



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Internal Audit Framework  
PMAD**

**Winter Exam-2023**

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**Q.1. Marking Plan: 05 marks for concept and 05 marks for explanation**

**FINANCIAL ADVICE**

40. Controllers are ex-officio financial advisers to Divisional Commanders COAs P.A.F. and CONS P.N., in case of expenditure sanctioned by those authorities. In addition, therefore, to the detailed audit which must necessarily be performed by Controllers in accordance with the principles laid down is the important task of financial advice on matters connected with the Defence expenditure.

41. Financial advice can be divided into two portions, namely:-

- i) **Responding financial advice** which consists of
  - (a) advice on definite points referred to Controllers and
  - (b) advice as the result of investigations into facts which are normally accepted on the statement of commanding and administrative officers; and
- (ii) **original Financial advice**, which consists of advising the administration of any method by which equal efficiency can be obtained with less expenditure. Audit will not only see that authority for expenditure is quoted but will also on legitimate occasions investigate the necessity for it. It will ask whether individual items were in furtherance of the scheme for which the budget provided; whether the same results could have been obtained otherwise with greater economy whether the rates and scales of expenditure were justified in the circumstances in fact, they will ask every question that might be expected from an intelligent tax-payer bent on getting the best value for his money. For this purpose comparison of expenditure of cash and of certain important kinds of stores selected in each unit will be necessary in respect of
  - (i) the same unit as between different quarters of the year and
  - (ii) units of the same type during a particular period.

Investigations for financial advice will cover the whole field of Army expenditure but particular attention will be paid to those items where extravagance is more likely, e.g., the working of hospitals by comparison between the costs of diets, extras, etc., railing or back railing of stores; use of Government Transport the cost of M.E.S. maintenance and repairs; working of a contracts, both A.S.C. and M.E.S. The result of controller's investigation and the conclusion he has formed thereon will be presented by him to the local military authority concerned if he considers that the results justify such a course. No item of Financial Advice will, however, be pressed without the full knowledge and good will of the Command or District Staff with whom the proposition should be fully discussed but if the Controller cannot appreciate the attitude of the staff in any matter he will report the case to the Military Accountant General.

Audit officers will also watch the manner in which the various executive officers are undertaking their more important financial responsibilities.

42. To ensure that financial advice of the nature mentioned in paragraph 41 (ii) is carried out systematically, a special section called the "Financial Advice Section" exists in each Controller's office (except in the offices of the Controllers, Ordinance Factories, Air Force and Naval Accounts). The Financial Advice Section will ordinarily carry out only original financial advice work, as distinct from what may be termed "responding financial or audit advice", that is, advice on specific questions referred to Controllers by the administrative authorities. The latter kind of work will be dealt with by the Audit Section concerned, invoking the assistance of the Financial Advice Section when necessary. The Financial Advice Section will be fed by the audit sections and by the Local Audit Officers who will furnish to it such useful points as come to their notice in their day to day audit and which merit investigation for financial advice purposes.



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43. No objection should ever be issued by the Financial Advice Staff nor should they enter into any correspondence with Officers Commanding and others. All necessary inquiries must be made verbally from the audit section concerned. If in any case correspondence should become indispensable, such correspondence should take the form of personal letter written over the controller's signature. Controllers will ensure that the visits paid to units and formations for financial advice are not confused in the minds of anyone concerned with the ordinary audit and inspection.

44. The Military Accountant General should be kept fully informed of the results of, and freely consulted in regard to, important investigations in connection with financial advice.

45. Apart from tendering financial advice to the local administrative authorities, the organization of their own offices and the work conducted in the several sections and by the local audit staff should also from the subject of continuous examination and review by Controllers and by the Superior Service Officers under them. Controllers should feel no hesitation in submitting for the Military Accountant Generals consideration matured schemes of audit of cash and store expenditure which, they are satisfied, will result in the reduction of the cost of audit, in simplification of work or in greater efficiency.

**(Topic: Financial Advice /Military Audit Code Para 40 to 44)**

**Total Marks    10**

**Q.2.    Marking Plan:            03 marks for concept and 02 marks for explanation**

#### **LABOUR EMPLOYED ON DAILY OR NERRIK RATES OF PAY**

123. Charges preferred on account of payments to labour employed on daily or Nerrick rates of pay are required to be supported by certificates to the effect that all payments have been correctly made. 03

**Note:** Ordinarily payments are to be made in the presence of two Gazetted Officers who will be required to certify as above. Where such officers are not available, however, the certificate is to be signed by the disbursing officer and one witness who need not necessarily be a member of the staff. 02

Acquaintances from the payees are not required. In auditing these charges it will be seen that authority exists for the employment of the labour that the period of employment does not extend beyond that sanctioned and that the rates of pay drawn do not exceed those authorized. 02

**(Topic/Reference: Staff and Other Establishment (Other than those employed with Units) / Military Audit Code para 123)**

**Total Marks    07**

**Q.3.    Marking Plan:            05 marks for each category (03 marks for concept and 02 marks for explanation)**

#### **EXHIBITION OF LOSSES IN THE FEDERAL APPROPRIATION ACCOUNTS (DEFENCE SERVICES)**

- a) In the Federal Appropriation Accounts (Defence Services) losses of cash, overpayments, etc. written off by the Govt. of Pakistan and other competent financial authorities and claims abandoned as irrecoverable etc. are classified under two main categories, viz.,



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**A- Losses, overpayment, irrecoverable claims etc. due to theft, fraud , arson or neglect.**

The category –A will be further subdivided to indicate:

- i) Separately in detail each item of cash loss, overpayment or irrecoverable claim etc. in excess of Rs. 2500.
- ii) Separately in detail each item of all kinds of losses referred to in clause (i) above between Rs 10/- and Rs. 2500/- in each case; and
- iii) Details of Losses to which no precise monetary values can be assigned.

**B- Losses due to other causes**

Similarly the category –B will be further subdivided to indicate:

- i) Separately in detail each item of cash loss, overpayment or irrecoverable claim etc. in excess of Rs. 15000.
- ii) The aggregate amount of all kinds of losses referred to in clause (i) above between Rs.400/- and Rs. 15000/- in each case; and
- iii) Detail of losses etc to which no precise monetary value can be assigned.

**OR AS per OM-12 :**

7.6. For the purpose of exhibition of losses of stores in the Annual Statement of Appropriation Accounts of Defence Services, the losses of stores will be classified under the following heads:

**Head I Actual Losses of Stores in Transit**

- (1) From Stores Depots to consuming units and vice versa,
- (2) Between Stores Depots.
- (3) From manufacturing Establishment to Store Depots and vice versa.

**Head II Actual Losses of Stores Due to.**

- (1) Theft or fraud.
- (2) Deficiencies in actual balances not caused by theft or fraud.
- (3) Deterioration.
- (4) Defective storage.
- (5) Fire.
- (6) Miscellaneous causes

**(Topic/Reference: Exhibition of Losses in the Federal Appropriation Accounts (Defense Services) /Military Audit Code Para 256)**

**Total Marks 10**

**Q.4. Marking Plan: (04 marks for concept and 03 marks for explanation)**

**Pairing: (Purpose of preparing 05 copies)**

**The process of bringing together two documents which are supposed to be facsimile copies, one of the other, to ensure that they are, in fact identical.**

When stores are transferred from one Depot to another depot or to a unit, the issue voucher is in general, prepared in five copies. These are hereafter referred to as A copy, B copy C copy D copy and E copy as detailed below:

**Utilization of five copies:**

- The A copy is the issuing Depot's office copy.
- The B copy is the copy which has been sent to the consignee, has been receipted by him and then returned to the consignor.
- The C copy is the copy sent to the consignee and retained by him.
- The D and E copies are sent by the consignor to his LAO who pairs & matches both copies and then while retaining the D copy and passes on the E copy to the consignee's LAO.

**(Topic/Reference: Definitions /Pairing / OM -12)**

**Total Marks 07**



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**Q.5. Marking Plan : 01 mark for each point**

**JOB DESCRIPTION OF ASSISTANT ACCOUNTS OFFICER**

Assistant Accounts Officer (AAO) is responsible for the everyday working and completion of audit and the audit report. The AAO is expected to work independently under general supervision of LAO and office of CLA (DP). Responsibilities of the AAO include:

1. Conducting introductory meeting at the start of each audit assignment and presenting document requisitions and other such requests to the management.
2. Assigning specific tasks to be performed by each of the team members assigned by the LAO.
3. Providing on job training, and guidance to local audit staff in conducting audits and on other professional auditing issues.
4. Monitoring the progress of audit work.
5. Reviewing audit observations prepared by the staff members.
6. Guiding staff on the testing required, editing of reports and documentation to be consulted.
7. Evaluating the work of staff members.
8. Communicating audit observations to LAO and Office of CLA (DP) during audit.
9. Compiling the observations in shape of a draft audit report to be finalized by the LAO.
10. Keeping the LAO informed about audit progress and scheduling audit review meetings with the management.
11. Making recommendations on ways to improve the audit operations.
12. Pursuing official professional training programs offered and sharing information gained with staff.
13. Performing any other audit work assigned by the senior management.

**(Topic/Reference: Responsibilities of CLA (DP) Office / OM-12)**

**Total Marks    10**

**Q.6. Marking Plan: (05 marks for concept and 03 marks for explanation)**

**53. Submission of Reports and Returns**

(i) Audit Section will keep a close watch to ensure the punctual submission of periodical reports and returns by the sub-offices. The reports will on receipt be carefully checked and consolidated where necessary for transmission to higher authorities.

(ii) The Monthly Progress Report of all the sub-offices must reach the Audit Section by 5<sup>th</sup> of the following month to which it pertains. These reports will be consolidated and submitted to MAG through General Section so as to reach his office by 15<sup>th</sup> of each month. The Monthly Progress Report will be specially checked to see that Local Audit / Review / Inspection work is not allowed to fall into arrears. The progress of settlement of audit objections and finalization of wanting acknowledgements will also be particularly watched. It will further be seen that state of work in all other fields of activities e.g. linking of vouchers / invoices / packing accounts, pricing of payment issue vouchers / loss statements and disposals of correspondence is also current. The explanation given by the LAOs in respect of arrears, if any, will be scrutinized to see that it is real and convincing. The measures adopted by LAOs to clear the arrears will also be invariably examined to see that these are adequate and effective.

(iii) Reports and returns due in / from Audit Section and the Registers maintained in the Section are detailed in Annexure D, E & F respectively.

**(Topic/Reference: Submission of reports and returns /OM-11 para 53)**

**Total Marks    08**



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#### **Q.7. Marking Plan : 01 mark for each point**

##### **REMOUNT DEPOTS**

1. Count the actual cash in hand and see whether it agrees with book balances and also see that one key of the Treasure Chest is kept with the O.C. and the other with the Head Clerk.
2. Select for inspection any one month's account and carry out regular check as detailed below to see:-
  - (a) That the cash book is kept on the prescribed form (P.A.F.A. 811).
  - (b) That the instructions for writing up the cash book as laid down in Rule 157 Financial Regulations, Part-II etc., have been followed.
  - (c) That no copies of schedules except schedule-IX are kept up.
  - (d) That money received for payment of office establishment is not brought into the cash account.
  - (e) That temporary recoveries or payment such as cost of stamps for indemnity bonds do not pass through cash book but through the office contingent register.
3. That an authenticated list of all registers and books maintained in the depot is hung up in the depot office.
4. Ascertain whether transactions in respect of any fund such as line fund, clothing fund, etc., occur in the depot, and if so whether regular accounts are maintained.
5. Examine the corresponding files to ascertain whether tenders for articles have been invited and whether proper steps such as advertisement, etc., have been taken.
6. Examine the register of earnest money deposits (P.A.F.A. 300) and security deposits.
7. See that each transaction whether in Cash, Grant, Paper, Trust Bonds, Provincial or Municipal Debentures, etc., is recorded in a register (P.A.F.A. 285) and whether any indication exists to show that it was done at the time the transaction took place. See that each depositor has a separate folio allotted to him and that these deposits are approved annually on P.A.F.A. 287.
8. That no demand certificates (P.A.F.A. 451) are obtained in cases of refunds of security deposits on the completion of the contract, when the security deposits are held by the head of the office or the local administrative head of the department.
9. Check the acquaintances in P.A.F.A.38 of permanent establishment to see that these have been obtained in each case and that revenue stamps have been affixed wherever the amount paid exceeds Rs.20 unless covered by the exceptions enumerated in Rule 45 Financial Regulation, Part-II.
10. Trace the number of labourers such as carpenters, etc. shown as employed in the bills of cattle and rolling stock or cultivation expenses and contingencies into the daily return of forms workman and materials (P.A.F.R. 1486) and also in the return of depot workman material etc. (P.A.F.R.1487 ) maintained in the depot.
11. Check the books maintained by workshops to see that the labour employed in the workshop has been properly accounted for.
12. Check the register of Cash Assignments, (P.A.F.A 276) to see whether it is properly maintained and is in the authorised form.



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13. See that regular registers of leases and recoveries are maintained in the depot and check any selected month's transactions and, if found to have been erroneously kept, check the entire account for the period from the last inspection.

14. Pay a surprise visit to the cultivation farms and workshops if this is possible to see whether the number of labourers working agrees with the number shown in the muster rolls as present on that particular day.

15. Cash book of the remount squadron should be inspected in accordance with the rules laid down for units wherever applicable.

16. As the Remounts Depots arrange for the maintenance of buildings, etc, themselves and are not dependent on the MES the documents prescribed should be inspected by the LAO in accordance with the instructions laid down in MES local Audit Manual for check of similar documents in the M.E.S.

**(Topic/Reference: Remount Depot / LAO Hand book part –II)**

**Total Marks 10**

**Q.8. Marking Plan: (06 marks for correct concept and 03 marks for explanation)**

#### **REVIEW OF ORDERS AND SANCTIONS:-**

Local audit officers will examine all orders and sanctions affecting their work issued by the government of Pakistan and authorities subordinate to them, M.A.G's letter's and Controllers office orders **in order to ensure that they are correctly applied in audit.**

**Procedure:** For this purpose they will hold monthly conferences with their A.A.O's at their headquarters stations, senior auditors readily available in those stations. All important and doubtful points arising in the course of local audit will be discussed at these conferences. The results of the conference will be recorded in "conference register" which will be open to inspection by superior service officers during their periodical visits. All doubtful points connected with the interpretation or applicability of rules, instructions etc. will be referred to the Controller for orders. In order to ensure that instructions issued by the L.A.O's have been correctly followed and carried out by their staff, a certain number of first issues, etc. will be reviewed by them. The result of the review of such issues will also be recorded in a separate column of the "conference Register".

**(Topic/Reference: Review of orders and sanctions/ LAO Hand Book-I)**

**Total Marks 09**

**Q.9. Marking Plan: (06 marks for correct concept and 03 marks for explanation) / 02 marks for date of submission , 04 marks for contents of certificate and 03 marks for role of LAO.**

#### **66. Certificates to be furnished by Unit Accountants:-**

In order to ensure that Unit Accountant actually verifies the vouchers monthly and does not hold them over till the L.A.O's periodical visits, **a certificate in the following terms will be rendered by him to the L.A.O by the 20<sup>th</sup> of each month.** The reasons for the delay in linking furnished in the certificate by the unit Accountant should be scrutinized carefully by the L.A.O and if not satisfactory, he should bring the matter to the CMA's notice, or refer to the unit, if the delay is due to the units not having afforded credit in the store ledgers, etc. The action taken by the L.A.O will be noted in the "Remarks" column.



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The certificate will be recorded with the office copies of the sub-lists. A list of all vouchers on which stores have been credited in the units ledgers, etc. but of which copies of the corresponding vouchers have not been received within four months of the receipt of stores from the consignor's L.A.O will be prepared by the unit Accountant on P.A.F (CMA) 628. The list will be rendered by the U.A. to the L.A.O. with the monthly certificate of linked vouchers referred to above. The L.A.O. after scrutinizing the list, will take necessary action to call for the wanting vouchers from the parties concerned:-

Certificate Content:

“certificate that all vouchers received for verification of credits in the store accounts of (units) up to the end of.....(preceding month) have been linked to the extent prescribed in Appendix ‘A’ to chapter 1 of L.A.O’s Hand Book part1, with the exception of the voucher noted below:-

A list of all vouchers on which stores have been credited in the unit’s ledgers and returns but of a copies of the corresponding issue vouchers have not been received from consignor’s L.A.O within four months of the receipt of the stores, is enclosed.

**(Topic/Reference: Stored Transferred from one consuming Unit to another or supply and store depots (Para 60 to 66) /PARA 66 / LAO Hand Book-I)**

**Total Marks    09**

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