

# **Performance Auditing (Application)**

**Summer-2022**



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**Solutions – Performance Auditing (Application)**

Year	Discount factor	Cash flows (PKR)	Present value (PKR)	
1	0.893	95,000	84,835	<i>1 mark</i>
2	0.797	80,000	63,760	<i>1 mark</i>
3	0.712	60,000	42,720	<i>1 mark</i>
4	0.636	55,000	34,980	<i>1 mark</i>
<b>Total</b>			226,295	
<b>Initial investment</b>			(225,000)	<i>1 mark</i>
<b>NPV</b>			1295	

Q.1. Project B will be selected. (2.5 Marks)

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Reason: It has the highest NPV. Therefore, in the absence of other relevant information, this project should be selected. (2.5 Marks)

**Total Marks 10**

Q.2. Suggestive list of objectives are

**Objective No. 1:** The objective of the Performance Audit is to assess of Sokovia Food Authority has put adequate system of checks in place to ensure that the food that is arriving in the market is of good quality or not in order to control the foodborne diseases amongst the general population.

**Objective No.2:** The objective of the Performance Audit is to verify if the checklist that the teams refer to have questions dedicated to checking whether food is coming from edible sources or not.

**Objective No.3:** Food that does not comply with the standards identified for food quality in the country pose a risk to the health of the citizens. The objective is to see if the lab tests for the raw food are in line with the health standards determined by the country.

**Objective No.4:** Food that is not prepared under controlled environment is more vulnerable to result in foodborne illnesses and diseases. The objective is to check if the food is handled in proper, approved way or not.

**Objective No.5:** The objective is to check if the licenses are being provided on merit or not.

*5 marks per objective upto maximum of 15 marks, should be in line with the scenario stated.*

**Total Marks 15**

Q.3. Suggestive list of audit questions is

1. Has the Sokovia Food Authority established procedures for the working of the food chain?
2. Has the Sokovia Food Authority establishing a monitoring and inspection procedure for the entire food chain?
3. Have inspections been organized so as to provide coverage of the entire chain in the food market?
4. Have food safety inspections been effective?
5. Are all the rules and regulation that Sokovia Food Authority is following are in line with international best practices and standards like the ISO?
6. Are the labs that are testing food material of good repute and standing, with properly qualified staff?
7. When was the last the procedures for food quality check reviewed? And by whom?
8. Is there a mechanism to check the source of food being sold in the market to check if it is



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from edible and customary acceptable source?

9. Are the licenses provided after due diligence and proper checks?

*2 marks per question upto maximum of 15 marks, should be in line with the answer given in Question No. 4 and with the scenario stated.*

**Total Marks 15**

- Q.4.**
1. The accountability cycle culminates with implementation of the audit recommendations by the auditee management
  2. Each audit reports and each recommendation in the report should have distinct numbers that appear on body of the report and record of implementation of the recommendations to follow the directives of PAC
  3. Evidence of implementation of the recommendation is also a part of the follow up in Performance Auditing
  4. Enables to conduct further verification by deputing auditor(s) to verify the implementation
  5. identifies areas for a follow up Performance Audit
  6. It may be more economical and efficient if the visiting regularity audit team carries out verification of the implementation
  7. Highlight those recommendations which were not implemented by the Government organizations despite AGP's reminders and follow-up
  8. To determine continued relevance of previous recommendations and to assess need for any revision of those recommendations
  9. To respond to specific requests from legislature or auditee management
  10. To expand coverage of a previous audit geographically or over other similar organizational entities which were audited previously
  11. Significant risks remain or have emerged since the last audit

*1 mark for every point upto maximum of 10 marks*

**Total Marks 10**

**Q.5. Control Deficiencies**

1. No checks are run by the administration on the video footage to ensure that no staff member manipulates the system and the time of the attendance is also checked.
2. The Deputy Director sends the payroll sheet back to the Assistant Director without signing it.
3. Directors are required to approve all employees' leave forms, however, this does not always occur.
4. The password to the SAP Pay module is not regularly changed.
5. Two employees have access to the same account in SAP pay module.
6. The Assistant Director amends the payroll, produces the report on employees being transferred in and out but this report is not reviewed.
7. Only overtime in excess of five hours per week needs authorization by the administration.
8. Where cash wages are paid, the driver is only required to provide their name to collect their pay check.
9. The temporary delivery drivers are paid their paychecks without any consultation with any



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list of temporary drivers to counter check their name.

10. The administration decides on the honorarium to be paid to delivery drivers each quarter and there are no approved parameters/policy for the honorarium.
11. As a result of current pandemic, half of the staff of administration is on leave and as a result of this, the pay data is being compiled by the G-Pay and it is also preparing the paychecks of the employees.
12. Recordings are kept in date order in the Administration wing and a log is also maintained on excel of the person who has reviewed the footage. The excel data can be easily changed.

**1.5 mark per identified control deficiency maximum upto 15 marks.**

**Total Marks 15**

**Q.6.** Refer to your answer to Question No.6 above. For the control deficiencies that have been enlisted, identify the remedies/solutions to those deficiencies. Propose ten (10) internal control measures that the organization can introduce to reduce the risks arising as a result of control deficiencies.

1. An employee should be deputed to run routine checks on the video footages of the attendance to ensure that there has been no manipulation with the system of attendance.
2. The Deputy Director should sign the payroll sheet before sending it to that Assistant Director and this should be made a part of the SOP.
3. It should be ensured that the Directors sign all leave forms. The leave forms that are not signed should be returned.
4. The password should be changed to the module on a regular basis.
5. The Assistant Director and the Deputy Director should have their own accounts to view the module and the procedures to make changes the payroll should also be written down.
6. When the amendments are made to the payroll sheet, these amendments should be reviewed by the Deputy Director and should be signed also.
7. Every overtime should be authorized by the administration and only then payment should be made.
8. The temporary drives should also provide their temporary IDs along with their names while collecting their paychecks.
9. The names of the temporary drivers should be cross referenced with the list of temporary drivers and only then they should be given their paychecks if the names and ID match.
10. There should be an approved honorarium policy so that payment is being made only to those drivers who deserve it.
11. If the staff is on leave, temporary duties should be assigned to other employees, not working in G-Pay to make sure that there is segregation of duties.
12. The log of video recordings is being maintained in an excel sheet. There is no means to checking if anyone has tampered with the log. Hence they should be maintained in hard form with limited access.

**1.5 mark per identified control deficiency remedy/solution maximum upto 15 marks.**

**Total Marks 15**

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