



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

Internal Audit Framework

PMAD

Summer Exam-2024

MODEL SOLUTIONS – DISCLAIMER

INTRODUCTION

The Model Solutions are provided to students for clear understanding of relevant subject and it helps them to prepare for their examinations in organized way.

These Model Solutions are prepared only for the guidance of students that how they should attempt the questions. The solutions are not meant for assessment criteria in the same pattern mentioned in the Model Solution. The purpose of Model Solution is only to guide the students in their future studies for appearing in examination.

The students should use these Model Solutions as a study aid. These have been prepared by the professionals on the basis of the International Standards and laws applicable at the relevant time. These solutions will not be updated with changes in laws or Standards, subsequently. The laws, standards and syllabus of the relevant time would be applicable. PIPFA is not supposed to respond to individual queries from students or any other person regarding the Model Solutions.

DISCLAIMER

The Model Solutions have been developed by the professionals, based on standards, laws, rules, regulations, theories and practices as applicable on the date of that particular examination. No subsequent change will be applicable on the past papers solutions.

Further, PIPFA is not liable in any way for an answer being solved in some other way or otherwise of the Model Solution nor would it carry out any correspondence in this regard.

PIPFA does not take responsibility for any deviation of views, opinion or solution suggested by any other person or faculty or stake holders. PIPFA assumes no responsibility for the errors or omissions in the suggested answers. Errors or omissions, if noticed, should be brought to the notice of the Executive Director for information.

If you are not the intended recipient, you are hereby notified that any dissemination, copying, distributing, commenting or printing of these solutions is strictly prohibited.



Summer Exam-2024

Internal Audit Framework

- Q.1.** 2.2. The staff and management of Controller Local Audit (Defence Production) -- CLA (DP) is expected to conduct themselves with the highest level of ethical values, integrity and professionalism. To ensure its implementation office of CLA (DP) has developed its own Code of Conduct. This Code is applicable to all the members of staff and management of CLA (DP). According to the Code of Conduct, management and staff of CLA (DP):
- a. Are bound by the provisions of the Constitution of Islamic Republic of Pakistan, various Government instructions regarding efficiency and discipline, regulations of Pakistan Military Accounts Department and mission, vision and goal statement of CLA (DP);
 - b. Will abide by the Principles, Rules of Conduct and Code of Ethics followed globally and adopted locally by the government;
 - c. Will perform their official work with integrity, objectivity, confidentiality and professional competence;
 - d. Will continue to develop and improve their professional skill set through continuing training programs;
 - e. Will always maintain an independent, objective, and unbiased approach when conducting audits;
 - f. Will ensure that audit findings are based on factual evidence and are untainted by personal biases. The staff of CLA must be ready to defend audit findings against professional scrutiny in a constructive manner. They must have the ability to meet the standards which are expected of the management and staff of the audited entities;
 - g. Will immediately indicate any conflict of interest in conduct of their professional responsibilities. The staff and management of CLA (DP) must not use their positions to gain undue favours in their personal affairs;
 - h. The staff and management of CLA (DP) shall strive to improve efficiency and effectiveness in their office and try achieve value for money spent on its operations;
 - i. Must ensure the confidentiality of information seen during the course of an audit assignment as stipulated by the government instructions on the subject.

Topic/Reference: Code of conduct of CLA (DP) Employees / OM-12 (2.2)

Q.2. UNITS UNDER DISBANDMENT OR DEMOBILIZATION.

- a** Before a unit is disbanded or demobilized its public fund accounts will be inspected by the L.A.O. and it will, inter alia, be seen that:-
- (a) Any credit balance in the office allowance fund has been credited to Government and the stationery and office appliances purchased out of that fund have been disposed of in accordance with the prescribed rules;
 - (b) Un-expended balance of any permanent advance has been paid into the treasury and treasury receipts forwarded to C.M.A. through the U.A. (if one is attached);
 - (c) All points raised in the current and previous reports are finally settled as far as possible, before the unit is demobilized or disbanded, any unsettled items being reported to the DCLA (DS) in whose audit jurisdiction the centre and record of the Unit located.

Topic: Local Purchase Voucher / LAO Hand Book -I

- Q.2. Test check by local Audit officers:-** The L.A.O. will check personally a number of the vouchers test linked by his staff and also some of them not linked by them. The vouchers selected should invariably be those in respect of costly or port able and marketable articles and those which are frequently received and issued if the L.A.O. is not satisfied with the linking done by his staff, he should, as his this discretion, increase it suitably. The vouchers selected by the L.A.O. for verification will be initialed as having been checked with the ledger return, etc. by the L.A.O. himself. The relevant entries in the Ration Return, Ledger etc. will also be initialed by him.

Topic: Audit of Sanctions to Expenditures/Military Audit Code/14

- Q.3.** 14. In the audit of sanctions to expenditure, the guiding principles enumerated below should be observed:-
- i) The Audit Officer should ascertain that the authority sanctioning the expenditure is competent to sanction it.



Summer Exam-2024

Internal Audit Framework

- ii) If the authority framing the Rule is granted full powers in respect of a certain class of expenditure an order issued under those powers can be challenged by audit only under the canons of financial propriety.
- iii) If it is granted powers which may be exercised provided due regard is paid to certain criteria which are expressed in a general form, orders issued under these powers can be challenged by audit:-
 - a) If the disregard of the criteria is so serious as to make the order perverse, or
 - b) If the facts of the case are such as to make the audit authority confident that one or more of the criteria have been disregarded.
- iv) If it is granted powers which are expressed in precise terms, the Audit Officer is bound to ascertain that the orders defining its powers are exactly obeyed in every instance
- v) When the Controller considers that any Rule or order has infringed any one of the canons of financial propriety, he should report his opinion to the administrative authority concerned for such action as that authority may think fit to take and request it to intimate, in due course, the action taken by it. Thereafter, if he considers it necessary, he may report to the next higher authority, and if this be the Government of Pakistan, the report should be made through the Military Accountant General
- vi) A group of works which forms one project shall be considered as one work and the necessity for obtaining the sanction of higher authority to a project is not avoided by reasons of the fact that the cost of each particular work in the project is within the powers of the lower authority.

Topic: Provisional Payments/Military Audit Code/ Note27

Q.4. 1. In the case of the pay bill of an officer on duty, the duty of the Audit Officer beyond testing the formal completeness of a voucher is:-

- a) to see that the officer is entitled to the pay claimed.

NOTE: No claim can be admitted for service in a post not duly sanctioned or for pay not assigned or provided for the post held by the officer.

- (b) to record the payment made as a check on a second claim and as a guide in calculating the leave allowances admissible in case of future leave, where the leave allowance is based on the salary drawn;

- c) to record the period of duty, suspension, or leave as a check on future claims to leave and pension. In the case of an officer on leave it is necessary to see that leave has been granted by competent authority, that it has not been exceeded, and that the leave allowances claimed are covered by the Rules governing the case.

Note-1: For the above purposes the following records are provided:-

- 1) Audit Register. 2) History of services. 3) Pak Army List.

Note-2: The detailed Rules regarding the maintenance of audit registers will be found in the Office Manual. As regards the history of service and Pak Army List

- 2. As pay bills are ordinarily paid after pre-audit, any pay or allowances which may be inadmissible will be disallowed in audit and retrenched. In ordinary circumstances, therefore, it will not be necessary to watch recoveries of disallowances. In some cases, however, pay and allowances may be passed provisionally in audit, e.g., for want of last pay certificate or other cause. In such cases the Officer concerned will be informed of the possibility of retrenchment, and the amount involved will be entered in the proper place in the Audit Register and its final adjustment watched.

- 3. When an officer has been appointed under a special contract or agreement, a copy of the contract or agreement should be obtained and recorded in the audit office. Pay and allowances or leave will be regulated according to the terms of such contract or agreement.

- 4. In the case of military officers, no such lists need be submitted but it should be seen that full pay and allowances are not passed to such officers after the dates on which they are required to retire or vacate their appointments under the Rules in Regulations for the Army in Pakistan, or under any other orders of Government.



Summer Exam-2024

Internal Audit Framework

5. Every Audit Office will maintain a record giving a history of the services of all Civilian gazetted officers (except those of the Cantonment Department and Superior Service) Officers of the Pakistan Military Accounts Deptt paid by them. The record will be in the form of a register in the case of officers, paid by the C.O.F.A. but in all other cases it will be in the form of loose cards P.A.F. (C.M.A)-358.

Topic: Annual Review of MES Expenditure Instructions for preparation of Statement 'A' to statement 'J' (As given in ' Appendix IX of Military Audit Code) (Military Audit Code)

Q.5. Strength Return of animals:-

It should be seen that:-

(a) The animals struck off charge agree with those shown in the requisite vouchers received with the Skeleton Lists, Casting Rolls, Sale Accounts or Loss Statements.

(b) Re-classification of animals from one class to another is connected with the Depot orders and in the case of transfer of "Equip" mules to "Pack" mules, sanction of the D.R.V. and F (Director, Remount Veterinary and Farms), is on record.

(c) Casting of animals as remount cases, Veterinary cases, worn out cases, etc., has been carried out under proper authority. The destruction of diseased and injured animals which are declared to be incurable is carried out on the authority of a certificate from the Veterinary Officer or the Senior Officer present in the station, if no Veterinary Officer is available. The proper authority should be looked for in each case.

(d) Sanction of the D.R.V. and F is available for:-

(i) The employment of cast animals on cultivation work.

(ii) The sale of cast and under-sized horses and rejected cattle.

(e) All castings of animals under A.R have been reported to the D.R.V and F annually for necessary regularization.

(f) The disposal of hides in the case of animals which have died or have been destroyed (except those suffering from infectious disease) is noted on the roll from which the animals have been struck off charge.

(g) In the case of horses issued on hire under the provisions of Army Regulations, the T.Rs furnished by the allottees has been sent to the C.M.A. and his acknowledgement obtained.

Topic: Arsenal and Ordnance Depot/ LAO Hand Book-II

Q.6. FINE FUND:-

Fine Fund account will be examined by the L.A.O to see that:-

- (i) All realizations fine from employees subject to payment of wages Act are credited to this fund;
- (ii) the funds are applied for the benefit of such employees for such purposes as are approved by the "Prescribed Authority".

Q.7. Issues of Loan (including Clothing) or on Hire:-

- (i) stores issued on loan or on hire by the A.O.C establishments are written off charge of the stock record on P.A.F. O 2672 and there turn of the stores watched through loan issue pads as set out in GHQ(P)No,4248/83MG/OS-10B dated 9-8-49 and S.P.A.O23/61. The entries in the voucher will be verified by L.A.Os with the vouchers and other documents and it will be seen that in the case of issues on hire, necessary intimations are sent without delay by the issuing establishment through its C.M.A to the officers preparing the pay accounts of the individuals or formations to whom the articles were issued, with a view to hire being recovered monthly and that the acknowledgments of the latter are on record. Hire charges will be calculated by the Local Audit staff, where attached or other pricing party.



Summer Exam-2024

Internal Audit Framework

(ii) It will also be seen that;

(a) Issues are authorized and supported, where necessary, by the C.F.A's sanction vide para 26-E.R pt.I as amended from time to time and that loan period has not been exceeded (the loan period will start from the date of issue of stores from Ordnance Depot and expire on the date the stores are received back in the depot).

(b) Stores issued on hire or loan has correctly been struck off charge from the stock record on P.A.F.O-2672 and their return watched through loan issue pads.

(c) In the case of losses due to change in the condition of stores issued on loan to local Governments and Others not administered by the Defence Department and irrespective of whether the losses are due to fair wear and tear or otherwise, the cost of repairs is charged against the user of the stores.

(d) The rule that the value of issues on loan in the case of local Governments, Civil Authorities and others etc. (not administered by Def. Dept) which are not returned within six months from the date of issue, be charged against the Departments or individual concerned is followed.

(e) In the case of losses due to change in condition of stores issued on hire to individuals and which are not due to fair wear and tear, the charges for all damages and deficiencies are borne by the individuals concerned.

(f) Stores issued to Ammunition and Ordnance Depots on loan by Ordnance Factories and Inspection sections are not brought on ledger charge by the former and those issued by Ammunition and Ordnance Depots, on loan to those establishments are struck off ledger charge and their watched through Loan Issue pads.

Topic: Travelling Allowance/ Military Audit Code/132

Q.8. RESULTS OF AUDIT

All the discrepancies should be clearly mentioned in the objection statement and on the completion of the audit, the auditor(s) concerned will append a certificate to the office copy of the objection statement issued on the accounts of each unit or formation on the lines indicated below. This certificate should be examined by the A.A.O. with the list of accounts to be audited and counter-signed by him. Before counter signing the certificate, the A.A.O. will exercise such checks over the auditor's work as will satisfy him that the audit has been efficiently carried out and that he can take complete responsibility for the audited one and for the statements made in the certificate.

1. Audit Certificate-----Name of unit/formation 2.
2. Period of audit:-
3. Month's accounts period selected for full audit (vide selection orders attached):-
4. Dates of audit:-

Certified that:- The following accounts which are required to be audited have been audited to the extent and in accordance with the instructions contained in the L.A.O's Hand Book and others orders issued from time to time.

Note: If a separate list of registers and accounts is attached to the certificate, necessary remarks to this effect should be given in the certificate.

All documents and vouchers, etc. audited, test checked or scrutinized have been enfaced "Audited" "Objected to", "Test Linked" or "Remarked on", as the case may be, and initialled.

Items including office notes outstanding on previous objection statement have been dealt with and the (Objection Progress Register) have been completed up to date. The relative registers, i.e., Register of Losses and register for recording free issue of clothing to recruits etc have been completely audited, and linked vouchers and other documents etc. have been properly filed.

Accounts audited by each Auditor and his dated signature.....

A.A.O.'s dated signature.....

Topic: Credit Notes/ LAO Hand Book-I appendix C



Summer Exam-2024

Internal Audit Framework

Q.9. Five percent of the credit notes issued during the period under audit will be selected for detailed check (with due regard to the amounts involved on Cash). The check will consist in seeing that:-

- a. The stores dispatched were actually issued and were Government property.
- b. Credit notes were not used for the dispatch of stores issued on loan to civil Departments
- c. Credit notes were not used for the conveyance of stores in connection with Training Camps and Maneuvers.
- d. Provision of passage regulations, movement, Instructions, Service Instructions/ Orders have been complied with.
- e. All the columns of counter foils are correctly filled in and Issue/Receipt Vouchers Nos. have been quoted.
- f. In case of credit notes issued to cover freight for stores purchased from the contractor, it should invariably be as ascertained whether the freight is to be borne by the Government or by the contractors. If the latter, the issue of such credit note should be challenged.
- g. In the case of Military credit notes issued in connection with the payment of demurrage charges it will be seen that:-

(1) The following certificates from the station transport officer are attached.

(a) Demurrage payable is less than the cost of hired transport required to move the store concerned

(b) No Government transport was available.

(2) The Military credit note is signed/countersigned by the competent financial authority.

Note:- The counterfoils thus checks will be initialed and dated by the official carrying out the check. h. In case of recovery from issuing officers for irregular/ unauthorized and wrong issue of credit notes which is made in cash it will be seen that the TRs have been sent by the units to the CMA (LC), (MRC) Section Lahore and their acknowledgements obtained.

I. All cases of fraudulent use of M.C notes detected in the course of audit will be reported to the Div/Log Area commander through the C.M.A. and their disposal will be watched through a special register maintained for the purpose. It should be seen further that prompt action is taken by the administrative authorities to investigate the case and deal with the individual responsible for the loss and that extra expenditure incurred thereby is regularized without delay.
