP, PBA, SMEDA, Business Support Fund (BSF), SME Associations and the Chambers of Commerce & Industry.

He urged all institutions responsible for SME sector uplift to strengthen their ties and work together for achieving the objective of SMEs enhanced access to formal credit.

On SBP's role in the promotion of SME Financing he said that "financial inclusion is an integral part of SBP's financial sector development strategy, and SME Finance is one of the key components of financial inclusion."

He said that SME Consultative Group established by SBP was working on developing a long term SME Sector Strategy for improving SMEs access to finance. "To further improve the SME finance regulatory environment, SBP issued revised Prudential Regulations for SME Financing in May 2013."

He said that the SBP launched a Credit Guarantee Scheme (CGS), under which SBP shares 40% of credit losses of lending banks on their loans to Small and Rural Enterprises. The scheme is a great success in meeting the credit needs of collateral deficient but credit worthy micro, small and rural enterprises from short to medium term loans of 3 to 5 years.

"SBP arranges primary surveys of important SME Clusters in collaboration with IFC and LUMS, and so far Cluster Surveys of 21 SME sub-sectors have been completed," he added.

He informed the audience that the State Bank "is also facilitating capacity building of commercial banks in SME banking with support from IFC."

He added that the State Bank and SMEDA are also working on signing a Memorandum of Understanding (MoU) to further strengthen institutional ties between the two organizations towards uplifting the SME sector.

He was confident that SMEs would continue to play a very important and vital role in our economy where the twin problems of unemployment and poverty constitute major development challenges.

Invitation for Articles

PIPFA Journal is the Official Journal of the Pakistan Institute of Public Finance Accountants and is being published to keep abreast its members and students with the latest developments in Accountancy Industry.

We would welcome articles from our valued members and students for forthcoming issue. Articles are not restricted to specific topic; students & members may send us the articles of their field of interest at following email address:

member@pipfa.org.pk

Examination News

Pakistan Institute of Public Finance Accountants (PIPFA) has declared its Results for Summer-2013 of Corporate Sector, Public Sector, Finance Department of Punjab Government & Pakistan Military Accounts Department (PMAD), and announced PIPFA Gold Medal Award, Special Certificates of Merit, Certificates of Merit and Special Scholarships.

PIPFA- Gold Medal Award

(SKANS School of Accountancy)

Miss Ghanwa Afzal (Roll No. 1403065) D/o M. Afzal Shakir was awarded Gold Medal (Skans School of Accountancy) for outstanding performance in the Final Level of PIPFA Examinations.

Special Certificates of Merit

S. #	Roll No.	Name	Level	Sector
1	1107943	Fahad Ahmed	Foundation	Corporate
2	3200400	Saghir Hussain	Foundation	Punjab Government
3	4300208	Shahzad Ahmed	Foundation	PMAD
4	3200397	Muhammad Aslam	Intermediate	Punjab Government
5	1403065	Ghanwa Afzal	Final	Corporate

Special Scholarships

S. #	Roll No.	Name	Sector
1.	3200397	Muhammad Aslam	Punjab Government
2.	3200400	Saghir Hussain	Punjab Government
3.	4200044	Shahid Ikram	PMAD
4.	4200073	Fozia Tabassum	PMAD
5.	4200120	Mazher Hussain Syal	PMAD

Certificates of Merit

S. #	Roll No.	Name	Paper	Sector
1.	1206736	Muhammad Anser Siddqui	Basic Accounting	Corporate
2.	1107770	Zulifqar Ali	Basic Cost Accounting	Corporate
3.	1108023	Tooba Zaheer	Basic Cost Accounting	Corporate
4.	1206535	Muhammad Junaid	Basic Cost Accounting	Corporate
5.	1403000	Hafiz Ali Awais	Bus. Maths, Statistics & Economics	Corporate
6.	1107958	Syed Salman Ahmed Qadri	Financial Accounting	Corporate
7.	1206715	Muhammad Qasim	Performance Measurement	Corporate
8.	1301947	Kamran Ishtiaq	Business Commn. & Beh. Studies	Corporate
9.	1105392	Muhammad Salahuddin	Financial Reporting	Corporate
10.	1403065	Ghanwa Afzal	Management Accounting	Corporate
11.	1403039	Sohaib Muzzmal	Auditing	Corporate
12.	2301184	Irfan Khaliq	Basic Accounting Basic Cost Accounting	Public
13.	2201166	Ghulam Farooq	Basic Accounting	Public
14.	2201362	Muhammad Akram	New Accounting Model	Public
15.	2201085	Ishtiaq Ahmed	Services & Fin. rules	Public
16.	2200903	Amjad Ali	Performance Measurement	Public
17.	2201362	Muhammad Akram	Financial Audit Manual	Public
18.	3200400	Saghir Hussain	Basic Accounting	Punjab Govt.
19.	3200413	Anjum Abid Ghori	Basic Cost Accounting	Punjab Govt.
20.	3200403	Hassan Raza	New Accounting Model	Punjab Govt.
21.	3200397	Muhammad Aslam	Performance Measurement	Punjab Govt.
22.	3200311	Sarwar Ateeq Pasha	Rules & Reg. for Audit & Insp.	Punjab Govt.
23.	3200397	Muhammad Aslam	Financial Audit Manual	Punjab Govt.
24.	4200044	Shahid Ikram	Basic Accounting	PMAD
25.	4200124	Muhammad Nouman Muzaffar	Basic Accounting	PMAD
26.	4200073	Fozia Tabassum	Basic Cost Accounting	PMAD
27.	4300121	Imran Fazil	Basic Cost Accounting	PMAD
28.	4200120	Mazher Hussain Syal	Bus. Maths, Statistics & Economics	PMAD
29.	4200060	Mudassar Hassan Atif	New Accounting Model	PMAD
30.	4900045	Muhammad Noman	New Accounting Model	PMAD
31.	4200081	Syed Ashar Abbas Naqvi	Performance Measurement	PMAD
32.	4900045	Muhammad Noman	Performance Measurement	PMAD

New Leadership At PIPFA

We are pleased to announce the appointment of Mrs. Rozina Muzammil as the new Executive Director of PIPFA. She has held various top level positions including General Manager Finance in FMCG Company. She is a thorough professional and has the rare distinction of being the youngest female fellow member of ICMA Pakistan. She has served as Senior Lecturer at KASBIT as well as faculty member of ICMA Pakistan and continuously strives to raise standards within industry. She is also the convener of the CMA Women's forum.

Career Counseling Activities

PIPFA education department organized a sequence of Career Counseling Seminars and covered different universities and colleges of Pakistan.

Islamabad

As part of PIPFA career counseling activity PIPFA Islamabad held couple of seminars at Govt. Postgraduate College, H-8 and Govt. Islamabad Model College for Boys, F-10/4 Islamabad. The participant who were students of I.Com, ICS and B.Com showed their inclination towards PIPFA qualification and found it more fruitful towards achieving higher professional accounting education.

Karachi

In Karachi Seminars were conducted at Government College for Women, Korangi, Govt. College Gulshan-e-Iqbal, APWA Govt. College & Business Administration Department, University of Karachi . Seminars were very informative and provided opportunity of learning to students about public accountancy profession. All seminars were successful with positive response from future professionals.

3rd ACTEPR Education Exhibition-2013

PIPFA participated in the three days 3rd ACTEPR education exhibition held at Lahore organized by Lahore International Expo Centre. Thousands of visitors from different colleges and universities visited the exhibition and obtained information. More than 800 persons visited PIPFA stall and gathered information about the professional education offered by PIPFA.

About 110 exhibitors participated in the exhibition which includes leading universities, vocational training centers, foreign educational institutes, publishers & education consultants. PIPFA Lahore team under supervision of Mr. Muhammad Aslam Tahir and Mr. Muhammad Naeem Akhter endow with detailed information and basic guidelines to visitors and brief them the importance of the accounting profession.

Insertion of Pakistan Railways Accounts

As a Pioneer in Public Sector education & training, PIPFA has achieved another milestone by signing an agreement with Pakistan Railway Accounts Department, The signing ceremony was held at Lahore, agreement was signed by Mr. Muhammad Farooq Mohsin, Financial Advisor of Chief Accounts Officers on behalf of Pakistan Railways and Mr. Sajid Hussain, Member Board of Governors on behalf of PIPFA. Now PIPFA will also provide quality education & training to Railway Accounts to meet the professional standards, after successful inductions of AGP, PMAD, Finance Department (Punjab Government), AJK local Fund Audit and other Government entities.

Annual Subscription

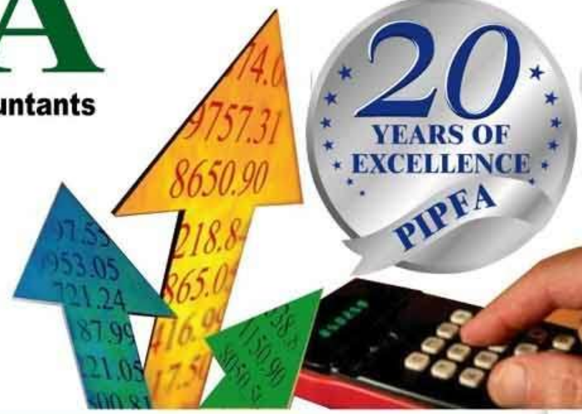
Members who have not paid yet their annual subscription up to the year 2013-14 are required to pay the same at their earliest.

NURTURING WINNING MINDSET

www.pipfa.org.pk

PIPFA

Pakistan Institute of Public Finance Accountants



ADMISSIONS OPEN

Be a Professional Accountant

PIPFA is a Professional Institute, imparting quality education in the field of accountancy to develop specialized Professional Accountants

INTERNATIONAL AFFILIATION

Associate Member of International Federation of Accountants (IFAC-USA)

PUBLIC SECTOR TRAINING

PIPFA is proud to be the Pioneer in provide training to Nominees of Public Sector Organization Such as

- AGP (Auditor General of Pakistan)
- PMAD (Pakistan Military Accounts Deptt.)
- Pakistan Railway
- PG (Punjab Govt. Finance Deptt.) & LFA-AJK
- CGA, CDA & other Government owned entities

EXEMPTIONS

- PIPFA offers exemptions to B.Com, BBA, M.Com, MBA, Masters and other Graduates.
- PIPFA qualified/member enjoys exemptions from ICAP, ICMAP, ACCA, CIMA, CIA and many other National and International bodies and universities.

Result awaiting students may also apply

Minimum qualification required for admission is Intermediate, 'A' Levels, CAT or any other recognized qualification equivalent to Intermediate

In Public Sector Organizations PIPFA qualification is recognized as mandatory qualification for promotion to or confirmation on the post of BPS-17.

Registration forms are available at our offices and approved Colleges

KARACHI
Head Office/Corporate Office:
Office # M-1 and M-2, Mezzanine Floor, Park Avenue, 24-A, Block # 6, PECHS, Lal Kothi, Shahrah-e-Faisal
Tel: 021- 34380451- 52 Fax: 021-34327087

LAHORE
42, Civic Centre, Barket Market, New Garden Town Tel: 042-35838111, 35866896
Fax: 042-35886948

ISLAMABAD
14-K, Firdous Plaza, Ayub Market, F-8 Markaz
Tel: 051- 2851572

FAISALABAD
Ajmal Centre-1, 289-1, Batala Colony
Tel: 041- 8500791, 8530110

HAWK