

Internal Audit Framework

Summer-2022



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Q.1. Marking Plan: 03 marks for concept and 04 marks for explanation and points

Fixing of Definite Period in case of GSA Objections referred back to LAOs for obtaining Management replies

4.31. It has been decided to fix a definite period for the disposal of GSA objections selected by the AT Section of CLA (DP) and sent to the LAOs for obtaining fresh replies from the management. It has been seen that in many cases proposed GSA items sent to LAOs for obtaining fresh replies from the management have not received any input from the unit concerned. As a result objections are kept pending for an indefinite period for a final decision.

4.32. Therefore it has been decided that the LAOs will ensure the implementation of the following with immediate effect:

- (i) Asking the units concerned for a fresh reply within 15 days and sending the replies after examination by the LAO to the AT Section within one month after receipt of categorization of objections.
- (ii) For those proposed items already in process with the LAOs the above one month deadline will also be observed.
- (iii) All such cases will be reported to the MAG's office in the monthly GSA report by the AT Section if no replies from the unit concerned are received from the LAO.
- (iv) All LAOs are to ensure that all units are informed of this change.

Total Marks 07

Q.2. Marking Plan : 07 marks for the procedure 03 marks for explanation

The below given procedure is intended to ensure that local audit of store accounts of units mobilized and /or ordered overseas is not delayed in any way, and is not protracted to an extent necessitating correspondence with the unit in the field or with its record office. With this object in view, every effort should be made to settle finally all observations and objections as far as possible, before the units moves out of its peace stations. In no case should un-answered queries or outstanding objections pertaining to such units be transferred for disposal to the LAO or the record officer (or Depot) of the unit, nor should any correspondence be entered into with the unit in the field. Any objection still outstanding after the unit has left its station should be reviewed by the LAO with a view to obtaining approval to "waive" them. Objections which can only be settled by reference to the unit's records at the Depot should be referred to the Depot if exceptionally important, and then only under the controller's personal orders. In general it will be the responsibility of the L.A.O of the unit to initiate action to "waive" any outstanding audit objections and in doing so, to explain to the Controller why he could not settle them before the unit left the station.

APPENDIX 'H' (Referred to in paragraph-17 of chapter I).



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Procedure for the final closing audit of store accounts of units in Pakistan which are ordered to be mobilised:-

Instructions etc. for the guidance of officers commanding with regard to closing the accounts of their units on mobilization are contained in L.A.O.1450/1944.

As soon as L.A.O. is informed of the impending mobilization of a particular unit in his audit area he will accord 'priority' to the audit and inspection of the accounts of such units and will endeavor to arrange for the completion of audit and the settlement of almost all objections within the time available. With this end in view he will make a free use of the powers of "Waiver" delegated to him under Rule 67F.R..Pt-I and it will be his duty to keep in constant touch with the unit and render such assistance by way of advice etc. Which the latter may require for closing its accounts and settling all outstanding objections.

Receipt transactions:- The percentage linking of issue vouchers (E-Copies) into the various ledgers and returns will be carried out in the ordinary manner, the prescribed percentage being selected from the 'E' copies received by the local Audit officers upto the time of audit. Further 'E'-Copies of vouchers received after audit will also be linked (to the extent of the same percentage) before the ledgers are finally packed up for transfer away from the station. Any copies received after the transfer of the ledger will be merely recorded, with a suitable remark.

ISSUE TRANSACTION

a) Equipment and clothing ledgers:-

The issue entries in ledgers will be audited in the usual manner by selecting the prescribed percentage of transaction and linking them from ledger or return into the related vouchers. Issue vouchers for stores transferred to other units etc. will be scheduled as usual to the local Audit Officers concerned, after ensuring that they are a full and correct record of the issue entries under audit. It is possible that, in some cases, receipted copies of issue vouchers may not be available for pairing with 'E'copies before the 'E'copies are transmitted to the consignee's local Audit Officers. This should not, however, delay the transmission of such 'E'copies.

b) Ration Return:-

In addition to the usual quantum of audit of ration returns, the last return (Irrespective of whether it pertains to a complete month or a part thereof) will be scrutinized generally to see that articles are not struck off the return without proper authority. A few items of issues forming part of the total entitled rations will be test checked in order to ensure that the entitlements have been worked out correctly (approximately). The procedure for linking other issue items (relating to transfer of stores) appearing in the ration returns will be the same as laid down in clause (a), above.

Total Marks 10

Q.3. Marking Plan: 05 marks for clear concept of clearance of objection and 02 marks for explanation

a



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As per Appendix XI of Military Audit Code under the heading Clearance of Objections

When an amount is outstanding against a Government servant and money is also due to him by Government but has remained undrawn for a considerable period owing to the death or resignation of the individual or any similar cause, the audit officer may adjust the amount due by the individual against the amount due to him by government and thus clear the

objection. A note of such adjustment should be made in the audit register (pay list or pay bill in cases where audit registers are not maintained) an adjustment in the accounts will be made if necessary.

So the Audit objection will be cleared by the Audit officer by making recovery adjustment of Rs. 225,000/- from his GP Fund account and clear the objection.

Total Marks 07

Q.4. Marking Plan: 01 mark for each point

In checking the cash book and the subsidiary accounts of Brigade offices, LAO also see that :-

- (i) The cash book is maintained on P.A.F.A. 811.
- (ii) All money received either by cash or by cheque are properly accounted for;
- (iii) Entries of receipts and payments are made in the cash book immediately a cheque or cash is received or paid, and not periodically, and that serial No. is given separately to each receipt and payment entry;
- (iv) At the end of each month the cash book (including the ledger Account) is balanced and signed by the Officer-in-Charge;
- (v) Acquittances are signed in ink, that vernacular signatures are translated into English, that seal or thumb impressions are authenticated by the officer who makes payments and not by a subordinate (Rule 32 Financial Regulations, Part II).
- (vi) Payments of sums exceeding Rs. 20 are stamped where necessary;
- (vii) All corrections are attested by the officer making payment;
- (viii) There is no over-writing of figures;
- (ix) A separate guard book is maintained for recording acquittances pertaining to the General Ledgers accounts;
- (x) In the case of disbursements of pay, the acquittances are taken on the pay bills, that summary of the payments is made out and signed by the Officer-in-Charge and that the total of the summary is entered in the cash book.
- (xi) The summary is attached to the pay bills and that the details of undisbursed pay are recorded on the summary, and that the amount of undisbursed pay is either adjusted in the next pay bill or remitted into the treasury;
- (xii) The general rules regarding the custody of public funds, etc., contained in Rule 438 et. seq. Army Regulation Vol I, are observed;



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- (xiii) Private deposits of officers and others are not kept in the Treasure chest;
- (xiv) Sums are not advanced from one public fund to another or to officers from public money, contrary to regulations;
- (xv) In the case of formations in receipt of office allowance, the check prescribed in para 16 section II, ante, is exercised on the office allowance fund account
- (xvi) The general rules for the preparation, submission and disposal of bills and vouchers contained in Rule 32 Financial Regulations, Part II, are strictly adhered to.

Total Marks 10

Q.5. Marking Plan: 04 marks for concept and 03 marks for explanation

80. An annual statement showing the names of individuals under the audit control of a Controller of Military Accounts, the salaries, etc. drawn by them during the year and the amount of income-tax recovered from them, should also be sent to the income-tax authority concerned as soon as possible after the close of the financial year. **Note:** In some stations income-tax officers are attached to the office of Controllers of Military Accounts. In such cases annual statements need not be sent, as the necessary information is collected by the income-tax officers from the pay bills. Where, under special arrangements, monthly income-tax schedules are forwarded by Military audit officers to the income-tax authorities yearly statements are not required.

Total Marks 07

Q.6. Marking Plan: 03 marks for concept and 02 marks for explanation

05

- (a) No undue delay takes place in crediting to Government of all sale proceeds. LAOs should bring to the notice of the higher authorities through the CLA (DP) instances of delays in crediting to Government of amounts realised or any other points of interest in the maintenance of the accounts. Acknowledgements of CMA for treasury receipts will invariably be looked for in audit.

Q.6. Marking Plan: 03 marks for concept and 02 marks for explanation

05

- (b) In no case should un-answered queries or outstanding objections pertaining to such units be transferred for disposal to the LAO or their cord officer (or Depot) of the unit, nor should any correspondence be entered into with the unit in the field. **Any objection still outstanding after the unit has left its station should be reviewed by the LAO with a view to obtaining approval to “waive” them. Objections which can only be settled by reference to the unit’s records at the Depot should be referred to the Depot if exceptionally important, and then only under the controller’s personal orders. In general it will be the responsibility of the L.A.O of the unit to initiate action to “waive” any outstanding audit objections and in doing so, to explain to the Controller why he could not settle them before the unit left the station.**



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Total Marks 10

Q.7. _____

Only the following bills and pay lists are subject to post-audit. In all other cases pre-audit is conducted.

1. Pay lists of regimental units accounts submitted in respect of cash assignments (including temporary labour bills) of Ammunition and Remount Depots, Grass and Dairy Farms paid from such assignments.
2. Note-1 : When bills relating to RV&FC establishments or Ammunition Depots, A.O.C. establishments, Mechanical Transport drivers, attached to Hospitals, A.S.C. establishment of supply Depots, M.E.S. establishments of Military Hospitals are so large that the time taken to pre-audit them render payments by the first of the month impossible, Controllers may at their discretion, order their payment and subsequent post audit.
3. Controllers may at their discretion adopt this procedure in other cases where similar conditions prevail.

Note-2: Establishment bills of an Office of a Controller of Military Accounts are audited by another Controller of Military Accounts. The bills are paid by the Controller of Military Accounts, to whose establishment they pertain, after preliminary scrutiny, and post audited by the C.M.A. to whom the work has been allotted.

Total Marks 05

Q.8. Marking Plan: 01 Mark for each point

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 CsMA 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



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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.

Total Marks 10

Q.9. Reference: Financial Rules Volume-I Para 67

Marking Plan: 01 mark for each point (05 marks for concept and 05 marks for explanation)

67. Powers of Audit Officer

a. An audit officer of or above the rank of Deputy Controller of Military Accounts may waive any audit objection up to a limit of Rs 100/- in each case, and an assistant controller or any gazetted officer of PBS 17 and above in charge of a section of an audit office or in charge of local audit may exercise the same power upto a limit of Rs 50.00 only.

b. Similarly, a Controller of Accounts not below BPS-20, may waive any audit objection up to a limit of Its. 200.00 in each case, brief reasons being recorded of the circumstances which, in his opinion, justify the waiver.

Note: If the irregularity is one that is likely to recur, the officer responsible should be told that it is objectionable, even though no recovery be made in the particular instance.

c. Some items are placed under objection not because the whole or any portion of the expenditure is unjustifiable in itself, but because it is not exactly covered by rule or the authority for the expenditure is insufficient or full proof that it has been incurred has not been provided; for example, there may be an absence of one or more sub vouchers. In such cases, the head of an audit office, ie, the Controller (13PS 19), may waive an audit objection up to a limit of Rs 1000.00 and Rs 2000.00 in the case of a Controller (11PS 20), in each case, provided:-

(1) That the expenditure is not of an intrinsically recurring nature.

(2) Where the objection is based on insufficiency of sanction that he is satisfied that the authority empowered to sanction the expenditure would accord sanction, if required.



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(3) Where the objection is on based insufficiency of proof of payment, that he is of opinion that undue trouble would be caused if the submission of the full proof of the expenditure having been incurred were insisted on, and he sees no reason to doubt that the outlay has actually been made.

d. In similar circumstances, a Deputy Controller of Accounts, not holding charge of an accounts office, and any gazetted officer in BPS 17 of the Military Accounts Department may waive an audit objection up to a limit of Rs 100.00 and Rs 50.00 respectively, in each case.

Total Marks 10

Q.10. Marking Plan: 05 marks for concept and 03 marks for explanation.

Military Treasure Chest

On receipt in the audit office of the monthly accounts it will be seen that all receipts other than cheques and Remittance Transfer Receipts drawn, are supported by receivable Orders or challans signed by competent authority and that lists of cheques and Remittance Transfer drawn are furnished.

The payments should be supported by vouchers or discharged cheque.

All receipt and payments on account of other districts and departments should be passed on through exchange accounts.

Other receipts and payments will be provisionally compiled in the treasure Chest Compilation to the credit or debit as the case may be of the head “Advances Military Treasure Chests” the vouchers then being scheduled in P.A.F.A. 741 to the audit section concerned. The amount of the vouchers after audit and classification by the audit sections, will be included by the compilation section in their detailed compilations concerned under the appropriate heads by contra debit or credit to the head “Advances Military Treasure Chests” to which they are taken in the first instance in the Military Treasure Chet Compilation. The clearance of the transactions compiled to the head “Advances-Military Treasure Chest” will be watched by means of a progress register in P.A.F.A. 742.

The entries in the monthly accounts should be checked with those in the daily lists of receipts and payments and it should be seen that the cash balance agrees with that shown in the certificates of verification of cash balance by the Military Treasure Chest Board.

If the monthly closing in any month is unduly large the officer incharge of the Military Treasure Chest should be instructed to reduce the balance immediately either by short drawings or by a remittance into the treasury.

Total Marks 04
