



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Rules and Regulations for Audit and
Inspection of Accounts
(Application) LFA
KPK | LFA**

May Exam-2026

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Q.1. Ref: Punjab development of cities ACT 1976

New cities are created primarily to manage rapid population growth, spur economic development, and alleviate pressure on overcrowded, aging urban centers. These planned cities serve as hubs for innovation, technology, and foreign investment, often aiming to create better infrastructure, job opportunities, and housing for a growing population.

Main reasons for creating new cities include:

Economic Growth and Investment: New cities, such as King Abdullah Economic City, are developed to attract investment, foster business clusters, and create jobs. They are built to boost GDP by concentrating economic activities in new, specialized areas.

Decongestion and Urban Planning: Existing, older cities often face overpopulation, slums, and inadequate infrastructure. New cities allow for better planning, incorporating modern, sustainable, and "smart" technology to improve the quality of life.

Political and Administrative Needs: Governments build new cities to serve as new administrative capitals, such as Putrajaya (Malaysia) or Naypyidaw (Myanmar), to centralize government functions, improve efficiency, or shift the focus of power.

Addressing Population Growth: With the world's urban population expected to double by 2050, new cities are necessary to house, educate, and employ the growing population.

Regional Development: New, master-planned cities can be placed in strategic locations to spur development in underdeveloped regions.

These "greenfield" projects represent attempts to build the "city of the future" from scratch, offering a fresh, optimized environment for living and working, rather than struggling with the limitations of upgrading older cities.

Q.2. Ref: Rule 13 of the Punjab Sales Tax on Services (Recovery) Rules, 2012

Property and bank accounts of a Punjab Sales Tax (PST) defaulter can be attached by the Punjab Revenue Authority (PRA) if tax dues remain unpaid for seven days following a formal notice. Attachment occurs if the taxpayer fails to comply with recovery notices, risks concealing/disposing of assets, or defaults on payment.

Key Circumstances and Rules for Attachment:

- **Default Timing:** Attachment proceedings begin if the amount is not paid within seven days of the notice.
- **Proportionate Action:** The attachment must be reasonable and proportionate to the tax liability, not excessive.
- **Timing Restriction:** Property attachment (movable or immovable) must occur between sunrise and sunset.
- **Procedure:** A recovery officer will issue a notice, and if ignored, can proceed to detain/attach assets, including bank accounts, to recover the outstanding dues.
- **Risk of Disposal:** If the authority believes the defaulter is attempting to hide or remove assets, they may act immediately after issuing a notice.

Key Takeaways:

- **Authority:** The PRA Recovery Officer is responsible for these actions.
- **Asset Type:** Both movable and immovable properties can be attached.
- **Scope:** Property attachment should not exceed the amount specified in the recovery notice.



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Q.3. The Monitoring and Inspection (M&I) Wing of the Directorate of Local Fund Audit (DLFA) Punjab, established within the Finance Department, functions as an internal oversight mechanism to ensure financial discipline, transparency, and regulatory compliance within local governments and autonomous bodies in the province.

The modus operandi of the M&I wing involves the following key activities:

- **Scrutiny of Activities:** The wing scrutinizes the financial plans, schedules, movements, and operational activities of Town Municipal Administrations (TMAs) and other local governments.
- **Targeted Inspections:** It conducts both surprise and scheduled inspections of field offices to ensure compliance with financial rules and regulations.
- **Monitoring Departmental Inquiries:** The wing monitors departmental inquiry cases initiated under Efficiency and Discipline (E&D) Rules, particularly in cases involving embezzlement or misappropriation of public funds.
- **Supervision of Staff Transfers:** Ensuring strict adherence to established transfer policies for staff within the department.
- **Compliance and Reporting:** Following inspection visits, instructions are issued on the spot for rectification of issues. If irregularities persist, the wing reports these findings to higher authorities, such as the Secretary of the Finance Department, for strict action against defaulting entities.
- **Reporting Structure:** The M&I wing operates at both Provincial and Divisional levels, having been established by re-designating previous Circle Audit Scheme posts to enhance accountability.

Q.4. SECTION 27 (THE CANADIAN AND WARDS Act 1890)

Types of Property Guardianship

- **Guardian of the Estate (Court-Appointed):** A person or entity appointed by a court to manage financial matters specifically, often needed if a minor inherits substantial assets.
- **Natural/Legal Guardian:** Typically, the father (or mother if the father is deceased/incapacitated) who holds primary authority under law.
- **Testamentary Guardian:** A person named in a will by a parent to take over property management upon the parent's death.
- **De Facto Guardian:** Someone who takes charge of a child's property without a formal court appointment; their authority is very limited and often unauthorized.

Consequences of Mismanagement:

If a guardian fails to act in the best interests of the minor, wastes assets, or sells property without court sanction, the transaction can be considered voidable. The court may remove the guardian for misconduct or incapacity.

Q.5. REF: PUNJAB affordable housing program (PAHP)

A housing authority acts as a critical, often governmental, agency designed to manage, develop, and provide affordable, safe, and stable housing to individuals and families. Its role in human development extends beyond merely providing shelter, influencing health, economic stability, social integration, and quality of life.

Key Roles of a Housing Authority in Human Development:

- **Ensuring Access to Safe and Adequate Shelter:** A primary function is providing low-rent or free public housing to those who cannot afford it on their own, including seniors, low-income



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earners, and people with disabilities. This addresses the fundamental human need for security, protecting individuals from environmental hazards, crime, and the psychological stress of homelessness or insecure tenure.

- **Improving Quality of Life through Infrastructure:** Housing authorities often maintain and rehabilitate housing stocks to meet modern safety and sanitary standards. They also manage "social housing," which integrates necessary amenities such as playgrounds, recreational areas, and, in some cases, proximity to schools and clinics.
- **Promoting Economic Stability:** Through initiatives like the Section 8 voucher program (in the US), housing authorities provide subsidies, enabling households to rent from the private market while ensuring they pay a reasonable percentage of their income on rent (often 30%). This prevents housing costs from consuming income needed for food, healthcare, and education.
- **Enhancing Social Inclusion and Community Stability:** By implementing strategies against antisocial behavior and managing "mixed-income" developments, housing authorities foster safer, more harmonious neighborhoods. They also facilitate community engagement, providing opportunities for residents to voice concerns about their environment.
- **Fostering Long-Term Development and Sustainability:** Modern housing authorities often work as "enablers," not just providers. They develop comprehensive housing strategies, partner with private sectors to build new housing, and support the "right to housing" as a foundation for achieving other human rights, such as health and education.

Impacts on Specific Aspects of Human Development:

- **Health:** Adequate housing improves physical health by providing shelter from elements and reducing overcrowding, while also improving mental health by offering security and reducing stress.
- **Education:** Stable, high-quality housing is linked to better educational outcomes for children in low-income families.
- **Economic Opportunity:** Stable housing provides a stable base for employment, while housing authorities can provide services that promote financial self-sufficiency.
- In essence, the housing authority acts as a foundational agent that converts housing from a mere commodity into a social good, essential for human dignity and advancement.

Q.6. Ref: Punjab Agriculture Products Market Ordinance

Obtaining a vendor license for an agricultural market (often referred to as an Agricultural Produce Market Committee or APMC license) involves registering with local agricultural, municipal, or food safety authorities to legally sell produce, fruits, vegetables, or related agricultural products.

1. Identify the Relevant Licensing Authority:

Depending on the region, the license is usually issued by one of the following:

- **APMC (Agricultural Produce Market Committee):** For large-scale trading within regulated mandis.
- **Directorate of Municipal Administration (DMA):** For general trade licenses in urban markets.
- **Food Authority (e.g., Sindh Food Authority or Punjab Food Authority):** For food safety compliance.
- **Directorate of Plant Protection (DPP):** For specialized vendors, such as pesticide dealers.



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2. General Requirements and Documents:

Applicants must prepare the following documentation before applying:

- **Application Form:** Duly filled and signed (often available at district offices or online portals).
- **Identification:** Copy of National Tax Number (NTN) and CNIC of the business owner/partners.
- **Business Proof:** Rent agreement, lease agreement, or property ownership documents for the storage/shop space.
- **Site Plan:** A location map or layout of the business premises.
- **Photos:** Passport-sized photographs of the applicant.
- **Affidavit/Undertaking:** A notarized affidavit declaring no criminal record and adherence to market rules.
- **Medical Certificates:** In some cases, medical certificates for staff involved in food handling.

3. Step-by-Step Licensing Process:

- **Application Submission:** Submit the completed application form along with the required documents to the relevant authority (e.g., APMC office or district food authority office).
- **Fee Payment:** Pay the prescribed license fee and, in some cases, a security deposit (e.g., INR 5,000–10,000 in India, or specialized fees in Pakistan for distributors).
- **Site Inspection:** A Food Safety Officer or Inspector will visit the site to verify safety, hygiene, and storage standards.
- **License Issuance:** Once the inspection is successful and documentation is verified, the license is issued.

4. Special Considerations:

- **Validity and Renewal:** Licenses are generally valid for one to three years and require annual renewal.
- **Specific Products:** If selling pesticides, you may need a specific dealer license from the Agriculture Department.
- **Small-Scale Producers:** If you are a grower selling your own produce, you may be exempt in some areas, but registration is often still encouraged.

Q.7. Based on the **Auqaf (Federal Control) Act, 1976**, and the **Punjab/Khyber Pakhtunkhwa Waqf Properties Ordinances of 1979**, the Chief Administrator of Auqaf can sell or dispose of Waqf property under specific circumstances aimed at securing maximum benefits for the waqf or serving the public interest.

The key circumstances under which the Chief Administrator may sell or dispose of property include:

- **Securing Maximum Economic Benefit:** To prevent loss or damage to the property and to maximize its financial yield.
- **Best Public Interest/Purpose:** When the sale is deemed necessary to serve the best public interest or the specific purpose for which the property was originally dedicated.
- **Following the Waqif's Wishes:** To give effect to the identifiable wishes of the person who dedicated the property.



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- **Reinvestment/Development:** To invest the proceeds in other developmental projects or properties in accordance with government directions.
- **Maintenance of Beneficiaries:** To provide maintenance to those authorized individuals who are unable to maintain themselves due to unemployment, sickness, infirmity, or old age.
- **Preventing Danger:** To prevent danger to life, property, or public health.

Conditions on Sale:

- **Approval:** In many jurisdictions, the Chief Administrator requires permission from the Government/Relevant Authority to sell or dispose of the property.
- **Proceeds Utilization:** The sale proceeds must first be applied to satisfy the main purpose of the waqf.
- **Procedure:** The sale is typically done through transparent methods like public auction.

Important Notes:

- The Chief Administrator holds the power to lease out property, but selling it is a more restricted power.
- The sale proceeds cannot be used for any purpose unless the main purpose of the waqf is first served.
- The Chief Administrator can recover rent or lease money as arrears of land revenue.
- Once a property is notified as waqf, the Chief Administrator can take over its management, but selling it requires following the legal framework described above.

Q.8.	Tax Calculation (Annual Income)	Rs. 1,814,400
	Applicable Slab	Rs. 1,200,000 to 2,200,000
	Tax Calculation Formula Rs. 30,000 Plus 15% of the amount exceeding Rs. 1,200,000	1,814,000 - 1,200,000 = 614,000 15% of 614,000 = 92,160
	Total Annual Tax	30,000 (Fixed) +92,160 Total Rs. 132,160
	Already paid	132,160/0 – 60, 000
	Tax payable with Tax Return	Rs. 72,160
