



Winter Exam-2024

Solutions – Internal Audit Framework

Q.1. 4.1. The Audit Section of CLA (DP) Rawalpindi is established to exercise over all control on the activities of the Local Audit Offices in its jurisdiction and General Duties:

- (i) To organize / re-organize Local Audit Offices with the MAG's approval.
- (ii) To scrutinize Review and Inspection reports and categorize objections / observations.
- (iii) To collect and scrutinize all cases of financial irregularities, their inclusion in the report of GSA and watching progress thereof.
- (iv) To collect and vet material (including annual stock verification certificates from the LAOs concerned) for in-corporation in the Annual Audit certificate which is to be submitted to the MAG and to watch progress of cases included therein.
- (v) To scrutinize and approve lists of auditable documents.
- (vi) To devise ways and means to improve efficiency of local audit and to deal with decision cases and issue ruling/directives on policy matters concerning local audit procedure.
- (vii) To deal with the inspection reports of the CLA(DP) and finalization thereof.
- (viii) To deal with draft paras received through MAG and furnish audit reports thereon regarding disciplinary aspects against LAO / Staff for failure on their part in detecting the same irregularity pointed out by Defence Audit.
- (ix) To prepare/check strength demand statements relating to AT Section and those received from LAOs / SLAs and pass them on to General section duly scrutinized.
- (x) To arrange programme for SSO review of local audit.
- (xi) Scrutiny of TA Bills of LAOs and their staff with the approved programmes and completion reports received from LAOs.
- (xii) To submit a monthly report on audit objections of units/ formations to MAG's LA Section by 25th of each month.
- (xiii) To co-ordinate mobile committee meetings at various Formation Head-quarters with the approval of MAG.
- (xiv) To arrange refresher training for LAOs through MATI in order to equip them with latest techniques and orders relating to Local Audit.

(Topic: Responsibilities of Audit Section/ OM -12)

Q.2. Points to be observed in case of Transfer Entries:

- 1) See that transfer entries are generally made for the purposes intended in para 581 of the Regulations for the M.E.S.
- 2) See that the rules in Para 581 of the regulations for the M.E.S. are complied with and that all the transfer entries are posted in the abstract of receipts and charges, the relevant construction accounts affected and that they are supported by the necessary transfer vouchers P.A.F.W. 2253
- 3) See that the transfer vouchers do not contain transactions of the following nature:
 - a. Debiting to a work of the cost of materials not required or in excess of actual requirements.
 - b. Debiting to another work for which funds are available of the value of materials utilized on another work for which funds are not available.
 - c. Writing back the value of materials to avoid excess outlay over allotment.
- 4) See that transfer entries in rectification of errors or incorrect allocation clearly set forth the circumstances of the original wrong allocation (the incorrectness of which must be verified).

(Topic: MAC : Audit of MES Expenditure/Appendix III Part II)



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Q.3. According to Military audit code Clause 57: The progress of expenditure against the appropriation as a whole and against sub-divisions should receive special attention. The booked expenditure should be scrutinized intelligently and whenever the expenditure under any head is progressing at an unusually high rate, or at a rate likely to exhaust the appropriation for that head or heads before the close of the year warnings should be issued to disbursing officers and controlling authorities, indicating, where necessary, any savings under other heads which may be utilized to meet the probable excess.

NOTE: This Rule will apply only in the case of those heads the budget estimates for which are prepared or checked by Controller

Further points may also be noted as follows:

- Audit is responsible for watching firstly that the total expenditure under a Grant of Appropriation does not exceed the amount of that Grant of Appropriation as specified in the sanctioned Budget Estimates and secondly, that the total expenditure on each of the sub-heads fixed as units of appropriation under a Grant of Appropriation does not exceed the allotment thereof as modified by orders of re-appropriation passed by competent authorities from time to time.
- A grant of appropriation is intended to cover all the charges including the liabilities of past years, to be paid during the year or to be adjusted in the accounts of the year. It is operative until the close of the financial year any unspent balance lapses and is not available for utilization in the following year. **NOTE:** The financial year closes on 30th June. After that date all actual transactions are treated as pertaining to the following year, but bonafide transfer entries pertaining to the accounts of the year closed are permissible for some months after 30th June.

(Topic: Appropriation Audit/ MA Code 57)

Q.4. As PER Para 15 of Appendix XI of Military Audit code under the heading Result of Audit:

Objections to Insufficient Sanctions

There is class of important objections which cannot be omitted from any collective reports or statistic but must be excluded from the ordinary records of the objections booked against disbursing officers etc. These are objections to expenditure which has been authorized by a subordinate authority which require the sanction of the Government of Pakistan.

Maintenance/ documented: For such objections one special register should be maintained in P.A.F. (C.M.A.) 52. The register should be reviewed monthly by the controller.

Report to: The amount held under objection on the register should be reported to the Military accountant General as a separate item in all reports which require a report of total outstanding objectionable expenditures.

(Topic: Result of Audit (serial No. 15 of Appendix XI of " Military Audit Code"))

Q.5. 24. FINANCIAL ADVICE:-To enable the CLA (DS) to bring to the notice of the administrative authorities un-necessary or avoidable expenditure of public money or stores and to indicate to those authorities the directions in which economies can be effected L.A.O's will occasionally

carry out an intelligent review of the consumption of stores issued on an 'as required' basis in units (e.g. conservancy and other A.S.C. stores such as quick lime, oil fuel; etc.) In the case of stores which are drawn according to fixed scales, the LAO's should see that the maximum quantities prescribed in the regulations are not drawn as a matter of course, e.g., in the case of oil for lighting although there is a fixed scale, the maximum quantity is not always required owing to the absence of men on furlough etc. **If they find that issues have been abnormal or that maximum quantities allowed have been drawn as a matter of course, they should enquire personally, (without entering into correspondence with units) into the reasons for the issues and take up the matter with the unit authorities. Items of financial advice will not be included in the**



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objection statement but after they have been discussed with the unit authorities, they will be sent to the Group Officer (AT) in the Main Office for such further action on them as he may consider necessary.

25. The L.A.O. will ascertain reasons for the transfer of large quantities of stores between units etc. He should satisfy himself that the transfers were really necessary. He will bring to notice cases of what he considered to be un-necessary expenditure of Public money on Stores and he will point out ways and means of effecting economy. To assist him in this, he should study carefully the items of financial advice circulated by the M.A.G. from time to time, the reports of the Director of Audit Defence Services on the Appropriation Accounts of the Defense Services, the Administrative Reports of the Departments concerned and the orders published by Local Military Authorities etc.

26. L.A.O's should maintain personal touch with officers of the A.O.C. attached to certain Brigades as Technical Advisers to units. They should discuss with the mall matters relating to Ordnance stores, the technical or administrative implications of which are not clear to them

(Topic: Financial Advice / LAO Hand Book-I Para 24, 25, 26)

Q.6. As an auditor, it is crucial to ensure that all financial transactions adhere to the established principles of financial propriety, where payments were made without proper documentation or authorization the following steps should be taken:

Review the justification: Assess the reasons provided by staff for making these payments, while urgency might justify the need for quick actions, it does not override the necessity for proper sanction. No expenditure can be done without authorization or sanction.

Verify Compliance with Financial Propriety Principles: In this scenario the auditor should verify and follow the standards of Audit against Propriety which are as follows:

Audit Against Propriety: Controllers in the performance of their audit duties shall apply the following general principles which have for long been recognized as standards of Financial propriety:

- (i) The expenditure should not be prima-facie more than the occasion demands, and every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) No authority should exercise its power of sanctioning expenditure to pass an order which will directly or indirectly be to its own advantage.
- (iii) Public money should not be utilised for the benefit of a particular person or section of the community unless:-
 1. The amount of expenditure involved is insignificant,
 2. A claim for the amount could be enforced in a Court of Law, or
 3. The expenditure is in pursuance of recognised policy or custom.
- (iv) The amount of allowances, such as travelling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients.

Document the Findings: The Auditor should document his findings and record any deviation from above canons should be included in the audit report. Make sure to highlight the lack of proper documentation and authorization as a significant concern.

Recommend corrective actions and report to higher authorities: By following above the audit can be conducted in a manner that uploads the recognized standard of financial propriety, ensuring accountability and transparency in the use of public funds.

(Topic: Audit Principles and arrangements/ Audit of Propriety / MAC Para 23)



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Q.7. 142. Accounting for train rations when a kitchen car is attached to a train:-

(i) In the case of movement of complete units/formations the Train Ration Return will be audited by the L.A.O. of the detraining station, while in the case of Movement of mixed troops, detachments leave parties, etc. it will be audited by the L.A.O. of the entraining station.

In addition to general instructions for the audit of normal ration return, it will be seen that:-

a. the stores transferred from the normal ration return of the unit to the Train Ration Return on regular vouchers (P.A.F.Z.-2096), while entraining, have been taken a charge as “opening balances” in the train ration return;

b. the train ration return is closed on reaching the destination and the balances of stores appearing there in which represent the stores remaining un-consumed during the journey are transferred to the normal ration return required to be opened at the destination regular vouchers.

Note: “E” copies of vouchers for fresh supplies made to the Troop Train en route by the O.C. station Supply Depots at authorized replenishment stations will be received from the consignor’s L.A.O. and linked in the normal manner.

(Topic: Audit of Store accounts of units /LAO Hand Book Para 142)

Q.8. Linking of Issue Transactions

6.19. The consignor's Local Audit staff will at the-time of audit, link from the issue entries in the consignor's ledger, etc into the D copies of vouchers to the extent of 33-1/3 percent in general. They will enfance the linked vouchers (or entries therein) accordingly. The LAO and the AAO will also test link a number of the issue transaction and will add their initials to the vouchers (or the entries of the transaction) so test linked any corrections to the voucher found necessary will be communicated to the consignee's LAO and his acknowledgement obtained.

Detailed procedure in consignee's Audit Group

- ✓ On receipt of Top Lists and E copies of vouchers from the consignor's LAO's, the Top Lists will be stamped with the Inward date Stamp and examined to ensure that all Vouchers included in the Lists have been received and that they correctly pertain to units, etc. mentioned therein. After acknowledgement the particulars of the Top List and the distribution of E copies of vouchers received there- with will be entered in the Inward Scheduling Register. The Top Lists will then be filed in a file entitled Inward Top Lists of E copies of vouchers and the vouchers placed in the respective units jackets. At the close of the month, Columns 6-8 of the Register will be totaled and the vouchers placed in each unit's Jacket checked to ensure correct scheduling.
- ✓ Simple sub-Lists will be prepared separately for each Depot or Unit. The sub Lists will show the total number of vouchers only. These will be prepared in duplicate in respect of Units to which Unit Accountants are attached.

Topic: Audit verification of castings and book balances/ OM 12(6.19 to 6.21)

Q.9. Main points considered during Project Audit:

The audit team while conducting the audit of projects will keep the following points in view:

- (a) What is the estimated cost of project?
- (b) Who is the sponsor of the project?
- (c) What is completion period of the project?
- (d) What are the terms and condition for payment with sponsor?
- (e) Detail of funds deposited by the sponsor.
- (f) What percentage of deposit fund was transferred to respective Controller?
- (g) What is head wise detail of expenditure with percentage of expenditure on overhead?
- (h) Detail of negativity of project if any?
- (i) In case the work has been subcontracted to a civil contractor it may be ensured that work assigned fulfills all codal formalities and as per MES schedule

(Topic: OM-12/ Funds and Receipt Audit)
