



Winter Exam-2024

Solutions – Postal & Telecommunication Works, Rules and Procedures (Application)

Q.1. (Para 7.2 of PT&T Audit Guidelines)

Reporting cycle of compliance with Authority Audit:

1. Development of Draft Audit Report (DAR)
2. Departmental Accounts Committee (DAC) meeting
3. Quality assurance review at DAGP
4. Audit report issued to President
5. Pre- PAC meeting with the AGP or Additional Auditor-General
6. Public Accounts Committee (PAC) Meeting

Development of Draft Audit Report (DAR)

- i) The reporting cycle begins by issuing Observations Statements (OS) during field work.
- ii) Audit and Inspection Report (AIR) is issued to the PAO based on initial management response on the OS.
- iii) Management response is obtained on the AIR.
- iv) Draft Audit Report (DAR) is prepared by incorporating management response on the AIRs.
- v) Internal Quality Control Checks are performed by supervisors to ensure that the information given in the DAR is complete, relevant and supported with audit evidence.
- vi) The DAR is issued to the PAOs for Departmental Accounts Committee (DAC) meeting.
- vii) The Paras finalized for Audit Report are retained in the AR section, while those which cannot find a place in the Audit Report are sent back to the concerned IR sections. These Paras are compiled and issued as MFDAC by the IR sections for further pursuance. The MFDAC is compiled and issued on a yearly basis to respective PAOs.

Departmental Accounts Committee (DAC) meeting

- i) Paras and their replies are discussed with the respective PAO.
- ii) Minutes are prepared and signed.
- iii) DAR is updated based on the DAC minutes.
- iv) Further Audit comments are incorporated in the end as a final recommendation of the Audit Para.
- v) Final Audit Report is prepared PAO wise and is sent to the AGP office for Quality Assurance Review.

Quality assurance review at DAGP

- i) Quality assurance is carried out using DAGP's quality assurance framework.
- ii) The framework ensures that the work is performed as efficiently and effectively as possible and complies with INTOSAI Auditing Standards.

Audit report issued to the President

Under Article 171 of the Constitution, reports of the Auditor-General of Pakistan shall be submitted to the President, who shall cause them to be laid before the National Assembly.



Winter Exam-2024

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Q.2. (Rule 6.2 and 152 Page-98 T&T Manual Vol-V)

FINAL CAPITAL COST BILL

1.	Cash	Rs 565,000
2.	Stores	Rs 270,000
3.	Freight Charges @ 2.5% (270,000 x 2.5 %)	Rs 6,750
4.	Store Keeping charges 2% (270,000 x 2%)	Rs 5,400
	Sub-Total	<u>Rs 847,150</u>
5.	Establishment Charges @ 16% (847,150 x 16%)	Rs 135,544
	Amount receivable (4+5)	<u>Rs 982,694</u>

Q.3. Rule 419/I of P&T Manual Vol-II, Chap-IX, Page-147

The fundamental principles to be observed in entering into contracts of agreements are the following:

- (1) The terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein.
- (2) As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.
- (3) Standard forms of contracts should be adopted where ever possible, the terms to be subject to adequate prior scrutiny.
- (4) The terms of a contract once entered into should not be materially varied without the previous consent of the competent financial authority.
- (5) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the competent financial authority.
- (6) Wherever possible and advantageous, contracts should be placed only after tenders have been openly invited, and in cases where the lowest tender is not accepted, reasons should be recorded.
- (7) In selecting the tender to be accepted the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.
- (8) Even in cases where a formal written contract is not made no order for supplies should be placed without at least written agreement as to price.
- (9) Provision must be made in contracts for safeguarding Government property entrusted to a contractor.
- (10) The Auditor General and under its direction other audit authorities have power to examine contract and to bring before the Public Accounts Committee any case where competitive tenders have not been sought or where high tenders have been accepted or where other irregularities in procedure have come to light.

Q.4. Control Risk Assessment Forms (5.19 Guidelines PT&T)

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This form is used by the auditor to summarise the assessment of risk in the general control environment, the overall computer environment and in specific computer applications (from the previous three forms).

The risks identified through the assessment of controls may impact different components differently, so the auditor should consider control risk separately for each component (or group of similar components). The assessment of risk is very much a matter of professional judgment. In general, during the first few years following the introduction of new auditing paradigm, it is suggested that all control risks are assumed to be high unless there is sufficient evidence to support lowering that assessment.



Winter Exam-2024

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Q.4. Materiality Assessment Form (5.12 Guidelines PT&T)

- b** Materiality can be defined as follows: “An error (or the sum of the errors) is material if the error (or the sum of the errors) is big enough to influence the users of the Financial Statements”.

Assessing materiality is an important aspect of modern systems-based audits. This form provides guidelines and suggestions for assessing an appropriate materiality amount for the audit at hand.

Q.4. Source of Audit Assurance Form (5.21 Guidelines PT&T)

- c** In conducting audit, the audit team is looking for sources of assurance that the Financial Statements provide a true and fair view. One source of assurance is a detailed review of individual transactions (substantive tests of detail). However, this is very time consuming, so the audit team looks for other sources of assurance that might enable them to reduce the amount of substantive tests of detail. The audit risk model provides an arithmetic method of using the assessments of inherent risk, control risk, analytical procedures and overall audit risk to arrive at the level of assurance that is required from substantive tests of detail.

This form leads the auditor through this arithmetic model. A detailed discussion of the risk calculation is presented on the reverse of this form.

Q.4. Random Selection (5.23 Guidelines PT&T)

- d** Random selection involves numbering all of the items in the population and then using a random number table or software programme to select 200 random numbers. The auditor, then, identifies the sampling unit that corresponds to each number. This method is difficult to use unless the sampling units are already pre-numbered (pre-numbered sales invoices, for example) or can easily be numbered.

Q.5. (Rule 455/1-A P&T Manual Vol-II, Chap-IX, Page-169)

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|---|-----------------------------------|
| (i) Average opening Cash Balance: | Rs. 303,656/4 = Rs. 75,914 |
| (ii) Average daily receipts from all sources: | <u>Rs. 8,352,649</u> = Rs. 87,007 |
| (Average number of working days in a month) | 4 x 24 |

Average Cash Handled Daily (75,914 + 87,007) = Rs 162,921/-
