



JUNE 2019 EXAMINATIONS

CHIE EXAMINERS REPORTS

DIPLOMA

IN

PUBLIC SECTOR FINANCIAL MANAGEMENT

SUBJECT: PFM1-PUBLIC SECTOR ACCOUNTING

QUESTION ONE

The general performance on the question

The general performance on this question was very good. 2 candidates attempted the question. The lowest score was 73% (29 out of 40 marks), the highest score was 75% (30 out of 40 marks) and the average score of 74% (29.5 out of 40). The pass rate was 100%.

The question was a 40 mark compulsory question with several parts. Part (a) required candidates to explain main objectives of IPSASB; part (b) required distinction between direct expenditure and recoverable advances plus an example of each; part (c) was on explaining information needs of both internal and external users of public sector accounts of which examples of such users were also required; part (d) asked for factors to consider before designating financial records for retention and finally part (e) required candidates to explain how IFMS is used in management of public debt plus explanation of centralization vs decentralization, distributed databases and independent units.

Generally all parts were well answered with an exception of part (d) on factors to take into account before designating records for retention where candidates failed to identify these factors.

QUESTION TWO

The performance on this question was very good. 1 candidate out of 2 candidates attempted this question and scored 90% (18 out of 20 marks). Only one candidate attempted the question.

The question was one of the optional questions and had four parts to it. Part (i) required definition of cash management and description of the objective of cash management; part (ii) asked for the benefits of cash management; part (iii) required candidates to identify situations that affect the smooth collection of cash and part (iv) was on actions that should be taken during cash shortages.

The candidate who attempted the question showed good understanding on all with an exception of part (ii) where knowledge gap was identified.

QUESTION THREE

The performance on this question was very good. 1 candidate out of 2 candidates attempted this question and scored 95% (19 out of 20 marks). Only one candidate attempted the question.

The question was one of the optional questions and had three parts to it. Part (a) required candidates to write brief notes on main functions of a Government Financial Management System; part (b) required brief notes on the role of legislative

framework and part (c) asked for main processes of the Financial Management System.

All parts of this question were very well attempted by one candidate who attempted the question.

QUESTION FOUR

The performance on this question was fair. Both candidates attempted this question. Highest score was 75% (15 out of 20 marks) and the lowest score was 55% (11 out of 20 marks).

The question was one of the optional questions and had four parts to it, three parts in (a) and one part in (b). Part (i) of (a), required candidates to describe the different stages of budget execution; with part (ii) asking for whose responsibility it is to execute a budget and finally (iii) required candidates to explain how a budget can be revised. Part (b) required candidates to explain various types of classifications used by the government of Zambia to produce National Budget.

The most common mistakes on this question were failure to correctly describe the stages of budget execution in their order and incorrect types of classifications used by the government to produce national budget.

QUESTION FIVE

The performance on this question was fair. Both candidates attempted this question. Highest score was 100% (20 out of 20 marks) and the lowest score was 55% (11 out of 20 marks).

The question was one of the optional questions and had one part. It required candidates to explain the five fundamental principles of professional ethics and practical example of breach of each principle was required.

As one candidate scored 100% of the available marks, the other had portrayed the following common mistake: inability to correctly articulate the practical examples that indicate breach of the principle.

Overall performance of candidates

- i. Highest mark obtained in this paper: 79%
- ii. Lowest mark obtained in this paper: 74%
- iii. Overall pass rate in this paper: 100%

SUBJECT: PFM2- LEGAL ASPECTS OF PUBLIC SECTOR FINANCE AND ADMINISTRATION

QUESTION ONE

The general performance on question one was good. Only one candidate attempted the question and obtained 28 out of the total 40 marks.

The question was a scenario based question divided into parts (a), (b) and (c). Part (a) required candidates to explain in detail their understanding of Administrative Law while part (b) required them to explain how the affected MPs (indicated in the scenario) utilise Administrative law to protect themselves from the actions of the National Party and the National Assembly. Part (c) required candidates to discuss from the facts in the scenario the three grounds needed to be established for the parties to be granted leave to commence judicial review proceedings.

QUESTION TWO

The performance on this question was good. The candidate that attempted the question obtained 13 marks out of 20 marks (65%).

The question required the candidate to explain the following Orders which may be awarded to the complainant under judicial review in Zambia:

- i. Mandatory Order.
- ii. Prohibiting Order.
- iii. Quashing Order.
- iv. Declaration.

QUESTION THREE

The question was not attempted because the candidate choose other optional questions.

QUESTION FOUR

This question was very well attempted as the candidate obtained 17 marks out of 20 (85%). This is a sign that the student understood it. Future students are encouraged to study the course in full and appreciate each and every aspect of the course. Most students understood the sources of law.

QUESTION FIVE

The performance was very good as the only candidate who sat for this paper scored very high marks (18 out of 20 marks).

The question was divided into parts as follows:

- i. Part (a) This part required the candidates to identify the three organs of government namely, the executive, legislature and the judiciary including their functions.
- ii. Part (b) The question required the candidates to explain the importance of the above mentioned three organs of government in public sector finance and administration.

No mistake was made by the candidate on the explanation and the co-relation between the organs of government and the role they play in public sector finance and administration . Students are encouraged to study the topic on Separation of Powers and applying its principles in reality by making reference to what is happening in government departments. This can be achieved by candidates taking a keen interest in how these institutions operate.

Overall performance of candidates

- i. Highest mark obtained in this paper: 76 %
- ii. Lowest mark obtained in this paper: N/A
- iii. Overall pass rate in this paper: 100%

SUBJECT: PFM 3—GOVERNANCE AND MANAGEMENT IN PUBLIC SECTOR

QUESTION ONE

The general performance was good. All candidates attempted this question with the highest scoring 23 marks out of 40 while the lowest got 20.

The question was a case study with the weight of 40 marks, (Source: Slack, N. and Lewis, M. (2011). Operations Strategy, 3rd Ed, Pearson Education Limited, Harlow.). The question had two parts and it was focusing on the governance systems and leadership power.

QUESTION TWO

The question was on public policy. Only 1 attempted this question and was able to give good answers to this question and scored above 50%. The candidate obtained 18 out of 20 marks.

The question had two parts, and required candidates to discuss the process and rationale for public policy formulation citing examples of such policies in Zambia in part (a) while part (b) required the candidate to outline any five (5) factors that must be taken into account to promote good practices in Contract Management.

QUESTION THREE

All the three candidates attempted this question and all got above 50% score (100% pass rate). The highest score was 20 out of 20 while the lowest was 12.

The question based on case study and had three parts. Candidates were required to discuss five (5) objectives that the health sector in Zambia considered in decentralizing the health service provision in part (a); outline any five (5) benefits of decentralization of government systems in part (b) and; explain the major implications of centralization in part (c). All the three candidates performed well on this question.

QUESTION FOUR

The general performance on this question was poor. All the candidates attempted this question and failed to obtain good marks resulting in a 100% failure rate. The highest got 8 marks out of 20 while the lowest got 3 marks. The question had three parts, the responses to these questions were poor, and the candidates could not provide the answers as required. This suggested that the candidates did not cover the syllabus widely.

QUESTION FIVE

Two candidates attempted this question and they all got above 50%. Highest got 16 out of 20 while the lowest got 15.

The question was straightforward-based characteristics of good contract management. Candidates were required to State ten (10) characteristics of good contract management.

Overall performance of candidates

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| i. | Highest mark obtained in this paper: | 67% |
| ii. | Lowest mark obtained in this paper: | 54% |
| iii. | Overall pass rate in this paper: | 100% |

SUBJECT: PFM 4-PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The performance from student was below average. Some notable mistakes was failure to follow instructions in the question. For instance part(d) required giving advice to management on whether to accept contract Y or Z in two situations i.e. ignoring the discounting of cash flows and where cost of capital is 10%, however most of the candidates ignored the requirement and therefore could not obtain full marks. Further, candidates could not explain the advantages and disadvantages of payback in full.

QUESTION TWO

The performance was poor as candidates were explaining the budget cycle instead of functions of government budgetary process.

QUESTION THREE

The performance was above average however, candidates failed to clearly draw a distinction between monetary and fiscal policy as well as explaining what the government do when inflation is high or what policy government put in place. Candidates should know that fiscal policy is about government spending and taxation and monetary policy is managed by the central bank.

QUESTION FOUR

The performance was poor as the candidate failed to explain the functions of an internal control system at Gama water utilities as well as discussing the requirements to fulfill in order to set up successful internal control system.

QUESTION FIVE

The performance was poor exhibited lack of full knowledge of Public Financial Management and the role of Government in the economy.

Overall performance of candidates

- i. Highest mark obtained in this paper: 55%
- ii. Lowest mark obtained in this paper: 29%
- iii. Average score in this paper: 33.3%

SUBJECT: PFM 5- PUBLIC SECTOR AUDITS

QUESTION ONE

Six (6) candidates attempted this question and none scored more than half the available marks.

The question was scenario based covering a range of topics across the syllabus and the following observations were made:

- a) This was a two part question on accountability of those charged with the use of public resources as follows:
 - i. This part of the question required candidates explain the principle of accountability in the public sector. Most of the candidates explained satisfactorily the fact that those in charge of public resources are accountable for their use in the public interest.
 - ii. This part of the question required candidate to explain how the Office of the Auditor General enhances accountability on the use of public funds. Half of the candidates gave satisfactory answers and scored well while the other half clearly did not know the role of the Office of the Auditor General in ensuring accountability in the use of public funds.
- b) This question required candidates to explain the meaning of value for money audits using information in the scenario. Most of the candidates did not know what value for money audits are and either did not attempt this part or gave fewer points for the 9 marks available.
- c) This was a two part question on financial statement assertions.
 - i. Candidates were required to give a general explanation of financial statement assertions. Most of the candidates could not explain satisfactorily the meaning of financial statement assertions and gained no marks.
 - ii. Candidates who attempted this part of the question gave less than the required four financial statement assertions relating to the figure of inventory. Others gave assertions without explaining them as required in the question.
- d) This was a two part question on risk and the use by the public sector auditors of the work of internal audit.

- i. This question required candidates to state the action they would take when client risk has been assessed as high.

Most of the candidates could not explain clearly on the action that should be taken and could not justify their recommendation. It was expected that candidates could distinguish the action that public sector auditors will take compared to the action that private sector auditors would take. Whereas in the private sector audits auditors may consider resigning, in the public sector the public sector auditor will perform audits even in the case of high risk clients.

- ii. A number of candidates lost marks in view of the fact that they explained less than the four matters required in the question.

- e) This part of the question required candidates to distinguish tests of control from substantive tests. A few of the candidates scored more than half the available marks while the others simply did not know the meaning of both types of tests.

QUESTION TWO:

A total of 5 candidates out of the 6 who sat for this paper attempted this optional question. Out of those who attempted the question, 2 scored half or more of the available marks.

The average score was 8 out of the maximum 20 marks available.

The following observations were made:

- a) This part of the question required candidates to explain the meaning of reasonable assurance and limited assurance in the context of public sector audits. Most candidates gave unsatisfactory answers and lost easy marks.
- b) This part was divided into two sections on ethics and governance.
 - i. Required candidates to identify and explain threats to the independence of the audit in the given scenario.

A few candidates lost marks because they were not able to give the four threats as required. Others could not give suitable appropriate safeguards for the threats that they identified.

- ii. A number of candidates could not see the problems with the composition of the audit committee and the fact that most of the members are from the client organization and so they would not be objective.
- iii. Half of the candidates gave satisfactory answers while the other half lost marks because they only gave one or two points to support the importance of non-executive directors.

QUESTION THREE

5 candidates out of the six who sat for this examination attempted this question. Two candidates scored more than half the available marks and the average score was 9 out of a possible 20 marks.

The following observations were made:

- a) Candidates were required to write brief notes on a number of terms. Candidates lost easy marks because in most cases they could not explain the terms they were expected to explain.
- b) This was a short scenario question compliance audits and general questions on sampling.

The following were observed:

- i. The question required candidates to explain statistical and non-statistical sampling. Most of the candidates explained these two and scored maximum marks.
- ii. This part of the question required candidates to explain sampling and non-sampling risks. The majority of the candidates failed to adequately explain the two types of risk and lost marks.
- iii. The question required candidates to state the audit work that should be performed in the audit of the council in question. Three of the candidates gave satisfactory answers and scored well. The other candidates clearly had no idea of compliance audits and so could not suggest suitable audit procedures.

QUESTION FOUR

A total of 4 candidates out of 6 attempted this question. Out of those who attempted the question, 2 scored a mark of 10 and above.

The average score was 12 out of a maximum 20 marks available.

The following observations were made on specific parts of the question:

- a) This part of the question required candidates to explain the reasons why the appointment, duties and rights of the Auditor General are enshrined in the constitution of Zambia.

Half the candidates scored well but the other half could not satisfactorily explain the fact that the Auditor General needs to have security of tenure of office if he/she is to be objective in the performance of his duties.

- b) This part of the question required candidates to explain how the independence of the SAI was achieved in Zambia. There were good answers to this part with most candidates stating that the Office of the Auditor General (OAG) is a constitutional office and that the OAG can only be removed from office through following laid down procedures.

- c) Half of the candidates who attempted this question explained satisfactorily the accountability triangle and scored high marks in this part.

The other candidates who attempted this question showed lack of knowledge of the accountability triangle and their answers were not related to accountability in the collection and use of public resources.

- d) Most of the candidates who attempted this question could not explain the composition of the public accounts committee. A few did not address the second part of the question which required candidates to why the committee hears responses of controlling officers mentioned in the audit reports.

QUESTION FIVE

3 candidates out of the six who sat for this paper attempted this question. Only one of the three scored more than half the available marks.

The average score was 8 out of the possible 20 marks.

The following were observed:

- a) This part of the question required candidates to explain why the OAG should perform an audit of the financial statements of Precious Stones when the company is audited by independent private auditors.

One of the three candidates scored well in this part and justified the requirement that the OAG would still audit a public entity even if there are private auditors who would have carried out a financial audit. The other candidates did not see the need for the OAG to carry out an independent audit since the company has been audited already by private auditors.

- b) For 2 marks the question required an explanation of an unmodified audit opinion. The candidates failed to explain the meaning of an unmodified opinion. They did not clearly explain that in this instance the auditor has no matter of concern and that the financial statements show a true and fair view.
- c) This part of the question required candidates to explain the forms of modifications of the auditor's opinion. Generally the candidates explained the three forms of modifications but some lost marks because they could not state the circumstances under which each form of opinion would be issued.
- d) This part of the question required candidates to explain four matters that the OAG would consider in appointing experts to carry out the inventory valuation. There were good answers to this part of the question but candidates lost easy marks where they gave less than the required four matters.
- e) Candidates were required to state the impact of the work of the expert on the audit report. All candidates could not give acceptable answers on the impact the work of an expert would have on the auditor's report and opinion. Basically candidates were required to observe that the auditor is responsible for his opinion and cannot mention the work of the expert in the audit report.

Overall performance of candidates

- i. Highest mark obtained in this paper: 60%
- ii. Lowest mark obtained in this paper: 17%
- iii. Overall pass rate in this paper: 16.7%

SUBJECT: PFM6-FINANCIAL REPORTING FRAMEWORK FOR PUBLIC SECTOR ENTITIES

QUESTION ONE

The general performance on the question

The general performance on this question was very good. 1 candidate attempted the question and got 58% (23 out of 40 marks). The pass rate was 100%.

The question was a 40 mark compulsory question with several parts. Part (a) required candidates to prepare a comparative statement of Authorised provision and Actual expenditure statement while part (b) required candidates to state and explain circumstances that may give rise to the request of supplementary estimate and part (c) required candidates to prepare a presentation to stakeholders outlining what information cash basis IPSAS provides to readers and key factors that are likely to affect adoption work of moving from cash basis to accrual based IPSASs.

Generally all parts were well answered with an exception of part (b) to state and explain circumstances that may give rise to the request of supplementary estimate where candidate failed to state and explain these factors.

QUESTION TWO

The performance on this question was very good. 1 candidate attempted this question and scored 100% (20 out of 20 marks). No lowest mark as only one candidate attempted the question.

The question was well answered by the candidate. It required candidate to describe the benefits of Cash Flow Information to (a) Internal users of financial statements (b) External users of financial statements.

Both parts were well answered.

QUESTION THREE

This question was not answered. It required candidates to do the following:

- (a) Explain the following terms used as guiding principles in the International Public Sector Accounting Standards (IPSAS) 13 – Leases and 32 - Accounting for Public Private Partnership.
 - (i) Service Concession Arrangement
 - (ii) Lease
 - (iii) Recognition of Revenue
 - (iv) Economic life of an Asset
- (b) Outline the main elements of this IPSAS Accounting treatment and giving examples of such events.
- (c) Explaining the meaning of the following:

- (i) Public Accountability
- (ii) Mechanisms of ensuring public accountability in the public sector.

QUESTION FOUR

The performance on this question was good with a score of 90% (18 out of 20 marks).

The question was one of the optional questions and had two parts to it, part (a) and part in (b).

In part (a), candidates were asked to describe any seven reasons why Performance and Financial Management would be significant in a transition towards IPSAS. In part (b), candidates were required to explain any two ways in which each of the following assist in performance management in the public sector in Zambia: The auditor general, the accountant general and the secretary to the treasury.

This question was well answered.

QUESTION FIVE

The performance on this question was below average. The candidate obtained 45% (9 out of 20 marks).

Candidates were requested to make a presentation to the Accountants outlining:

- (i) The qualitative characteristics of information to be included in the General Purpose Financial Report (GPFRs) of public sector entities and
- (ii) Key Characteristic of a Public Sector Reporting Entity.

The question was one of the optional questions and had one part.

This question was poorly answered and part (ii) was completely not attempted. This could have been due to time mismanagement.

Overall performance of candidates

- i. Highest mark obtained in this paper: 70
- ii. Lowest mark obtained in this paper: N/A
- iii. Overall pass rate in this paper: 100