



DECEMBER 2018 EXAMINATIONS

CHIEF EXAMINERS REPORTS

DIPLOMA

IN

PUBLIC SECTOR FINANCIAL MANAGEMENT

PFM1-PUBLIC SECTOR ACCOUNTING

QUESTION ONE

This was fairly attempted with 75% of candidates obtaining above 50% of the available marks while 25% got below 50% of the available marks.

Part (a) had a number of components including explanation of the difference between tax revenue and non-tax revenue and an example of each. Performance of candidates on this one was excellent. The second portion of this part required candidates to state reasons for various variances such as actual and budgeted grants, actual and budgeted tax revenue, actual and budgeted non-financial assets and actual and budgeted debt service. Candidates merely talked about general reasons without making mention of the variance recorded which should have been picked from the question.

Part (b) required a list of financing options and this was excellently done. It also asked candidates to explain a budget and stating its importance to government. The responses were generally good.

Part (c) asked candidates for meaning of Public sector accounting, its objectives and qualitative characteristics. All parts were well articulated with an exception of objectives of public sector accounting were candidates had mixed ideas some of which were incorrect.

Part (d) needed candidates to explain a number of accounting concepts such as going concern, money measurement, historic, objectivity and consistency. These were well scored by candidates at this sitting.

QUESTION TWO

Out of the 75% of candidates that attempted this question, 66.67% passed this question with a 33.33% failing. This shows the question was generally fair to candidates.

This question had two parts, (i) required explanation of the control structures and (ii) required a description of reasons why there is legislative to support financial management information system. (i) was well presented but candidates struggled with (ii).

QUESTION THREE

This question was attempted by 50% of candidates at this sitting and a 100% pass was recorded. It was well performed by those who attempted.

QUESTION FOUR

The question was attempted by 75% of the candidates at this sitting and a 100% pass was recorded with 0% fail. Performance was excellent.

QUESTION FIVE

The question was attempted by 75% of the candidates at this sitting and again a 100% pass recorded while 0% failed. Another excellent performance achieved.

Overall performance of candidates

Highest mark obtained in this paper: 82%

Lowest mark obtained in this paper: 51%.

Average score in this paper: 67%.

PFM2- LEGAL ASPECTS OF PUBLIC SECTOR FINANCE AND ADMINISTRATION

QUESTION ONE

The general performance on question one was excellent. All students that attempted the question passed.

The question had 3 parts requiring candidates to differentiate Act of Parliament from statutory instruments and cite the advantages of judicial precedents.

The second part needed them to have and show an understanding of the modes in which a constitution can be adopted in Zambia.

Though a 100% record was obtained students were able to explain separation of powers fully, however, lacked the 3 cardinal theories of separation of powers..

QUESTION TWO

This question was ably attempted by the candidates as they were able to show the importance of public governance in Zambia.

Further, students were able to explain the need for public bodies and how they are regulated. However, there is need for students to study further on the extent at which these public bodies are to be regulated.

QUESTION THREE

This question was also ably answered. The question was on administrative law and the sources attached to administrative law.

The question also wanted students to explain the importance of administrative law to public sector administration and its distinction to constitutional law.

Future students are encouraged to study the branches of constitutional law and how it differs from administrative law in a given society.

QUESTION FOUR

This question was fairly attempted as students were able to identify the legal issues on the rationale of the distribution in relation to Montesquieu's model of law.

Though this part was answered above average, students did not fully understand the concept as propounded by Montesquieu's. Hence there is need to fully understand each scholars model when the scholar is cited in the model.

QUESTION FIVE

This question was on Judicial Review and High Court's Jurisdiction which was well answered by all those who attempted. It also required the students to state the purpose of judicial review, the grounds of judicial review and the possible remedies that can be found therein.

Prospective students must note that judicial review has the purpose, grounds and remedies which must be understood fully before going into an exam.

Overall performance of candidates

Highest mark obtained in this paper: 75 %

Lowest mark obtained in this paper: 63%

Average score in this paper: 69%

PFM 3—GOVERNANCE AND MANAGEMENT IN PUBLIC SECTOR

QUESTION ONE

The question was a case study with the weight of 40marks. The candidate attempted this question and got 36 out of 40 representing a 100% pass. The question had two parts and it was focusing in the governance systems and leadership power. The candidate attempted the question very well.

QUESTION TWO

The student's performance on the question was excellent. The question was on communication and negotiation principles. The candidate scored 18 out of 20 points.

QUESTION THREE

There was no attempt on this question. The question based on case study given and the candidates were supposed to use the communication process models to answer the question.

QUESTION FOUR

The candidates attempted this question but failed to obtain good marks and recorded a fail. The question had three parts, and required candidates to:

- (a) Describe the resources that are used in different contracts. (10marks)
- (b) Briefly explain any five (5) roles and skills of contract managers. (10 marks)

The student showed lack of knowledge on the subject area.

QUESTION FIVE

The candidate made no attempt on this question. The question had two parts, and based environmental public policy implementation and management.

Overall performance of candidates

Highest mark obtained in this paper:	56%
Lowest mark obtained in this paper:	56%
Average score in this paper:	56%

PFM 4-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The performance on this question was excellent as 80% of the students who attempted managed to pass and only 20% failed. Some candidates nevertheless made mathematical errors in computing the number of bags to import.

QUESTION TWO

The performance on this question was worse as no student who attempted managed to pass hence 0% pass rate.

Most candidates who attempted this question did not provide a report format which was a requirement of the question. A report format should have the date, the subject, the source of the report and the destination. Usually one mark or two are provided for this.

In addition to the above, some candidates had challenges in part (b) as they could not adequately outline the steps required to prepare the cash flow forecast. They had insufficient knowledge of the subject.

QUESTION THREE

The performance on this question excellent as 89% of the students who attempted managed to pass and only 11% failed.

Part (a) of the question required identification of which budgeting method would not be feasible to adopt in the first year of operation. The majority of students correctly identified historical and incremental budgeting. Incorrect answers included either zero or activity based budgeting methods.

In Part (b) five objectives of budgeting for an organisation were required. Students who were unable to identify five objectives did not earn full marks.

A flexed revenue budget was required in Part(C) of the question. Most students did not earn the full allotted marks in part(c) because of inability to take into account the grant, which accounted for approximately 50% of total revenue.

QUESTION FOUR

The performance on this question was above average as 57.14% of the student who attempted managed to pass and 42.86% failed.

Student performance on this question varied widely with the best performer scoring full marks and the worst students showing a complete lack of awareness of basic concepts regarding performance indicators relating to public sector organisations and the process for assessing the effectiveness of an indicator.

QUESTION FIVE

The performance on this question was worse as no student who attempted managed to pass hence 0% pass rate.

Part (a) and (b) was poorly attempted as most of the candidates failed to pick the key points from the statement made by the chairperson regarding the constraints. They also failed to adequately describe the debt instruments available to the council.

Overall performance of candidates

Highest mark obtained in this paper: 55%

Lowest mark obtained in this paper: 34%

Average score in this paper: 46.7%

PFM 5- PUBLIC SECTOR AUDITS

QUESTION ONE

A total of five (5) candidates attempted this question out of which three (3) scored more than half the available marks. The average score in this question was 19. This was a scenario based question with five questions covering a range of topics from matters relating to the SAI, ethics and compliance and performance audits. The following matters were observed.

Part (a)

For 6 marks this part of the question required candidates to state the legislative audit mandate of the OAG in Zambia.

The majority of the candidates only mentioned and explained one such mandate namely the Constitution. The Public Audit Act 2016 and the Public Finance Management Act 2017 are the other mandates candidates should have explained. Marks were awarded appropriately and those who gave less than the expected mandates lost marks.

Part (b)

This part of the question required candidates to explain the roles and responsibilities of the INTOSAI and the SAI in public sector auditing.

Candidates lost marks because they did not split the roles between the two institutions as required in the question. Candidates should answer the questions as asked and should have noted that the two organizations have distinct roles.

Part (c)

For 4 marks this question required candidates to explain the importance of an engagement letter in Public Sector Auditing. Most candidates scored high marks and ably explained the importance of the engagement letter.

Part (d)

This question was on ethics and was divided into three sub parts dealing with each of the situations in the scenario.

The answers showed lack of clear understanding in this important topic on ethics. General answers were given rather than dealing with matters in the three cases sighted and so candidates lost marks.

Part (e)

This question required candidates to suggest audit procedures in performing compliance and performance audits in two organizations in the scenario.

Most candidates could not give appropriate audit procedures and instead simply repeated the information in the scenario and earned no marks as a result.

To be able to suggest suitable audit procedures candidates need to be clear in their minds on what compliance and performance audits are and what their objectives are.

Generally for compliance audits suggested procedures should aim at confirming compliance with a given criteria which should be identified in the information given. Performance audits are basically concerned with establishing whether the three e's namely economy, efficiency and effectiveness have been complied with.

QUESTION TWO

All the five candidates who sat for this paper attempted this question. Of the five(5) four (4) scored more than half the available marks.

The average score in this question was 11 marks and the following observations were made:

Part (a)

This parts of the question required candidates to describe the objectives of a performance audit.

Performance audit is particularly concerned with the three e's and some candidates did not mention and explain these in their solutions thereby losing the easy marks. Performance audits aim at establishing whether the entity subject to audit has met these in terms of their operations i.e. economy, efficiency and effectiveness.

Part (b)

This was a knowledge based question on communication by the auditor to those charged with governance.

Most candidates performed poorly in this question scoring less than half the available marks. Most candidates used guess work and appeared not to know what information is communicated to those charged with governance.

Part (c)

This part of the question required candidates to identify and explain six weaknesses in the governance structure of Kasa Fisheries Ltd. Most candidates ably identified the weaknesses but in some cases the explanations were shallow resulting in the loss of marks.

In this type of question candidates are reminded to use the information in the scenario failure to which they lose easy marks if they give general answers.

QUESTION THREE

All the five candidates who sat for this paper attempted this question out of which three (3) scored more than half the available marks. The average score was 10 out of the maximum available marks.

The following observations were made:

Part (a)

This part required candidates to explain the code of ethics that governs public sector auditors. Most candidates did not in their explanations relate the code of ethics to public sector audits. It is important that candidates relate their answers to Public Sector Audits in answering question in this paper as this is what will show that they distinguish Public Sector Audits from other audits.

Part (b)

This part of the question required candidates to state how they will determine whether or not to use the work of internal auditors in Public Sector audits.

Most of the candidates scored poorly in this question. In most cases the reason for the poor performance was that the answers were below expectations for the available 10 marks. In some cases the candidates did not address the last part of the question which required candidates to state the extent to which the auditor will use the work of internal audit.

Part (c)

This part of the question required candidates to suggest the action that the firm should take with regards the request by the Police for information relating to the client in question.

Some candidates failed to realize that this question was on the ethical principle of confidentiality and the exceptions to the general rules. Others stated that guidance is given by International standards on Auditing which is not correct.

Candidates should be able to apply in simplified form the theory that they learn.

QUESTION FOUR

Four of the candidates who sat for this paper attempted this question and only one of the four scored above half the available marks with an average score of 6 marks.

This question was on two topics of CAATs and written representations. The following observations were made:

Part (a)

This part of the question required candidates to define CAATs. Most candidates were able to explain the meaning of CAATs. It was disappointing to note that one candidate simply did not attempt to answer this question. In this age of technology this is a topical issue and candidates should be familiar with the use of computers by auditors.

Part (b)

This part required candidates to explain data analysis software for 3 marks. Most candidates could get maximum marks due to the limitedness of the answers whereby only one point is made. Candidates are reminded that the marks available should help them determine the length and depth of the answer.

Part (c)

This part required candidates to define a written representation letter. The majority of the candidates confused written representations with management letters and so lost marks. Written representations are requested by the auditor as part of evidence obtained.

Part (d)

This part of the question required candidates to state the action that the auditor should take in view of management's refusal to give the requested written representations.

Most of the candidates scored low marks as they suggested that the auditor should not give an opinion. This form of questioning where the client refuses the request by the auditor is common. A logical approach in answering this type of question will earn the candidate maximum marks.

QUESTION FIVE

Only one candidate of the five attempted this question and scored less than half the available marks.

The following observations were made:

Part (a)

This part of the question required candidates to define fraud and to explain three fraud risk factor giving examples from the scenario.

The candidate failed to explain the three fraud risk factors but only gave examples from the scenario. The three are incentives/pressures, Opportunities and Attitudes/Rationalization then examples of each would have earned maximum marks.

Part (b)

This part of the question was on compliance audit and whether it could have led to detect the fraud in the scenario. This part of the question was not attempted.

The candidate should have observed that the main objective of compliance audits to confirm compliance of the entity to laws and regulations or procedures and not necessarily to detect fraud. However, throughout the compliance audit the auditor should be aware of the risk of fraud especially if it can arise through noncompliance.

Part (c)

This was a two (2) mark question on the importance of audit evidence in any type of audit. This part was well answered and maximum marks awarded.

Part (d)

This part of the question required the candidate to state 4 audit procedures necessary to test whether fraud occurred.

This part was poorly answered with the candidate explaining substantive procedures and also giving methods of obtaining evidence such as inspection.

Audit procedures comprise the work that the auditor will perform in testing assertions or in the process of obtaining evidence over a matter such as is the case here. In both cases the auditor needs to fully understand the assertion being tested or the matter of concern as only then can he design suitable audit procedures to be performed.

Part (e)

This part of the question was on the audit report and specifically a disclaimer of opinion. It required the candidate to describe the impact on the audit report when the auditor fails to obtain sufficient appropriate audit evidence.

This part of the question was not attempted and all marks were lost. This clearly shows that the candidate was not well prepared in this important part of the syllabus. There is guidance on reports and candidates are encouraged to ensure that fully understand the guidance given.

It is most likely that future examinations will test audit reports in one form or another.

Overall performance of candidates

Highest mark obtained in this paper:	59%
Lowest mark obtained in this paper:	34%
Average score in this paper:	46.2%

SUBJECT: PFM6-FINANCIAL REPORTING FRAMEWORK FOR PUBLIC SECTOR ENTITIES

QUESTION ONE

The question was not well performed by candidates at this session as only 33.33% passed the question with 66.67 failing to obtain 50% of the available marks. The

highest scorer got 22/40 marks with lowest obtaining only 9/40 marks. It appears candidates did not adequately prepare for the preparation of financial statements.

QUESTION TWO

This question was avoided by all candidates at this sitting except one. It means it was not within their affordability. Even the only candidate who attempted it did a lot of misclassification of items in the statement of cash flow despite scoring well on it. It therefore had a 100% pass with of course a 0% fail percentage.

QUESTION THREE

This question, on variances was very well attempted as all candidates went for it as part of their optional questions. 66.67% of candidates passed this question whereas 33.33% failed the question. Their main weak areas was on interpretation of performance based on calculated areas and inability to calculate various percentages.

QUESTION FOUR

This question on definitions of elements of financial statements and disclosures was the best performed by all candidates at this session. It was a 100% passed question in the entire paper with of course 0% fail.

QUESTION FIVE

This was a fairly attempted question and 80% of the candidates who attempted got more than 50% of the available marks with only 20% failing.

QUESTION ONE

This question had two parts, (a) and (b). Part (a) required the preparation of statement of financial performance while part (b) required the preparation of the statement of financial position. The common mistake by candidates was misclassification of items of revenue and capital nature in both statements as well as non-current and current assets and liabilities in statement of financial position.

Future candidates are reminded to pay attention to the understanding of classification and presentation of financial statement items. For example, the framework guides that assets expected to be used for more than 12 months in their form are to be classified as non-current and not current.

QUESTION TWO

This question had one requirement of preparing a statement of cash flows from available data. It was not a famous question among candidates as only one candidate attempted it. The common mistakes observed were misclassification of items to wrong headings in the statement of cash flows.

Future candidates are reminded that a statement of cash flow is guided by a standard and specified items are highlighted to belong to particular headings. This should be everyone's task to learn as they prepare for the exam.

QUESTION THREE

This question had three parts. The first part, part (a) was on explanation of statement of budget execution. This was fairly tackled by everyone.

Part (b) required candidates to calculate variances and their associated variance percentages. The variance calculation for each item was not a problem for all who attempted but the variance % calculation gave a number of them a challenge some of whom were calculating a single figure for totals only instead of per item

Part (C) required candidates to comment on the performance of the government based on the variances. This was done haphazardly, mostly based on candidates' differing calculations.

QUESTION FOUR

This question had two part (a) and (b). Part (a) required candidates to provide definitions for elements of financial statements. This part was very well answered by all candidates at this sitting without major mistakes recorded.

Part (b) required major disclosures identified in respect of Public Sector financial statements. Few candidates expressed ignorance on the disclosures.

Future candidates are reminded to leave no stone unturned when studying the IPSAS as all theory aspects are potential questions.

QUESTION FIVE

This question had three parts. Part (a), (b) and (c). Part (a) required candidates to explain qualitative characteristics of General Purpose Financial Reports. There was overwhelming feedback on this part.

Part (b) was asking for constraints on information contained in the General Purpose Financial Reports. 33.33% of candidates failed to bring out tangible points on this part of the question.

Future candidates are reminded, once more to be whole in their studies.

Part (c) asked for elements of financial statements again just like question Four (4). This was very well performed portion of the exam.

Future candidates are reminded to acquaint themselves with the requirements of the conceptual framework as it forms a good source for examining.

Overall performance of candidates

Highest mark obtained in this paper:70%

Lowest mark obtained in this paper:50%

Average score in this paper:59.5%