



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Internal Audit Framework  
(Application)**

**WAPDA**

**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 - WAPDA (Application)

- Q.1.** The Standard Audit Tool Kit is discussed in Chapter-10 of the IA Manual, and examinees are expected to attempt this part accordingly. However, the following is a suggested outline which can be followed.

**a**

The Standard Audit Tool Kit provides the auditor with essential practical tools for conducting audit. This consists of forms, checklists, audit programs, SOPs, and control questionnaires. To achieve audit objectives, the auditor is supposed to perform certain procedures & tests, obtain relevant information from the record, and draw conclusion. Internal auditors are required to complete forms and checklists, perform the audit procedures described in the audit program and control questionnaires, evaluate the results, and report his finding

- Q.1.** Follow-up of audit findings is an integral part of internal audit functions. The auditor's objective is not fulfilled unless any errors or deficiencies identified during the audit are corrected. Para 7.8 of the IA Manual is relevant. However, an outline of the answer may be as follows.

**b**

Chief Auditor office must be vigilant to carry out the follow up of the audit observation on periodical basis through letters and reminders. Further, the higher forum of Internal Audit Committee is also available where important observations are discussed, and actions are recommended. Both internal audit wing and the Internal Audit Committee should ensure that entity officials take action to correct all errors found and deal with all recommendations made.

- Q.1.** Conflict of interest means that when an individual's(internal auditor's)personal interests compromises his judgment, decisions, or actions during audit.

**c**

- When auditors are permitted to provide advice or services other than audit to an audited entity, care should be taken that these services do not lead to a conflict of interest.
- Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities that could influence or be perceived as influencing their independence and integrity.
- Auditors should avoid all relationships with management and staff in the audited entity that may influence, compromise or threaten the ability of auditors to act independently.
- Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others.

- Q.2.** Performance auditing is an important function of internal Audit WAPDA as mentioned in para-2.3 of the IA Manual. Economy Efficiency and Effectiveness, all three together make a platform for performance auditing. **Efficiency** is the relationship between the output in terms of goods and services or other results, and the resources used to produce them. Whereas **Effectiveness** is the effects compared with goals and related to the resources used to achieve these goals.

Efficiency and Effectiveness indicators of the five organizations are outlined below:

Auditee Organization	Efficiency indicators	Effectiveness indicators
WAPDA Internal Audit Wing	Number of audit reports issued to the management	Number of recommendations followed and impact on financial discipline.
WAPDA Education wing	Number of students enrolled; teachers hired	Exam results
WAPDA Health services	Number of outdoor patients Number of Patients admitted. Number of operations performed.	Number of patients cured. Patients' satisfaction with the treatment
WAPDA Security wing	Number of personnel deployed, and number of check posts established	Reduction in number of thefts, terror attacks
WAPDA Pension Cell	Number of cases received and processed	Number of pensioners paid in time and pensioners' satisfaction.



## Summer Exam-2024

### Internal Audit Framework - WAPDA (Application)

**Q.3.** Para-9.6 of the IAM deals with checking of integrity of computer program. In our case the computer program is GL Module installed in power Wing. Answer may be attempted on the outline given as under:

The following Computer Assisted Audit Techniques help the auditor in assessing the integrity of computer data:

**a. Desk Checking**

- i. Verify processing controls.
- ii. Check adherence to the programming standards.
- iii. Check the accuracy of algorithms.

**b. Test Data CAATS**

- i. Interrogation software.
- ii. Embedded audit data.
- iii. Parallel simulation.
- iv. Test data.

**Q.4.** Internal controls are all the measures designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Efficiency and effectiveness of the operation.
- Integrity and reliability of financial reports.
- Safeguarding of assets.
- Compliance with internal policies, procedures, and applicable laws.

Internal control measures to reduce/eliminate the fake claims of travelling allowance may include the following:

- a. All vouchers be checked thoroughly along with the supporting documents before authorization.
- b. Rates in claims be verified.
- c. Alteration must be countersigned.
- d. Authorized countersignature should be verified.
- e. Budgetary provisions under the relevant head be watched and should be adhered to.

**Q.5.** Statistical and no statistical sampling techniques are discussed in IAM section-6.12. Examinees are required to develop their answer based on guidelines given in section 6.12.

**Q.5.** The most frequent number which means the number that occurs the highest number of times in a data set.

**Q.5.**  
**c**

Factors	Impact on Sample Size if Factor Increases	Comments
Materiality	Decrease	If materiality increases while all other factors remain the same, materiality and planned precision become larger percentages of the population value. Hence the auditor would not need to have as precise an estimate of the error in the population. The auditor could then decrease the required sample size.
Planned Precision	Decrease	Same comments as above
Expected Number of compliance deviations	Increase	The expected aggregate error is subtracted from the materiality amount to arrive at planned precision. Increasing the expected aggregate error decreases planned precision, which increases the required sample size.
Confidence level	Increase	Increasing the confidence level means that the auditor wants to be more certain about the results of his/her procedure. The auditor will need to take a larger sample to achieve this
Sampling risk	Decrease	Increasing the sampling risk is the same as decreasing the confidence level. The auditor is willing to be less certain about the results of his/her procedure and can therefore take a smaller sample.



## Summer Exam-2024

### Internal Audit Framework - WAPDA (Application)

**Q.6.** The examines are to draft a para on the following template/outline:

- **Subject:** the caption of the para be written in bold and underlined font
- **Audit criteria:** Quote the rule which was violated in this case.
- **Condition :**Write down the lapses and irregularities were observed by the auditor
- **Effect:** what are the financial/technical/administrative impacts of the irregularities on the organization
- **Causes:** what are the possible causes behind the observed irregularities.
- **Recommendations:** what actions audit recommends and what are the remedial measures for the lapses.

\*\*\*\*\*