



JUNE 2022 EXAMINATIONS

CHIEF EXAMINERS REPORTS

PSFM

SUBJECT: PFM2 LEGAL ASPECTS OF PUBLIC SECTOR FINANCE AND ADMINISTRATION

QUESTION ONE

The general performance on this question was excellent. 3 out of the 3 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The lowest score was 20, whilst the highest was 28 out of the available 40 marks.

The question was based on the Natural Justice and the differences between Administrative Law and Constitutional Law. The whole exam was written by three candidates and they all answered the question as required.

QUESTION TWO

The general performance on this question was excellent. 3 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 17 out of 20 marks while the lowest was 12.

This question demanded students to demonstrate knowledge of functions of the three organs of the state. Most candidates were able to deal with this question. They were also able to discuss the functions from a constitutional law perspective with ease. However, few students showed ignorance on the topic. The way forward for all prospective candidates is to take enough time to study the topic and be able to support their answer with legal authorities. For the future students are advised to revise the topic and appreciate all its incidents. The Zica manual is adequate for this topic 85 % of candidates got the question correct.

QUESTION THREE

The general performance on this question was very good. 2 of the 3 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 12.

This question required students to explain by way of brief notes the following; constitution, Magna Carta 1215, statutory instruments and judicial review. Most candidates got this part of the question correctly whereas a few exhibited ignorance on the same. Students and future candidates in particular are called upon to read the manual with the view of understanding as opposed to just reading for the examinations.

QUESTION FOUR

The general performance on this question was excellent. 2 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 15 out of 20 marks while the lowest was 14.

The question had three parts. The first part required the students to discuss the difference between referendum and constituent assembly, the second part required them to explain Constitutional supremacy and the third part required the students to explain the effects of a quashing order on a public body. The first part was fairly answered, however 60% had challenges in the third and the second part. Students generally have challenges in distinguishing one principle from the other henceforth, they need to be guided on how to handle such questions.

QUESTION FIVE

The general performance on this question was excellent. There was only one candidate that attempted the question and managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest scored was 13 out of 20.

This question had two parts. The first part required students to explain how courts control administrative bodies and the second part required them to cite examples where administrative bodies derive their powers from. The first question was fairly answered however, 50% of the students seemed to have challenges with the second part on administrative bodies.

Overall performance of candidates

Highest mark obtained in this paper: **71%**

Lowest mark obtained in this paper: **56%**

Overall pass rate in this paper: **65.3%**

SUBJECT: PSFM4 PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was excellent. There was only one candidate that attempted the question and achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The highest mark scored was 22 out of the available 40 marks.

Part (a) asked candidates to describe the role of the Government of Country A in the economy. Performed well except that he/she failed to bring out clearly the following:

- Reallocation of resources in order to redistribute income generated.
- Provision of legal framework for economic activities.
- Implementation of stabilization policies.

Part (b) asked to explain what is meant by supplementary budgets and why countries need them. This was well answered except that the candidate did not clearly emphasize that the budget is done when there is an unexpected event.

Part (c) asked candidates to identify the role of treasury management in an economy as it relates to investment and management and Banking Services. The candidates completely failed to bring out the roles of treasury management and again this is a lack of adequate preparation.

Part (d) required candidates to calculate for each project the Payback Period and Net Present Value and decide which project the Consultants should recommend to the Permanent Secretaries of the Ministry of Agriculture and Ministry of Education. The candidate who attempted this part of the question performed very well.

QUESTION TWO

The general performance on this question was poor. There was only one candidate that attempted the question and obtained less than 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest scored was 9 out of 20.

Part (a) asked candidates to explain the Six (6) non-financial objectives that the government of country Y should pursue in order to maximize shareholder value. Candidate did not clearly state the six (6) non-financial objectives namely: (1) Customer satisfaction (2) Planning and Reporting systems (3) Employee Training and Development. (4) Long term or long range vision (5) Policies and Procedures (6) Community Involvement.

Part (b) asked candidates to advise the management at the Ministry of Finance on any four (4) risks associated with investing in neighboring countries and how the risks could be mitigated. The risks associated with investing in neighboring countries were also not well

listed and explained. Risks included: (1) Intellectual property risk, (2) Foreign exchange Risk (3) Ethics Risks (4) Country and Political risks (5) Prohibited Goods.

QUESTION THREE

The general performance on this question was excellent. There was only one candidate that attempted the question and obtained at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest scored was 11 out of 20.

Part (a) asked candidates to distinguish between risk and uncertainty. Part (b) required candidates to explain any two types of risks that NHL is facing. Part (c) asked candidates to advise the NHL board of directors of two measures they could put in place to mitigate such risks. Part (d) asked candidates to list and explain any four components of Enterprise Risk Management. This question was not one of the questions attempted by the candidate who sat for this paper.

QUESTION FOUR

The general performance on this question was excellent. There was only one candidate that attempted the question and obtained at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest scored was 13 out of 20.

Part (a) asked candidates to identify the various methods of budgeting and explain clearly each of the methods you have identified. The candidate identified and explained only three (3) types of budget methodologies and budget preparation techniques and preparation Part (b) asked candidates to explain what is meant by a budget deficit and its probable causes. The candidate's response to this section of the question failed to identify most of the causes of budget deficits though the term deficit was explained. Part (c) asked candidates to explain clearly what is meant by a "Balanced Budget" and a "Cash Budget".

Overall performance of candidates

Highest mark obtained in this paper: **55%**
Lowest mark obtained in this paper: **55%**
Overall pass rate in this paper: **55%**

SUBJECT: PFM 5 PUBLIC SECTOR AUDITS

QUESTION ONE

The general performance on this question was excellent. 2 out of the 2 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The lowest score was 29, whilst the highest was 31 out of the available 40 marks.

Both candidates attempted this question and the performance was generally good for the candidates who passed the paper. The average score was 30 out of the available marks and 2 candidates scored half or more than the available marks.

Part (a)

- (i) This part of the question required candidates to explain the purpose of an engagement letter in public sector auditing. The performance was good with the candidates scoring maximum marks.
- (ii) This part of the question required candidates to explain the factors that may necessitate the revision of the engagement letter in the audit of the Kafue District Council.
One of the candidates gave less than the expected factors and these were in the scenario.
- (iii) This part of the question required candidates to explain five benefits of planning the audit of the Kafue District Council. Both candidates only gave three correct benefits and obtained marks proportionately.

Part (b)

- (i) This part of the question required candidates to explain compliance auditing using the information in the scenario. Both candidates adequately answered this part and scored maximum marks.
- (ii) This part of the question required candidates to describe four audit procedures that should be performed in a compliance audit of the water project. One of the candidates scored maximum marks. The other candidate scored half the marks because the other audit procedures were not considering the criteria in a compliance audit.

Part (c)

- (i) This part of the question required candidates to explain the meaning of performance auditing using the information in the scenario. Both candidates explained performance auditing and scored maximum marks for doing so.
- (ii) This part of the question required candidates to describe audit procedures in the performance audit of the water project considering value for money.
One of the candidates scored maximum marks and suggested audit procedures considering all the three elements of value for money. The other candidate gave general procedures without considering the elements of value for money.

Part (d)

- (i) This part of the question required candidates to state eight elements of an unmodified auditor's report in accordance with ISSAI 1700.
One candidate stated the required 8 elements and scored maximum marks. The other candidate stated only three and scored marks in that proportion.
- (ii) This part of the question required candidates to explain the forms of opinions in accordance with ISSAIs 1700 and 1705
Both candidates satisfactorily explain the forms of opinion and scored more than half the available marks.

QUESTION TWO

The general performance on this question was excellent. 2 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 12 out of 20 marks while the lowest was 12.

Both candidates attempted this question and both scored more than half the available marks.

The following comments are made for the individual parts of the question:

Part (a)

- (i) This part of the question required candidates to explain the meaning of sufficient appropriate audit evidence. Candidates needed to note that these are two different terms with different meanings. This part was well answered and maximum marks were obtained.
- (ii) This part of the question required candidates to explain four benefits of documenting audit evidence. Maximum marks were scored by both candidates.
- (iii) This part of the question required candidates to explain the role of the Public Accounts Committee. This part was well answered and both candidates score maximum marks.

Part (b)

- (i) This part of the question was from financial audits in the public sector and required candidates to explain the meaning of subsequent events in an audit of financial statements.
Candidates need to know the provisions of IAS 10 and the provisions of ISSAI 1560 in answering this part of the question.
This was well answered and both candidates scored maximum marks.
- (ii) This part of the question required candidates to explain the audit risk regarding subsequent events. Candidates needed to explain the impact on the financial statement assertions of subsequent events which is that the management may not account for subsequent events in accordance with the relevant accounting standard.
Candidates lost easy marks because they gave less than the expected points to gain maximum marks.

- (iii) This part of the question required candidates to apply their knowledge of subsequent events to the three matters in the scenario. Marks were lost because of not addressing the second requirements to suggest the impact on the audit report if the three matters were not resolved. Candidates should address all parts of questions.

QUESTION THREE

The general performance on this question was excellent. 2 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 13 out of 20 marks while the lowest was 11.

Both candidates attempted this question and both scored half or more of the available marks with an average score of 12 out of the maximum available 20 marks.

Part (a)

This part of the question required a distinction of the roles of the Audit Committee and the Public Accounts Committee in public sector auditing.

One candidate scored maximum marks while the other scored half the marks because they did not clearly explain how the role of the PAC.

Part (b)

This part of the question required candidates to explain any two challenges faced by Audit Committees in the public sector. This part of the question was well answered and attracted maximum marks.

Part (c)

This part of the question required candidates to explain the two levels of assurance that the public sector auditor may give.

Both candidates did not get maximum marks because even if they were able to explain each assurance level they did not give sufficient points to warrant maximum marks.

Part (d)

- (i) This part of the audit required candidates to explain three reasons for carrying out risk assessment in a performance audit in public sector auditing.
- (ii) This part of the question required candidates to explain the relationship between risk and materiality at the planning stage of public sector audits.

QUESTION FOUR

The general performance on this question was poor. No candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 5.

Both attempted this question and the average score was 7 out of the maximum available marks. None of the two candidates scored half or more of the available marks.

Part (a)

This part of the question required candidates to describe the purpose of public sector audits and also explain the importance of transparency and accountability on the custodians of public funds. One of the candidates explained well and scored more than half the marks available here. The other candidate did not adequately describe the purpose of public sector audits but answered the second part.

Part (b)

This part of the question required candidates to describe the contents of the Mexico Declaration on SAI independence.

One of the candidates did not attempt to answer this part of the question. The other candidate scored half the marks because they only managed to describe four contents against eight required.

Part (c)

This was a knowledge based question that required candidates to explain any six general principles of public sector auditing in accordance with ISSAI 100. It was clear that both candidates were not sure of the general principles under ISSAI 100. One of the candidates only managed to explain correctly one principle while the other simply listed 7 principles without any explanation and hence scored half the available marks.

Overall performance of candidates

Highest mark obtained in this paper: **63%**

Lowest mark obtained in this paper: **59%**

Overall pass rate in this paper: **61%**

SUBJECT: PFMS 6 FINANCIAL REPORTING FRAMEWORK FOR PUBLIC SECTOR ENTITIES

QUESTION ONE

The general performance on this question was excellent. There was only one candidate that attempted the question and achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 100%. The highest mark was 21 out of the available 40 marks.

This was a compulsory question with four (4) component parts (a) to (d). It was a compulsory question based on different areas. The general performance was above average as the candidate scored more than 20 marks representing a scored above 50% of the available marks. Performance on individual components of the question was as follows:

Part (a) (i) required candidates to prepare a trial balance for Kitwe District Council. The question was attempted fairly though candidate expressed ignorance on few entries whether they needed to be on the debit or on the credit. As a result, a reasonable number of marks were lost.

Future candidates are reminded that knowledge of trial balance and the nature of account balances in it is critical for this paper.

Part (a) (ii) of the question required candidates to prepare the statement of Income and Expenditure for the year ended 31 December 2021. Though the question was straight forward, the candidate lacked basic knowledge on the preparation of such statement hence scored below average.

Part (a) (iii) of the question required candidates to prepare a statement of assets and liabilities. The only candidate for this exam left this part blank.

Part (b) of the question required candidates to state examples of cash and cash equivalents and these were provided though not complete correct examples.

Part (c) of this question required candidates to explain circumstances in which the council may have cash and cash equivalents not available for its use. The candidate expressed ignorance on this part.

Part (d) of the question required candidates to explain the requirements of segment reporting and additional disclosure requirements. This part was not adequately addressed by the candidate as there was no much substance in the answers provided.

QUESTION TWO

The general performance on this question was excellent. There was only one candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks.

This question had three (3) components (a) to (c). It was an optional question based on different areas of audit and service delivery. The general performance was that the candidate had an average score on the question.

Part (a) required candidates to explain the roles and responsibilities of internal and external auditors in ensuring accountability and transparency in public service. The only candidate performed fairly on this question.

Part (b) of the question required candidates to explain strategic responsibilities of Director of Finance in the Public Service. The candidate struggled with articulation of this part of the question and scored low marks.

Part (c) of the question required candidates to explain the objectives of Public Financial Management. This part of the question was fairly attempted by the only candidate.

QUESTION THREE

The general performance on this question was poor. No candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 7 out of 20 marks.

This question had three (3) components (a) to (c). It was an optional question based on main area of Government Business Enterprise (GBE). The general performance was above average as the candidate was able to score above 50% of the available marks. Performance on individual components of the question was as follows:

Part (a) of the question required candidates to prepare a statement of cash flows for Chileshe Limited. This is a portion where the candidate scored reasonable number of marks that improved scoring on the question.

Part (b) of the question required candidates to describe four characteristics of Government Business Enterprise (GBE). The question was partly answered by the only candidate who attempted it, probably due to lack of adequate knowledge on it.

Future candidates are reminded that a GBE in a nutshell is controlled by a public sector entity, and it has no reliance on government. Overall, not much knowledge exhibited on this.

Further GBE sells goods and services in the normal course of its business to other entities at a profit, has been assigned financial and operating authority to conduct business on its own behalf and it has powers to contract in its own name.

Part (c) required candidates to discuss the going concern assessment considerations for public sector entities. This was not attempted by the candidate.

Future candidates are reminded to thoroughly cover the syllabus content with no segregation as questions will come from all other areas across the syllabus.

QUESTION FOUR

The general performance on this question was excellent. There was only one candidate that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 13 out of 20 marks.

This question had five (5) components (a) to (e). It was an optional question based on mainly conceptual framework. The general performance on this question was fair with the candidate achieving above average mark on the question.

Part (a) required candidates to briefly explain the three publications that are issued by the IPSASB that support the convergence of public sector accounting standards. This part of the question was inadequately addressed by the candidate.

Part (b) of the question required candidates to explain any five (5) qualitative characteristics of information included in the GPFs of the public sector entities. There was reasonableness in the answers provided by the candidate except some could not meet minimum requirement for a mark and hence no mark awarded to the affected points.

Part (c) of the question required candidates to explain the difference between cash basis and accrual basis of accounting, giving two (2) examples of information that is excluded when a cash basis is used. This part of the question was reasonably attempted by the candidate but some marks were lost for lack of precision in the answer provided.

Part (d) of the question required candidate to explain why IFRSs are not suitable when preparing public sector financial reports. The candidate expressed ignorance on this part of the question.

Part (e) of the question required candidates to explain briefly two (2) key characteristics of a public sector reporting entity. This was well addressed.

Overall performance of candidates

Highest mark obtained in this paper: **67%**

Lowest mark obtained in this paper: **67%**

Overall pass rate in this paper: **67%**