



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

Internal Audit Framework

PMAD

Winter Exam-2025

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Q.1. As Per Para 26 of Military Audit Code: The auditor should:

- **Conduct a comparative examination/ analysis** of vouchers and accounts from both Lahore and Peshawar MES units.
- **Watch for individual abnormalities** in rates and assess whether they deviate from standard schedules.
- **Consult the Ministry of Finance (Military):** The audit team consults the Ministry of Finance (Military) to obtain reliable schedules of rates for construction work in both regions.
- **Verify the sanctioning authority** and ensure the officer who approved the rates had the financial competence to do so.
- **Apply the Principle of canons of financial propriety** as outlined in paragraph 23 of the Military Audit Code, ensuring the expenditure is not excessive and is justified. A formal objection is raised if found any citing breach of financial propriety.
- **Local Inspection:** A local audit inspection is conducted at the Lahore MES site to verify the quality of work and materials used.
- **Documentation Review:** Contracts, work orders, and approval documents are scrutinized to ensure proper sanctioning and adherence to procurement rules.
- **Report findings** to the Military Accountant General if irregularities are confirmed.

Exact Para 26 of Military Audit Code : The audit of rates paid for work done or supplied made should receive special attention; but as objections can be raised only on grounds of financial propriety (see paragraph 23) this audit will usually present considerable difficulty. It demands the exercise of great intelligence and care. Individual abnormalities in rates should of course be watched, but the institution from time to time, of a comparative examination, through the vouchers and accounts received for audit of the rates paid by various officers in the same or neighbouring localities, may indicate cases in which the rates being abnormal, further enquiry may be desirable. The assistance of the Ministry of Finance (Military) may be invoked in obtaining reliable schedules of rates and other necessary information. In the case of Military Engineering Services, useful work in the direction of making a comparative examination of rates can be done also at local audit inspections.

Q.2. (a) **Units where Unit Accountants are not attached**

- About **10% of the sheet rolls** are to be examined annually by the Audit Staff.
- The check should be **spread over the whole year**.
- Examination will be conducted as per the procedure laid down.

(b) **Units where Unit Accountants are attached**

- The entries in the sheet rolls are checked by the Unit Accountants in the manner laid down in para 5(ix) of the *"Instructions relating to Procedure of Work in the Accounts Section of Units and Formations (1930)"*.
- The **Local Audit Officer (L.A.O.)** should **test-check approximately 5%** of the sheet rolls **during the course of the year**.

Test Check Procedure

The examination or 'test' check will consist in verifying:

1. **Attestation**

- That the entries in the concerned sheet rolls have been **attested by an officer**.

2. **Leave/Furlough Entitlement**

- That, based on the entries in the sheet roll, the individual was entitled to the furlough and/or leave granted within the **two years preceding the check**.



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3. Good Service Pay and Former Service

- That the awards within the periods specified in **A.I.I. 33/S/47** of good service pay, and the former service allowed to count for the purpose, were **correctly recorded**.
- A note will be kept of the particular sheet rolls subjected to test check.

4. Reservists' Training Period

- That, in the case of reservists, the period of training has been correctly entered on **page 12** of the sheet rolls.

Additional Check during Any One Audit in Each Year

In addition to the above, during one audit each year, the **posting of one month's Part II Orders** (issued during the furlough season) relating to the following incidents will be traced into all the sheet rolls affected:

- a. Grant of furlough/leave.
- b. Grant of good service pay and counting of former service in this connection.
- c. Grant of leave without pay
- d. Court martial convictions.

Note: In addition the local Audit Staff will, during the course of Local Audit of store accounts test check, say in respect of one name per page of the pay list from the pay list in to the relevant sheet rolls the correctness of the following information shown in the office copy of the pay list. The test check may be confined to one or more company pay lists at each visit, but it should be ensured every pay list is checked in this respect at least once during a whole year.

(a) Column 3 of the pay list. Date of enlistment. Date of last rejoining from desertion. Previous service allowed counting for G.S. Pay.

(b) Column 4 of the pay list:-Date of promotion (in the case of J.C.Os and Non-commissioned officer).

(c) Column 5 of the Pay list:-Date of return to Pakistan (in the case of those who have served overseas).

Q.3. Stores purchased in England or received from other overseas station (including those delivered against C.I.F. contracts and paid for the sterling stores by the respective accounts officers attached with the various Ambassadors for Pakistan abroad).

As Local Audit Staff, I would:

1. **Pair Documents** – Match the receipt vouchers with both the original and duplicate packing accounts in full.
2. **Check Accuracy** – Ensure the receipt vouchers are prepared only for stores actually received and brought on charge by the depot authorities.
3. **Link to Ledgers** – Link the receipt vouchers into the ledgers to the extent prescribed in *Appendix 'A' to Chapter 1* of the Handbook.
4. **Enface Documents** – Mark both copies of the packing accounts as **"paired"** and the receipt vouchers as **"linked"** with my initials and date.

Para 72 AS per LAO Hand Book: In respect of the above-mentioned class of stores, packing accounts are received in duplicate. They are checked by the Depot Authorities and receipt vouchers are prepared for the stores actually received and brought on charge. The Local Audit Staff will pair the receipt vouchers with the original and duplicate packing accounts in full and will link the receipt vouchers into the ledgers to the extent prescribed in Appendix 'A' to chapter 1 of LAO Hand Book I. Both the copies of packing accounts and the receipt vouchers will be suitably enface as 'paired' and 'linked' respectively and will be initialed.



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Q.4. As a **Senior Auditor** in the Local Audit Office, I will:

1. **Identify and Evaluate Risk Areas** – Assess the procurement process to determine how and where irregularities and discrepancies occurred. (*Duty a*)
2. **Identify and Define Issues for Internal Audit** – Clearly document the irregularities in stock and procurement records as audit issues. (*Duty c*)
3. **Review and Analyze Audit Evidence** – Examine all supporting documents such as purchase orders, stock registers, invoices, and receipts, and compare them with operational procedures. (*Duty d*)
4. **Meetings With management: being the representative of** offices of CLA (DP) and LAO will conduct the meetings with client management. (*Duty i*)
5. **Produce Audit Report** – Prepare a detailed audit report based on the evidence, surveys, and interviews with relevant staff. (*Duty e*)
6. **Report audit Issues**– Highlight the nature of the discrepancies, identify responsible officials if possible. (*Duty f*)
7. **Recommendation:** suggest corrective measures and ways to improve audit operations. (*Duty k*)
8. **Communicate Results** – Submit the findings in a written report to the LAO and the office of CLA (DP), and present the issues to client management if required. (*Duty g*)
9. **Maintain Records** – Keep copies of the audit report, evidence, and correspondence in office records and monitor progress on settlement of audit objections. (*Duty l*)

Q.5. **Topic: OM-12/ Audit Procedures/10.17**

a

An objection once raised can only be removed from record under the initials of the LAO who will be responsible that due authority exists in each case for the removal of the objection.

Comment: Statement is Correct

b **Topic: OM-12/ Definitions / Sub List**

The *Top List* serves as a forwarding memo that indicates the total number of Central or Local Purchase vouchers or receipt vouchers pertaining to each unit or formation. These are dispatched by the CMA/LAO to the LAO or Unit Accountant

Comment: The statement is not accurate.

Correct statement: Sub list is the forwarding memo which shows the total No. of central or Local Purchase vouchers or receipt vouchers in respect of each unit or formation, which are sent by the CMA/LAO to the LAO/Unit Accountant.

Topic: LAO Hand Book-II/ M.L.& C (Military lands and Cantonments) Revenue Collection Offices/Audit of MEO's (Military Estate Office) Grant Register of Agriculture Land.



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Q.6. On receipt of the report of loss, as a controller I would:

1. **Call for Further Information** – Obtain all necessary details and supporting evidence about the loss or defalcation from the concerned authorities.
2. **Carefully Examine the Case** – Review the facts to determine whether:
 - The loss was possible due to any defect in the Rules, **or**
 - It was caused by neglect of Rules or lack of supervision by the executive authorities.
3. **Ascertain Responsibility** – Identify the specific rule violated or the supervisory lapse that enabled the loss.
4. **Prepare and Submit Report** – Report the result of my examination to the authority competent to write off the loss, including the cause, responsible parties, and any recommendations for preventing recurrence.

As per Chapter 2 of FR-VOL-1 Rule:37

General Rules for Observance:

- a) All losses, whether of public money or of stores, shall be subjected to a preliminary investigation by the officer in whose charge they were, to ascertain the cause of the loss and the amount involved. For the purpose of the procedure to be followed thereafter losses are classified as under:
 1. Losses of stores.
 2. Losses of public money.
- b) When an investigation into a case of loss due to theft, fraud or neglect discloses a defect of system and when irrecoverable debts of units are attributable to that cause, a report shall be made to the Government through the usual channels and the Controller of Accounts concerned together with a recommendation for rectifying the defect. Petty defalcations or petty thefts need not be reported.
- c) The monetary limits of sanction specified refer to each separate case of loss and it shall not be permissible to sub-divide a case of loss with the object of bringing the amount within the financial powers of the authority dealing with it.
- d) In regard to courts of inquiry, see AR Instruction 334. If an Audit Officer is not satisfied with the composition of a Court of Inquiry, the matter will be brought to the notice of the formation Commander.
- e) The value of such losses shall be checked by the audit authorities before action is taken for their regularization.

- Q.7.**
1. Verify the cash in hand where no Regimental Audit Boards are held, with the balance shown in the cash book (for the form of the cash book see para I of Section-II) and office contingent register.
 2. Select one month's accounts (or more, if considered necessary) and examine them.
 3. Examine the general system of keeping the accounts, registers, etc. and the supervision exercised by the A.S.C. Officers.
 4. See whether registers, books etc., are maintained in the prescribed forms, and regularly posted and inspected by the A.S.C. Officer.
 5. Inspect the accounts, registers etc., as detailed below:



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- a. Register of earnest money (P.A.F.A. 300).
 - b. Accounts of permanent advances.
 - c. Pay bill of clerks and office menial.
 - d. Books of sale accounts (P.A.F.A. 58).
 - e. Money order Check-Register (P.A.F.Z.-2067).
6. See that the rules regarding calling for tenders and their acceptance as laid down in Rule 85 et. seq. Financial Regulations, Part-I, are strictly observed.
 7. See that acquittances have been taken for all payments made to the office establishment, and that revenue stamps have been duly affixed in the case of amounts exceeding Rs. 20
 8. See that service books, etc., are maintained and kept up-to-date in the manner explained in Rule 28 et. seq. Financial Regulations Part-II.
 9. Check Railway Warrants, Credit Notes, Books of Forms 'D' and 'E' etc., and L.P.C. Books in accordance with the detailed instructions contained in Appendix 'C' Section-I, Part-I of LAO Hank Book-II

Q.8. Audit Objections & Relevant Principles

1. Bills not stamped "PAID" with date missing

- **Principle violated:** All bills paid must be stamped "PAID" and date of payment given.
- **Audit objection:** Absence of this stamp and date raises risk of duplicate payment and weakens audit trail.

2. Mode of payment & cheque/remittance details not mentioned

- **Principle violated:** Payment mode must be recorded, and cheque or remittance transfer receipt number & date quoted.
- **Audit objection:** Missing payment method and instrument details hinder verification and traceability of payments.

3. Amount paid exceeding amount claimed in officer's pay bills

- **Principle violated:** No payment should be made in excess of the actual amount claimed, except in certain authorized corrections.
- **Audit objection:** Alterations in pay figures without proper authority constitute overpayment risk.

4. Amendments to pay bills without approval & not communicated to claimants

- **Principle violated:** Amendments require specific orders of the Audit Section in charge and must be communicated to the claimant.
- **Audit objection:** Unauthorized changes may lead to fraudulent payments and disputes with officers.

5. Arithmetical error not corrected / incorrect corrections procedure

- **Principle violated:** Arithmetical inaccuracies can be corrected, but process must be documented and authorized.
- **Audit objection:** Lack of documentation of corrections undermines transparency.



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Corrective Actions Recommended

1. **Enforce stamping of “PAID” with payment date** on every bill immediately after payment.
2. **Mandate recording of payment mode** and cheque/remittance details on all vouchers.
3. **Ensure pay order by disbursing officer** is present before any payment is made.
4. **Stop overpayments** unless supported by documented approval and in compliance with rules.
5. **Require written orders from Audit Section in charge** before making any amendment to a pay bill.
6. **Communicate all amendments to claimants** and retain documentary proof in the audit file.
7. Regular training for accounts staff on the principles of bill and voucher auditing

Q.9. Answer as Per Military Audit Code: OUTSTANDING OBJECTIONS OVER SIX MONTHS OLD

A record of all objections left unsettled for 6 months or over should be maintained by each audit section, etc, for this purpose a few pages at the end of Audit-Progress Register/Objections Register should be set apart. Entries should be made in this portion of the register every month and all items adjusted during the course of the month should be scored through and initialed by the superintendent.

A statement in from (PAF-CMA-264) of all items of irregular expenditure on MES works amounting to RS. 10,000/- and over remaining un remedied for over Six months, and of such other items of irregular outlay has, should in the opinion of the Controller of Military Accounts, be included in the statement irrespective of the date and amount involved, will be prepared half yearly and submitted to the Deputy Financial Advisor (Q) and Dy. Financial Advisor, ‘O’ or the Dy. Financial Advisor, P.A.F as the case may be, immediately after the end of the half year ending June/Dec. by the 15th August/Feb of each year. Nil reports are required to be submitted.

The above procedure is also applicable to all irregular expenditure pertaining to Ord. Factory, Navy, and PAF Works.

Point wise Procedure for Dealing with Outstanding Audit Objections Over Six Months Old

1. Periodic Review

- Conduct a review of the Audit Objection Register to identify all objections pending for more than six months.

2. Reminder to Responding Authority

- Issue a formal reminder to the concerned Drawing & Disbursing Officer (DDO) or unit/formation, referring to the specific objection number, date, and nature of the objection.
- Give a reasonable deadline (e.g., 15–30 days) for submission of replies or supporting documents.

3. Follow-up and Escalation

- If no satisfactory reply is received within the deadline, escalate the matter to the higher administrative authority (e.g., formation commander, controlling officer, or departmental head) for intervention.



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4. Settlement if Satisfactory Evidence is Produced

- If the necessary documents or clarifications are provided and verified, settle the objection in the Audit Objection Register with proper remarks and date of settlement.

5. Conversion into Recovery Statement

- If the objection involves a financial loss or overpayment and remains unsettled, convert it into a **Statement of Recoveries** for recovery action as per departmental procedures.

6. Reference to Higher Audit Authority

- For unresolved cases beyond the local office's competence, refer the matter to the next higher audit authority (e.g., Controller of Military Accounts / Military Accountant General) for decision.

7. Quarterly Reporting

- Include details of all outstanding objections over six months old in the quarterly audit progress report to ensure accountability and monitoring at higher levels.
