



**Pakistan Institute of Public
Finance Accountants**

May Exam-2026

[06.May.2026] [09:30 am – 12:15 pm]

Additional time – 15 min for Paper Reading

**Accounting, Reporting, Pre-Audit and Internal Audit System of
Local Governments (Updated) (Application)**

LFA

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.

Books Allowed:

- Punjab Local Government Act (Updated)
- Punjab Local Governments (Accounts) Rules (Updated)
- Punjab Local Governments (Budget) Rules (Updated)
- Punjab Local Governments (Fiscal Transfers) Rules (Updated)
- Punjab Local Governments (Delegation of Financial Powers) Rules (Updated)
- Financial Audit Manual (portion relevant to Financial Attest only (Updated)
- Quality Management Framework (portion relevant to accounts) (Updated)
- Punjab Local Government Internal Audit Manual (Updated)

Attempt all Questions

Q.1. Local Government Department, Government of Punjab approved a project “Bye-Pass Road to Chichawatni City” amounting to Rs. 2,000,000,000. It will save distance of 20 kms to motorists.

- (i) Daily traffic on road is 1,000 heavy vehicles and 1,000 light vehicles.
- (ii) Diesel Consumption of HSD oil in heavy vehicle is 10 kms/liter and Petrol is 12 kms/liter in light vehicles.
- (iii) The cost of diesel is Rs. 375 per liter and petrol is Rs. 255 per liter.

Required:

Calculate the break-even period of cost of the project from petrol saving of vehicles.

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Q.2. Audit Para: Loss of Rs. 1,000,000 due to Non-imposition of penalty on contractor.

In Union Council Bahadur Garh District D.G Khan, a work “Boring and Fixing of 100 Water Hand Pumps” amounting to Rs. 10,000,000 was let out to **M/s YY** Company on 15.08.2025. The anticipated date of completion of work was 14.11.2025.

The work was completed on 31.03.2026 and total payment was released to contractor Rs. 10,000,000.

Following are the Audit observations:

- As per Clause 5 of agreement, in case of non-completion of work in anticipated period, 10% penalty on contract cost can be imposed.

Contd.....

- In this case, no penalty of Rs. 1,000,000 was imposed on the contracting firm due to late completion of work. Thus a loss of Rs. 1,000,000 was occurred due to non-recovery of penalty amount from the contractor. The Audit desires to recover the penalty amount now under intimation to audit.

Required:

Write the reply of Audit Observations.

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Q.3. What is the difference between Internal Audit and Pre-Audit?

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Q.4. WHO has donated 400 ambulances to the Government of Pakistan to enhance the health coverage to poor people. Out of these 10 ambulances were given to District Health Authority, Sargodha.

The Executive Committee of the District Health Authority, Sargodha decided to condemn 20 years old ambulances, because they are unserviceable and a financial burden on Health Authority.

Required:

Build up a case for condemnation of 10 old ambulances by the Health Department, Punjab.

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Q.5. Audit Para: Non-Maintenance of Dead Stock Register

During the Audit scrutiny of the Accounts records of the District Council, Rahimyar Khan, it was noticed that the District Council has dead stock material worth Rs. 250,000,000/- among them 1. Furniture 2. Tools & Plants, Cupboards, Machinery, Computers, Fax machine etc. but dead stock was found incomplete since last three years.

At the end of the year, the Controlling Officer is required to verify physically all the articles and material etc., and record certificate thereof about the accuracy of all the material. In this case, neither physical verification of material was conducted, nor Dead Stock Register was completed.

In absence of Dead Stock Register, the possibility of pilferage of articles cannot be ruled out. Audit desires to complete it now and got the irregularity condoned with the orders of the Competent Authority.

Required:

Write the reply of Audit Observations.

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Q.6. Accounts Officer, Faisalabad District Council has prepared a salary bill for the month of April, 2026 of work charge establishment of 200 sanitary workers amounting to Rs. 8,000,000.

Required:

What types of Audit checks are required to be exercised by the Audit Officer DLFA to pass the bill?

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Q.7. Write down the features of effective/efficient system of Internal Control.

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