



# The Ehsaas Governance and Integrity Policy

*For ancillary organizations of the Poverty Alleviation and Social Safety Division (PASSD) involved in  
implementing Ehsaas*



Government of Pakistan

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*This policy has been prepared for use and guidance of Poverty Alleviation and Social Safety Division (PASSD) and its ancillary agencies. PASSD will continue to refine this policy based on lessons learnt to make it more robust. Once approved, this Policy will be in the public domain.*

## Context and objectives

This Governance and Integrity Policy is binding on the Poverty Alleviation and Social Safety Division (PASSD) and its ancillary organizations, namely, the Benazir Income Support Programme, Bait-ul-Mal, Pakistan Poverty Alleviation Fund, and Trust for Voluntary Organizations.

The purpose is to build systems that strongly discourage corruption, and to promote efficiency, transparency and accountability for results and compliance with rules. These measures are meant to make organizations involved in delivery of welfare, effective and responsive to the needs of those who they are meant to serve, and to ensure rule-based control on the use of public resources.

## Policy principles and parameters

### 1. Compliance with governing frameworks

All organizations must comply with the stipulations of their respective legal instruments/governing law. Public sector companies need to comply with Public Sector Companies Corporate Governance Rules 2013 (amended in 2017). A **governance roster** should be developed to ensure that the Board is convening, at a minimum, as required by law.

### 2. Board subcommittees

**Board sub-committees** on Finance, Human Resource and Audit must be constituted and should be enabled to meet regularly to thoroughly debate agendas before they are brought to the Board. Organizations having a budget of one billion rupees or more should also establish the Board Risk Assurance sub-committee.

### 3. Certifications

**Certifications** should be offered to board members under an appropriate program, e.g., through the Pakistan Institute of Corporate Governance to ensure that board members are well conversant with the Code of Governance and their role therein.

### 4. Organizational policies

Each organization should develop **clearly laid out policies** for each functional area with regard to project operations, administration, financial management, risk management, human resource management, procurement management, monitoring and evaluation and internal audit and others that may be relevant (e.g. with regard to the organization's oversight, and normative roles). Each policy should be approved by the Board and should be clearly posted on the organization's website. The covering page of each policy should have a document control list. An organization-wide timetable of policies should denote date of approval, version, the term for which policies are effective, and timeline to commence process for renewal.

## 5. Conflict of Interest policy

Each organization must have a board-approved **conflict of interest policy** applicable to members of the Board, management, employees, consultants and anyone acting on behalf of the organization. Such a policy should clearly lay down circumstances where a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest. All board members must be required to sign conflict-of-interest declarations every year. At every board meeting, it should be affirmed by board members that there has been no change in their status. The Conflict of Interest Policy should be duly enforced. When a person has a Conflict of Interest related to an agenda item to be discussed, that person must remove themselves from any discussion, decision or action related to that agenda item. A “register of interests” should be maintained.

## 6. Whistle Blowing Policy

Each organization must have a board-approved **Whistle Blowing Policy** and develop a plan to communicate it to staff, effectively. The policy should be clearly accessible through the website and social media channels.

## 7. Gender Policy

Each organization should develop a **Gender Policy** and integrate the gender perspective in every aspect of governance, the process of policy formulation, operational functioning and in data capturing. In line with the provision of “The Protection against **Harassment of Women at the Workplace Act 2010**” all the organizations are required to adopt an Internal code of conduct and a complaint/appeal mechanism aimed at establishing an environment free of intimidation and abuse. In pursuance of subsection (1) of Section (3) of the Act, the competent authorities must constitute an inquiry committee to address all such harassment related complaints.

## 8. Access to information and transparency

The Board should establish appropriate arrangements to ensure it has **access to all relevant information** (audit reports, third party assessments of any kind), advice and resources necessary to enable it to carry out its role effectively. Significant issues should be placed before the Board for its information and consideration, in order to formalize and strengthen the decision-making process.

To **promote transparency**, each organization must publish its audited entity/project financial statements, annual progress reports, applicable policies and procedures on their websites. Letters to the Board and letter to the management by the Auditor should also be made accessible. Competition should be encouraged in procurement/recruitment processes. Recruitments/procurements must be carried out on the basis of clear and appropriate rules and procedures that are applied consistently to all potential candidates/bidders.

## 9. Risk Registers for risk assurance and management

A comprehensive **Risk Register and risk assurance and management objectives** should be developed for each organization, which define risks; their category (operational, financial, reputational, legal etc.) and the means of risk mitigation. Organizations should be able to identify and respond to changing and emerging risks. Risks should be categorized as high, medium and low so that tracking of high risks can be done on a priority basis. Assurance

arrangements including but not limited to internal audit, external audit, IT audit, review of policies, impact assessments, spot checks, cash-flow tracking exercises, procurement reviews, beneficiary feedback etc., should be applied depending on the nature of risks. Necessary risk mitigating actions should be mapped on a detailed workplan with specific timelines and accountabilities with regard to implementation. This should include error fraud and corruption-related risks, and encompass prevention, detection, deterrence and monitoring-related risks.

#### 10. Internal Audit

Every organization must have an adequately-staffed and qualified **Internal Audit** department/team that should be given sufficient financial resources and unlimited access to information and records. Internal audit should develop a risk-based audit plan. The head of the internal audit department should report to the Board Audit Committee chair, and not to the management and his/her Annual Confidential Report should be written by the chair of the Audit Committee.

#### 11. External audit

Every organization should have a mandatory **external audit** of financial statements by an external audit firm in addition to the audit conducted by the Auditor General of Pakistan on an annual basis.

#### 12. Fiduciary systems and financial management

To strengthen **fiduciary systems and financial management** and to institutionalize risk management and assurance, full compliance should be ensured with the following policies and tools of the Government:

- Public Procurement Regulatory Authority Rules
- Cash Management and Treasury Single Account Policy 2019-20
- Public finance management law and secondly legislation ensuing out of it to ensure compliance with the Government's budgetary, accounting and cash management systems

All organizations should ideally shift to the government's SAP accounting system, and accrual accounting by June 2020, and ensure Adherence to the Medium-Term Budgetary Framework for output-based budgeting.

Finance manuals should provide process-level guidance, in particular segregation of duties, and delegation of powers.

#### 13. Procurement systems

To **strengthen procurement systems**, a comprehensive procurement manual providing procedural level guidance should be developed in line with Public Procurement Regulatory Authority Rules and should be approved by respective boards. The Annual Procurement Plan should be approved by the Principal Accounting officer.

The Procurement committee should ensure transparency in procurement transactions and dealings suppliers.

#### 14. Evidence and rule-based decision-making

In order to promote a **culture of evidence-based decision-making**, appropriate information systems should be deployed (Management Information Systems) and relevant, reliable, accurate and up to date information should be presented to Senior Management/Board/Sub-committees of Board for decision making. Monthly financial and progress reports should be presented to senior management and quarterly financial and progress reports should be presented to Finance and Programme Sub-committees of the Board respectively.

Efficient and effective rule-based control on government functioning is necessary in an environment where predatory behaviors loom large. Bureaucrats and staff should be encouraged to conform conduct and decision-making to stated norms in order to avoid arbitrariness. **Integrity and rule-based functioning** should be honored and rewarded by the Board.

#### 15. Human resource conduct rules

Each organization must have legally enforceable **conduct rules**, also comprising principles of behavior for staff. Their legal obligations should be binding and clear and these should be duly communicated to the staff. The rules should be placed on the website.

#### 16. Integrity related staff training

**Training** must be introduced for staff in the area of prevention, detection, deterrence and monitoring of error, fraud and corruption.

#### 17. Hiring on competitive basis

**Human resource hiring, and deputations** should be pursued through an open competitive basis without exceptions and should be rule based. The HR Committee of the Board should oversee resource hiring.

#### 18. Accountability and Integrity Officer

An **Accountability and Integrity Officer** must be appointed in every organization and should be given the mandate to monitor the Risk Register, maintain the Conflict of Interest log, follow-up progress made against recommendations of internal and external auditors and third-party monitoring agents. That person should report to Audit Sub-Committee of the Board on quarterly basis.

#### 19. IT security

**IT security department** must be developed in organizations involved in digital transfer of benefits to beneficiaries, to ensure data integrity and to hedge against abuse and hacking. Holistic security controls must be developed as per international security standards with regard to IT infrastructure, IT application, databases, and cyber security vigilance.

#### 20. Handover process

A formal **handover report is mandatory** for outgoing Board, and senior management to enable smooth transition of responsibilities so that strategic policy and tactical positions are communicated to the successor Board/staff.

## 21. Workplans

Every organization should have a **detailed itemized, department-wise weekly work plan** with responsibilities and accountabilities clearly defined for delivery and KPIs linked to delivery on workplans.

## 22. Electronic filing

Each organization should fully convert to **e-office**, the government's electronic filing system by the end of fiscal year 2019/20. E-office maintains electronic trail of communication and, as such, also acts as a governance tool to compel accountability and transparency. Organizations should also draw on this tool for reporting on HR performance.

## 23. Engagement with the private sector

Engagement with the private sector and donation acceptance should be in compliance with **PASSD's private sector engagement and donation acceptance policy**.<sup>1</sup> **Of particular note, all civil society entities partnering with PASSD and its ancillary organizations need to be certified by Pakistan Centre for Philanthropy (PCP).** PCP conducts performance evaluation of Non-Profit Organizations on behalf of Federal Board of Revenue (FBR) and certifies that non-profit organizations meet with the desired requirements of certification standards (notified by FBR) in the areas of internal governance, financial management and programme delivery.

## 24. Serving the poor

**Service level agreements** are mandatory in contracts with organizations that are involved in servicing the poor. Special attention must be given to other instruments for quality control.

Organization's involved in providing assistance to beneficiaries must develop **effective complaints management and grievance redressal** systems. This should also encompass complaints of embezzlement and fraud.

Selection of beneficiaries must be strictly **rule based**.

## 25. Research and learning

Every organization must develop a **monitoring and evaluation** mechanism, with related metrics and the independent means of their verification. Implementation research and process learnings for policy must be institutionalized, whereas third party impact evaluations must be planned in an experimental/quasi experimental design to gauge the impact of the organizations and their projects on hard social outcomes.

## 26. Blockchain

PASSD will strive to develop a **blockchain technology driven system** to ensure data transparency and integrity particularly for the registration of assets, verification of identity and the tracking of transactions (such as public contracts, cash transfers and aid flows). Blockchain has two distinctive features that makes it a potent tool against corruption. First, it provides an unprecedented level of security of the information and the integrity of records it

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<sup>1</sup> Will be released shortly

manages, guaranteeing their authenticity. Second, blockchain provides a transparent and decentralized system to record a sequence of transactions, or “blocks.”

### 27. Governance and Integrity Observatory

To support the implementation of this policy, PASSD will appoint a governance focal person and will establish a “**Governance and Integrity Observatory**” to facilitate implementation of this Policy.

Going forward, PASSD will also strive to aim for economies of scale, through centralization of certain specialty functions; in addition to efficiency and cost saving, this will enable development of centers of excellence within organizations of the Division, e.g. for procurement, IT platforms, complaints management, strategic communications etc.