



**Pakistan Institute of Public
Finance Accountants**

May Exam-2026

[07.May.2026] [09:30 am – 12:15 pm]

Additional time – 15 min for Paper Reading

Performance Auditing (Application)

AGP | PG | Public Sector | KPG

Marks-80

Subjective

Duration: 02 Hours 30 Minutes

[Instructions]

- Ensure that the question paper delivered to you is the same, in which you intend to appear.
- Read the instructions given on the title page of Answer Script.
- Start each question from fresh page.

Book Allowed:

- Performance Audit Manual by Performance Audit Wing of DAGP.
- Performance Audit Manual by Muhammad Akram Khan
- Performance Audit Guidelines(booklets) by Muhammad Akram Khan

Attempt all questions

- Q.1. (a)** What are the general requirements for Performance Auditing? Discuss in light of the International Standards for Supreme Audit Institutions (ISSAI) Standards. **05**
- (b)** How the Auditor General of Pakistan implements a program for involving Senior Officers in undertaking Performance Audits? **05**

- Q.2.** The Department of the Auditor General of Pakistan conducted Performance Audit of the Hydropower Project (HPP) in the year 2023. The main objectives of the audit were to evaluate the Economy, Efficiency and Effectiveness of the project.

Hydropower Project was designed to divert water from Neelum River through a diversion dam into a tunnel. This 60 meters high dam is located at Nauseri, whereas the underground powerhouse is at Chattar Kalas, Muzaffarabad. It is a run of river hydroelectric power project of 969 Mega Watt (MW) with an annual generation capacity of 5,150 Giga Watt hours (GWh). The project uses a gross head elevation of about 420 meters available between the Neelum River at Nauseri and the Jhelum River near Zaminabad. The powerhouse has four (04) generating units having capacity of 242.25 MW each. The first generating unit of the project was commissioned in July 2018, second in August, 2018, third in October, 2018 and fourth in December, 2018.

The original PC-I of the project was approved by Executive Committee of National Economic Council (ECNEC) in December 1989 at a total cost of Rs. 15.012 million. Later on, subsequent to three intermediary revisions of PC-I, fourth revised PC-I of HPP was approved by ECNEC in May, 2018 at a total cost of Rs. 506.808 million against which actual expenditure of Rs. 423.446 million was incurred upto June, 2023.

Project management is the process of organizing the activities in a way to produce synergy effect that enables the completion of works within scheduled timelines. The goal of project management is achievement of all intended objectives of the project within time, cost and quality constraints. Manual for Development Projects emphasizes that without a scientific approach to the task of managing projects, it will be very difficult for the organizations to successfully execute them within the scheduled time, scope, quality and to deliver the required results. Once approved, the executing agency is required to implement the project in accordance with the PC-I provisions.

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(2)

It has no authority to change and modify any approved parameter of the project on its own.

The project is considered to be completed or closed when all the funds have been utilized and objectives have been achieved within the given timelines. The financial impact due to inappropriate planning resulted into non-achievement of objective of the project to generate annual energy of 5,150 Gigawatt hours, non-achievement of objective regarding establishment of water rights on River Neelum/Kishenganga, delayed completion of the project and increase in pay back period.

Non-adherence to guidelines of Manual for Development Projects resulted into time overrun of nine (09) years and cost overrun of Rs. 338.944 million and reduced effectiveness of the project due to increase in the payback period by seven (07) years.

The management failed to earn revenue under Clean Development Mechanism due to deficiency in Environmental Impact Assessment (EIA) studies and implementation of mitigation measures, the desired benefits could not be reaped.

Non-adherence to the instructions of ECNEC and subsequent non-approval of reference tariff by NEPRA resulted in loss of revenue.

During approval of 3rd & 4th PC-I of the project, ECNEC approved the revised cost of the project subject to the condition that Third Party Validation (TPV) of cost estimates of PC-I may be carried out within three months to ensure transparency, however, Third Party Validation could not be conducted till date due to which reference tariff had still not been approved by NEPRA. Similarly, Tail Race Tunnel (TRT) of the powerhouse partially collapsed due to which powerhouse was completely shut down since July 2022, but no inquiry was conducted to fix the responsibility of collapsed tunnel that caused huge generation loss.

Non-adherence to the Grid Code resulted into a loss of million of rupees on account of payment of cost of import of its own energy to the Central Power Purchasing Agency (Guarantee) Limited.

As per contract clauses, the contractor had failed to complete the remaining punch list items and deliver the spare parts despite commissioning of the project. Further, payment was made to the contractor without determining actual quantities of raw stone.

The management could not properly monitor the construction activities during execution of the Hydropower Project. Improper monitoring resulted in non-completion of telecommunication system, non-recovery of unspent amount of advance payment from the contractor due to non-construction of 11KV overhead line and re-instatement of spoil deposits by the contractor after completion of excavation work.

The management could not properly predict / manage the reliability of the powerhouse infrastructure due to which collapse occurred in its Tail Race Tunnel causing closure of power house. The management could not get indemnification of insurance claim of loss from the insurance company despite lapse of a considerable period of time.

In light of the above situation discuss the following:

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- (i) Audit Objectives
- (ii) Expected major audit findings
- (iii) Recommendations

Contd.....

(3)

Q.3. (a) Problem No.1

| | |
|----------------------|------------|
| Present Value (PV) | Rs. 10,000 |
| Rate of Interest (r) | 12% |
| Time period (t) | 05 Years |

Required:

From the above data, calculate Interest on principal amount through formula method.

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(b) Problem No.2

- Suppose you are anticipating to receive an amount of Rs. 5,000 in 08 years
- The Interest or Discount rate is 10%

Required:

From the above data, calculate Discount Amount through formula method.

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Q.4. Following data is given as under:

| | |
|-----------------------------|--------------|
| Fleet of 20 cars | |
| Fuel Consumption per month | 5,000 liters |
| Mean Consumption per car | 250 liters |
| Deviation from Mean | 700 |
| Deviation from Mean Squared | 32,750 |

Required:

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Keeping in view the above data about fuel consumption, calculate:

- Mean
- Average deviation
- Variance
- Standard deviation

Q.5. Field Office of the Department of the Auditor General of Pakistan planned a Performance Audit of the State owned Oil Company. The audit was specially focused on the following departments:

- Bulk Procurement of Crude oil from abroad
- Distribution of oil and other products
- Inventory Management (Oil product and others)
- HRD and reservoirs located at different places in the company by the respective Terminal(s)/Depots

Required:

Prepare a Preliminary Survey Report along with its key contents in light of the Template and Guidelines notes of the DAGP.

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Q.6. Describe contents of the Performance Audit Report as prescribed in the Template of the Auditor General of Pakistan.

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