



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Internal Audit
Framework**

PMAD

May Exam-2026

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Q.1. **EXPENDIBLE STORE LEDGER:**

As an auditor:

1. **Verify CRV Entries** – It will be seen that the stores purchased locally or received from any other agency have been properly accounted for by means of CRV.
2. **Check Expense Vouchers** – The stores consumed during a month must have been struck off charge by means of an expense voucher.
3. **Examine Day-to-Day Records** – The expense should be supported by details maintained on day-to-day basis either in the form of a manuscript record or in any other form, and 100% of the detailed period is required to be checked 100% with the MSR.
4. **Confirm Credit of Breakage Charges** – Charges realized from students as a result of breakage are required to be credited.

Documents to Demand:

- CRVs for locally purchased or received stores.
- Expense vouchers for stores consumed.
- Day-to-day manuscript records (MSR).
- Records showing breakage charges credited to government.

Science Equipment ledger and expendable store ledger are separately maintained for each Department. Audit of science Equipment ledger is to be conducted on the same lines, as for deadstock articles. Charges realized from student as a result of breakage are required to be credited.

It will also be seen that:

- i. The books purchased locally or received from any other agency have been properly accounted for by means of CRV.
- ii. The cost of books lost have been realized from the individual responsible for the loss. In case the loss is irrecoverable the same has been regularized under the orders of the C.F.A.
- iii. The books written off the ledger charge as a result of fair wear & tear must be supported by a proper constituted condemnation board.
- iv. The U/S material has been put to public auction and sale proceeds has been credited to Government.
- v. The stocktaking of all the books held on charge has been carried out once a year and a certificate to this affect has been recorded on the register. The discrepancies noticed at the time of physical check has been rectified.

Fine due to late return of book has been realized & credited to Govt.

Topic: Verification of Credit for stores Transferred between Army Units and Formations and those purchased locally or centrally (Preparation of reconciliation statement (appendix 'A') LAOs Hand Book Part-I



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- Q.2. **Instructions regarding the preparation of Reconciliation Statement in respect of issue vouchers handed over by Store Depots to the L.A.Os or S.L.As attached to the Store Depots.** Following Instructions narrate the objects under-lying the preparation of the reconciliation statements and the methods by which those objects can be achieved.

The main objects under laying the preparation of the reconciliation statements are:-

- (a) To ensure that all vouchers in respect of issues charged off by the store depot are actually received by Local Audit Staff or if they are not so received that proper explanations for their not being handed over have been furnished.
- (b) To ensure that action in accordance with the prescribed regulations is taken in local audit on every issue voucher handed over to the Local Audit Staff.

Reconciliation Statement showing the disposal of ‘E’ copies of issue vouchers for the month of.....

Receipt	Disposals
1. No of vouchers left over un-scheduled as per previous statement (item 7 of the Disposal side).	1. No. of vouchers scheduled to L.A.Os.
2. Total No. of vouchers required to be received from the Depot for the month, as per serial Nos. (from.....to.....) of issue vouchers shown in the skeleton list.....	2. No. of issue vouchers for which Form ‘A’ has been submitted.
3. No. of vouchers relating to previous months but received during the current month.	3. No. of vouchers for issues to Nonmilitary depts. On which action taken.
	4. No. of vouchers for issues of a miscellaneous nature with details on which necessary action taken.
	5. No. of vouchers (relating to the month) cancelled by the depot.
	6. No. of vouchers (missing) for the month not received from the Depot vide details in the “Register of missing vouchers.
	7. No. of vouchers on which action to schedule could not be taken (carried forward to next month’s statement

- Q.3. The audit of numerical store accounts will, in general, be carried out to the extent prescribed from time to time by the MAG. If during recent / previous visits to a Unit / Formation, difficulty has been (or is) experienced in obtaining full and free access to any essential account or record or in obtaining any important explanation etc., or if during the course of a test check, the LAO (or the AAO, in his absence) feels that he is seriously put upon enquiries he should report full facts of the case to the CLA(DS) through DCLA(DS) concerned for obtaining prior approval of the CLA / MAG to extend the scope of audit.

The audit section of CLA(DS), after scrutiny of these cases will be take action as under:-



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- i) In cases of extending prescribed scope of audit when extra mandays can be met out of existing establishment of the LAO concerned and no extra officers and staff are required by him, sanction of the CLA(DS) will be obtained without reference to the MAG and communicated to the LAO through DCLA(DS) concerned.
 - ii) Cases where extra officers and staff are required and extra mandays cannot be met out by the LAO concerned within his own sanction / posted strength, these will be referred to the MAG for his approval.
 - iii) Cases included in Audit Report (Defence Services) will be effectively pursued by Audit Section with the parties concerned and their speedy settlement watched.
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- 1. That declaration of stores is surplus, obsolete or waste has been done by the CONS P.N with the concurrence of the Financial Advisor military finance where necessary.
 - 2. That samples, free or on payment where issued under the orders of DP and necessary recovery of prices for samples issued on payment has been made and credited.
 - 3. That the sale or disposal of store has been made in accordance with the orders of the D.G./N. H.Q.
 - 4. That the sale account is supported by the treasury receipt and other documents prescribed in article 215 F.R.P.N. 1993.
 - 5. That the instructions for the preparation of the auction catalogues as laid down in F.R. P.N. are complied with
 - 6. That the money due from the purchasers was correctly realized and promptly credited to Government after deduction of the auctioneer's commission.
 - 7. That no sale has been made to any Dockyard employee.

Q.5. Audit of Cheques and measures in case of discrepancies:

- a
 - i) The L.A.O. will receive in weekly batches from C.M.A. all cheque slips in respect of negotiable cheques (which will be numbered serially) issued in favour of every O.C. a unit or formation in his area. He will watch that all such cheque slips received by him are consecutive and that there has been no omission in sending him any cheque slips. Cheque slips not received in time should be called for (para 284 OM Part-II refers). Cheque slips for one month (corresponding roughly to the month's account selected for detailed check) will be verified into the Cash Book from the cheque slips (and not vice versa) at the time of each inspection. For this purpose cheque slips bearing the

L.A.Os Office "Receipt Date Stamp" for the month will be selected. In the case of Not Negotiable cheques no cheque slips will be received by the Local Audit Officer. All such cheques are entered by the treasuries or the Bank in the Pass Book and the L.A.O. should test check the Cash Books from these Pass Books, the monthly statement of accounts or the advice of balance. Any particulars of individual cheques necessary for audit purposes should be obtained from the cheque slips on record with the Officer Commanding concerned.



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- ii) The L.A.O. will after verification of cheques prepare a statement showing the number and date, and amounts of cheques accounted for in the cash account which have not been shown in the list and vice versa and send it to the C.M.A. for confirmation. Any discrepancies noticed between the amounts of the cheques shown in Cash Book and those in the cheque slips as intimated by the C.M.A. will be referred to C.M.A. ('D' Section) for reconciliation in the first instance, and included in the inspection report if the cheque is found to have been incorrectly accounted for or not been shown in the cash account.
- iii) The L.A.O. will see that:-
- (a) All cheques and T.Rs are accounted for in the Adjutant's cash Books in the case of Infantry and Cavalry Units.
 - (b) In the case of all other arms of services and other formations, the O.C. or the head of the office has accounted for all cheques and T.Rs in Public Fund Cash Book.
- iv) The L.A.O. will carry out the following checks in respect of the month's accounts selected for detailed check:-
- (a) Mark off (from the "counterfoils" of cheques, of every entry in the Bank Statement.
 - (b) "Pair" the entries in the Bank Statement with the relative items on the Bank column of the cash book, paying particular attention to any "timelags" (e.g., that there is no undue delay between the date of a Bank gives credit for cash or cheques paid in and the date the remittance is paid in or ought to have paid in; similarly, that the "cashier" brings to account promptly in the cash column any cash withdrawn from the Bank)
 - (c) Verify every issue entry in the cash book (both cash and bank columns) against the disbursement vouchers, etc., verify from the "Counterfoils" of receipt books, check register of money orders in regards to money orders returned undelivered etc., into the receipt entries in the cash book to see that receipts have been accounted for. Verify all "contra entries" (in the case of transfers from "Book" to "Cash" and vice versa)

Q.5. Key Audit Red Flags

b

- Non-consecutive cheque numbers
- Missing or delayed cheque slips
- Cash Book entries without supporting documents
- Unusual endorsements
- Frequent use of bearer cheques
- Alterations on cheques

Fraud Prevention Measures

- Use "A/C Payee Only" cheques wherever possible
- Maintain **strict serial control of cheque slips**
- Perform **monthly reconciliation (Cheque slips → Cash Book)**
- Immediate follow-up for **missing documents**
- Segregation of duties (issue, record, and verify separately)
- Regular inspections by L.A.O.



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Q.6.
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Topic: Military Audit Code/ MAG Financial Powers

- a) The MAG may increase or reduce the pay and allowances of an inferior servant serving in the Military Accounts Department subject to that his powers do extend to the creation and abolition of permanent post.

Comment: the statement is not correct

Correct Statement: The MAG may increase or reduce the pay and allowances of an inferior servant serving in the Military Accounts Department subject to that his powers **do not** extend to the creation and abolition of permanent post.

Topic: Military Audit Code / Results of Audit Appendix XI para 19

- Q.6. Errors and irregularities in the course of audit of accounts will be communicated to the officers responsible for rectification and in case of any alteration in the totals are required to be attested by the officer concerned once in a month.
- b

Comment: the statement is not correct

Correct Statement: Errors and irregularities in the course of audit of accounts will be communicated to the officers responsible for rectification and in case of any alteration in the totals are required to be attested by the officer concerned as many times as they are made.

Q.7. Statement ‘D’:

In the Annual Review of M.E.S. Expenditures Statement ‘D’ showing irregularities in connection with contracts, acceptance of tenders etc. and excess expenditure owing to rates for works not having been kept down to the minimum.

Information in connection with the above statement should be furnished in respect of the following particulars (after obtaining the explanation of the local M.E.S. authorities. only those cases in which the explanation furnished by the local executive authorities are not considered satisfactory by Controllers should be included in this statement. The views held by executive should also be explained separately and the degree of breach of rule or the extent of financial loss clearly stated.

- 1) Cases of acceptance of tenders other than the lowest.
- 2) Cases of defective drafting of tenders.
- 3) Cases in which works were started or carried out without concluding any contract.
- 4) Cases in which the amount of contract was unduly enhanced or the period thereof increased.
- 5) Cases of long term contracts which were not considered financially sound.
- 6) Miscellaneous Cases.

Cases which have already been reported to G.H.Q. and/or Govt. of Pakistan will also be included but will not be dealt with in detail. A brief summary of such cases citing reference to the relevant correspondence will be sufficient. all other cases will be dealt with in full detail.

Irregularities which indicate a general tendency as against an individual error should be clearly specified as such and suggestions for remedial action should also be made where possible.



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Q.8. Terms of Reference for Desk Audit

4.23. Reference MAG No. 211/OSD/Reorg/CLA-Structure dated 22nd September, 2014 paragraph 4 (vi) Controller Local Audit (Defence Production) is to carry out desk audit before embarking upon field audit.

The record of following CMA will be examined during the course of desk audit:

- CMA (POFs), Wah
- CMA(HIT), Taxila
- CMA (FWO), Chaklala
- CMA (DP), Rawalpindi
- CMA (ISOs), Rawalpindi

4.24. The scope of desk audit would be confined in accordance with the orders of the Ministry of Defence No.F.7/2/D-7(MAG)/2012 dated 1st October, 2012 to the examination of records of all units/ formations of FWO, SCO, POF, HIT, 31 MVRDE, IOP, ARDE, PAC, DGP (Army), DP (Air), DP (Navy), DGDP, DGMP, other DP establishments of the three services and ISOs established hereafter.

4.25. The audit would cover the relevant documentation in the office of the dealing CsMAs who authorised the payment to a particular formation.

4.26. The desk audit would be confined to the examination of vouchers, records and documentation related to the payments made to audit clients of CLA (DP).

4.27. The desk audit will not focus on the administrative and internal working of the concerned CsMA.

4.28. CsMAs will extend maximum cooperation for the provision of records during desk audit.

4.29. In case any serious irregularity is pointed out against an auditee formation the matter will be reported to the MAG by CLA (DP) on an urgent basis.

4.30. The areas of concern pointed out during desk audit will be raised as observations against the relevant auditee formation and not the CsMAs.



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- Q.9.** 9.19. A continuous stock-taking of stores held in stock will be carried out by a staff of stock verifiers working under the Local Audit Officer who will maintain a chart to show the progress of stock verification. This verification will be independent of the periodical counts which should be made by the Store Officer or his staff.
- a**

Q.9. Procedure:

- b**
- The following procedure should be observed in carrying out the stock verification:

- a. The actual stock of the items required to be verified on any particular day should be verified by actual counting, weighing or measurement, and the result entered in the stock verification report, the stock verifier should then draw a red line below the last entry in the Bin Card and initial thereon against the balance which should also be entered in his stock report. The actual stock balance should also be entered by him in the bin Card at the same time. He should then verify the balance as shown in the Bin Card on the date on which the stock verification takes place with corresponding balance in the Priced Store cum Provision Ledger.
- b. The verification should be carried out in the presence of a representative of the factory who will be responsible for proper identification of stores of which the stock is taken. The Factory authorities will supply the labour required for the purpose. The Factory administration will also supply the audit office with a list of valuable and such other types of stores which the ordinary stock verifier cannot be expected to recognize at the time of stock verification of these stores, the Factory management will associate a technical officer (chargeman or above) with the stock-verifier of the CLA (DP). The officer so associated, will be responsible for correctness of patterns and technical verification where necessary.
- c. Action for the adjustment of the differences if any found between the physical stock and the bin card balances and between the bin card balances and the Priced Store Cum Provision Ledger balances will be taken as laid down in the Regulations.
- d. The Audit team will investigate the surplus or deficiencies and will ascertain if the discrepancy was rendered possible by any defect in the system or if it was due to negligence on the part of some individual.
- e. The Audit team will examine each factory's own permanent record showing the date on which the Departmental stock-taking is carried out, the scope of stock-taking and the result thereof.
- f. The audit team will examine the Loan Book maintained by the Factory to record loan transaction-inward and outward-which take place through Nominal vouchers. The Gate Passes will be examined for all stores going out of the factory.

The Audit team will examine cases where ammunition is issued for testing. It has to seen in cases that the cost of the ammunition expended in test has been treated as an inherent element in the production costs.
