



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Rules and Regulations of
Public Sector Enterprises
(Application)**

AGP

Winter Exam-2025

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Q.1. Corporate Social Responsibility (CSR) is a management concept where companies voluntarily integrate social and environmental concerns into their business operations and interactions with their stakeholders, going beyond profit-making to benefit society and the environment. It involves acting ethically and contributing to sustainable development, which can include fair labor practices, environmental sustainability, community engagement, and ethical sourcing, ultimately improving a company's reputation, customer loyalty, and employee morale.

Key Principles of CSR

Ethical Operations:

Conducting business in a fair and just manner, treating employees and partners with respect.

Environmental Sustainability:

Minimizing negative environmental impacts by reducing waste, energy usage, and pollution.

Social Impact:

Contributing to the economic development and well-being of the community through job creation, training, and philanthropic activities.

Stakeholder Engagement:

Considering the interests and needs of various stakeholders, including employees, customers, communities, and the environment, not just shareholders.

Benefits of CSR

Enhanced Reputation and Brand Image:

Positive actions lead to better public perception and customer trust, according to HEC Paris.

Increased Customer Loyalty:

Consumers increasingly prefer to support companies that demonstrate social and ethical responsibility.

Improved Employee Engagement:

Fosters a sense of purpose and commitment among employees, aiding in talent attraction and retention.

Risk Mitigation:

Helps companies avoid legal penalties, negative publicity, and regulatory issues related to social and environmental concerns.

Sustainable Profitability:

By balancing social and environmental factors, companies can build long-term value and resilience.

Examples of CSR Activities

Philanthropy: Donating to charitable causes, such as supporting education or healthcare initiatives.

Ethical Labor Practices: Ensuring safe working conditions and fair wages for all employees.

Environmental Initiatives: Implementing programs to reduce carbon footprint, conserve resources, and promote clean energy.

Community Development: Engaging in local partnerships, creating jobs, and supporting community infrastructure projects.

Responsible Sourcing: Ensuring that the supply chain is ethical and sustainable.



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- Q.2.** OGDCL contributes to Pakistan's economic prosperity primarily by ensuring national energy security through the domestic exploration and production of oil and gas, reducing reliance on imports. It drives national development and creates economic value by enhancing national production, generating employment opportunities, fostering technological advancements, and investing in sustainable infrastructure and community uplift, thereby fueling national growth.

Key Contributions to Economic Prosperity:

Energy Security:

As Pakistan's largest exploration and production (E&P) company, OGDCL plays a pivotal role in securing the nation's energy supply by increasing domestic oil and gas reserves and production.

Economic Growth & Value Creation:

By focusing on accelerating oil and gas exploration and the early development of new fields, OGDCL adds to national reserves, creates value for the economy, and serves as a vital input for other industries.

Employment & Skills Development:

The company directly and indirectly generates numerous employment opportunities in the energy sector and related industries, supporting the economic well-being of individuals and communities.

Technological Advancement:

OGDCL invests in and adopts advanced technologies for exploration, drilling, and production, enhancing operational efficiencies and supporting technological growth within Pakistan.

Community Development & Social Impact:

OGDCL demonstrates a commitment to social responsibility by investing in initiatives for community development and empowerment, such as skill-building programs, especially for women and youth, to promote socio-economic resilience.

Fiscal Contributions:

As a significant revenue-generating entity, OGDCL contributes substantially to national revenue through profits and taxes, funding development projects and contributing to overall economic stability.

Sustainable Practices:

The company is also focusing on addressing climate change by promoting energy efficiency, exploring carbon capture, and implementing sustainable infrastructure and resource management, aligning economic growth with environmental responsibility.

- Q.3.** The State Bank of Pakistan (SBP) announces its monetary policy, typically every two or three months, based on a forward-looking assessment of key economic indicators and future determinants of inflation and growth. The primary factors influencing these decisions are the inflation outlook, real economic growth, and external sector stability, which includes monitoring foreign exchange reserves, credit to the private sector, and global developments. The SBP's Monetary Policy Committee (MPC) weighs these factors to ensure financial stability, control inflation, and support economic activity by adjusting the policy rate.



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Key Factors for SBP's Monetary Policy Decisions:

Inflation Outlook:

A major focus is the current and projected inflation rate. The SBP analyzes Consumer Price Index (CPI) data, inflation expectations, and the potential impact of domestic and global factors, like commodity prices and energy tariffs, on the general price level.

Economic Growth and Activity:

The SBP monitors the overall health and direction of the economy, including trends in real growth, credit to the private sector, and the impact of fiscal and monetary stimulus.

External Sector Performance:

Stability in the external sector is crucial. This involves keeping a close eye on foreign exchange reserves, trade deficits, and the overall stability of the Pakistani Rupee.

Monetary Aggregates:

The SBP keeps track of money supply and credit conditions within the economy to assess their impact on economic activity and inflation.

Financial Stability:

Ensuring the stability of the financial system and managing liquidity in the interbank market are integral aspects of monetary policy.

Global and Domestic Shocks:

The MPC assesses the potential impact of adverse global developments and domestic shocks, such as geopolitical conflicts, supply chain disruptions, and changes in energy prices, on the economy.

Forward-Looking Policy:

The SBP adopts a forward-looking approach, meaning its decisions are heavily influenced by its inflation and growth forecasts, rather than just current data.

How Decisions Are Made:

The Monetary Policy Committee (MPC), comprising SBP executives, board members, and external experts, deliberates on these indicators. The outcome of their discussions is a decision on the policy rate, which the SBP uses to influence market interest rates, thereby affecting economic demand, spending, and ultimately, inflation and growth.

- Q.4.** Persistent losses at Pakistan International Airlines (PIA) are due to a combination of factors, including operational inefficiencies, mismanagement, corruption, high operational costs from an aging fleet, overstaffing, political interference, and governance deficiencies. These issues have been exacerbated by external factors like increased oil prices, devaluation of the local currency, and recurrent European Union-imposed safety bans, leading to dwindling reputation and significant financial distress.

Operational & Financial Issues

Aging Fleet:

PIA's aging fleet leads to higher maintenance and fuel costs, comprising a significant portion of overall spending.

High Operating Costs:

Factors like inefficient operations, high fuel prices, and an unfavorable aircraft-to-employee ratio contribute to high operating expenses.



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Revenue Inefficiency:

Low passenger load factors and low revenue per aircraft contribute to operating expenses exceeding revenue.

Governance & Management Problems

Mismanagement & Corruption:

Reports of alleged corruption and mismanagement within the airline have been a persistent issue, leading to substantial financial losses.

Governance Deficiencies:

Audits and Senate committee reports have pinpointed governance issues as a primary cause of the airline's decline.

Political Interference:

Political interference in the airline's operations and management further contributes to its struggles.

External & Safety Factors

Safety Bans:

PIA faced a significant ban on flights to European airspace due to safety concerns, a major blow to its reputation and profitability.

Fuel Prices & Currency Devaluation:

Spikes in oil prices and the devaluation of the Pakistani Rupee increase operational costs and financial strain.

Pilot Licensing Issues:

A revelation that a significant portion of Pakistani pilots' licenses were not genuine contributed to the European safety ban.

Human Resources Issues

Overstaffing: The airline suffers from a high aircraft-to-employee ratio, indicating a surplus of staff, which leads to increased operational costs.

- Q.5.** Sui Southern Gas Company (SSGC) is addressing its losses by tackling Unaccounted-for-Gas (UFG) through pipeline rehabilitation, infrastructure upgrades, and technological advancements like Remote Monitoring and Data Acquisition Systems to detect theft. Additionally, SSGC is intensifying its crackdown on gas theft with raids and FIRs, improving its meter system, segregating industrial from domestic networks, and diversifying its business streams to enhance profitability and financial sustainability.

Measures to Reduce UFG and Prevent Theft

Pipeline Infrastructure and Rehabilitation:

Undertaking extensive projects to upgrade and reinforce gas distribution pipelines to reduce leakages and improve system integrity.

Technological Solutions:

Implementing a Remote Monitoring and Data Acquisition System to monitor gas volumes and detect anomalies indicating theft or tampering in real-time.

Crackdown on Gas Theft:

Conducting raids on illegal connections and compressor installations, lodging FIRs, and issuing substantial fines against offenders.

Enhanced Metering and Billing:

Strengthening the measurement and billing systems, replacing old meters, and improving the provisional billing mechanism to ensure accurate billing.



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Network Management:

Implementing pressure management through segmentation, mapping, and automation of control points (TBSs) to optimize gas flow and detect losses.

Customer-Level Surveys:

Conducting door-to-door surveys to gather evidence on factors impacting monthly billing, resulting in significant savings on UFG.

Operational and Financial Strategies

Business Diversification:

Expanding into new business streams, such as the marketing and distribution of Liquefied Petroleum Gas (LPG) through its subsidiary, SSGC LPG (Pvt) Limited, and bringing unallocated gas to customers via alternative channels.

Corporate Strategy and Profitability:

Shifting towards a corporate strategy focused on operational and financial sustainability, aiming to improve the company's financial performance and achieve profitability after years of losses.

Regulatory Compliance and Collaboration:

Aligning measures with orders from the Balochistan High Court and the Oil and Gas Regulatory Authority (OGRA), and cooperating with authorities like the Pakistan Rangers to address gas theft.

Q.6. During the Audit inspection of the Accounts Records of the Sui Northern Gas Company of Pakistan, it was noticed that, 50 Assistant Managers BS-17 were appointed on 25.6.2025 on Contract basis. Although, the Federal Government has imposed ban in Government Corporations under austerity measures.

For the appointments on contract, neither approval of the BOD was obtained nor sufficient vacant posts were available.

It was just done under political influence of the high ups. Thus, all the contract appointments of 50 Assistant Managers stand unauthorized.

Audit desires to investigate the matter, fix responsibility up on the officials for playing role in violations of the Government instructions.

(XYZ)

Audit Officer
