DECEMBER 2024 EXAMINATIONS

CHIEF EXAMINERS REPORTS

PSFM

SUBJECT: **PFM 3: GOVERNANCE AND MANAGEMENT IN PUBLIC SECTOR**

QUESTION ONE

The general performance on this question was excellent. 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 24, whilst the highest was 30 out of the available 40 marks.

This question provided a case study of a road construction project and was divided into four parts: (a), (b), (c) and (d) respectively.

Part (a) required candidates to discuss seven basics of good contract management and three important factors to consider when dealing with its suppliers.

Part (b) was divided into two parts and required candidates to; (i) Describe the contract life cycle activities. and (ii) Identify five types of Contract agreements a company can enter.

Part (c) required candidates to describe the contract life cycle activities.

Part (d) required candidates to outline any four factors that must be taken into account to promote good practices in Contract Management.

QUESTION TWO

The general performance on this question was excellent. The 1 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 20 out of 20 marks.

This question was divided into two parts: (a) and (b) respectively. Part (a) required candidates to explain the four advantages of private limited company form. Part (b) required candidates to identify four main objectives and characteristics of the public corporation.

QUESTION THREE

The general performance on this question was excellent. The 1 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 20 out of 20 marks.

This question provided a scenario and was divided into two parts: (a) and (b) respectively.

Part (a) required candidates to use the given scenario to explain five roles of a Contract Manager.

Part (b) required candidates to outline five) benefits of good practice contract management.

QUESTION FOUR

The general performance on this question was excellent. 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 17 out of 20 marks while the lowest was 16.

This question consisted of three subparts: (a), (b) and (c) respectively.

Part (a) required candidates to define public policy.

Part (b) examined policy demands and was divide into four parts that required candidates to write brief notes on the following examples: (i) Electricity, (ii) Durable roads network, (iii) Employment opportunities, and (iv) Health care facilities.

Part (c) was divide into two parts that required candidates to; (i) define leadership, and (ii) define what is meant by Democratic style of leadership.

QUESTION FIVE

The general performance on this question was excellent. The 1 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 15 out of 20 marks.

This question examined the concept of ethics. It was divided into two parts: (a) and (b) respectively.

Part (a) required candidates to list five professional ethics for a public servant

Part (b) required candidates to identify the five points to consider in managing ethics at workplaces.

Overall performance of candidates

Highest mark obtained in this paper   80%

Lowest mark obtained in this paper   62%

Overall pass rate in this paper   100%

SUBJECT: **PFM4: PUBLIC SECTOR FINANCIAL MANAGEMENT**

QUESTION ONE

The general performance on this question was good. 1 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 50%. The lowest score was 12, whilst the highest was 25 out of the available 40 marks.

Part (a)

(i)   Required the state the difference between public sector and private sector organisation. The differences between Public Sector and Private Sector Organisations not clearly stated by the majority of the candidates who attempted this part of the question. Key differences were not highlighted. State that the control of the economy whether central, state or local by the government. Candidates did not indicate the source of revenue by the Government i.e. through taxes. In many cases the candidates did not indicate the area of operation such as police, army, mining, agriculture, health, manufacturing, electricity, education, transport, telecommunication, banking insurance etc. On the other hand, candidates should have emphasized that the aim of private organisations is to earn a profit.

(ii)   Required candidates to discuss the effects of privatization of the commercial operations of public sector institutions on various stakeholders. (ii) One other notable mistakes are that candidates did not discuss effects of privatization of the commercial operations of Public Sector Institutions on various stakeholders adequately. Candidates should have highlighted government potential loss of additional revenue. They should also have stated the fact that private sector does not usually invest in long term projects.

Part (b) asked candidates to advise the University Council whether they shouldproceed with establishing the special purpose vehicle. Calculation of NPV was generally poorly done. Computation of the table was poorly done hence the   poor calculation of NPV.

Part (d) required candidates to explain the concept of the time value of money and its components. Components of time value of money were not well explained. That goes to show lack of understanding of the term time value of money. Components such as Number of discounting periods or compounding periods. Rates of interest, present value, future vale and periodic payments. All these items were not well explained in most cases.

QUESTION TWO

The general performance on this question was excellent. 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. They both scored 10 out of the 20 marks.

Part (a) required candidates to prepare a cash flow forecast for the period January –

March 2022.

In part (b), candidates to explain four objectives of a cash budget to Ganga Water Authority Limited. The common mistake in this question was that they were not getting Negative Cash flows in the cash budget. Similarly, cash balance was negative. Most candidates did not get this right. They should have shown workings of Sale, Purchases as well. Lack of these workings made their work difficult.

QUESTION THREE

The general performance on this question was excellent. 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 16 out of 20 marks while the lowest was 12.

Part (a) required candidates to explain the role of a financial manager as it is applicable to both government and private institutions.

Part (b) required candidates to state the composition and functions of an audit committee.

Part (c) required candidates to identify the characteristics of a good internal control system. One common mistake was that candidates were not knowledgeable on the functions of the Audit Committee. The candidates seemed not to have read the Finance Act of 2004 which stipulates the composition of the Audit Committee. The Act also states the functions of the Audit Committee which include making recommendations to the Accounting Authority.

Another notable observation is that they could not identify the characteristics of a good internal control system. The candidates did not demonstrate a good framework on which a good internal control is based. These include control environment, Risk assessment, Monitoring and Reviewing, Information and communication and Control activities. Most candidates did not mention and explain these.

QUESTION FOUR

The general performance on this question was excellent. 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 14 out of 20 marks while the lowest was 10.

Part (a) required candidates to explain the benefits of an effective tax policy to an economy.

Part (b) asked candidates to explain the measures that a government can undertake to finance a budget deficit and disadvantages of each of the measures.

Part (c) required the candidates to explain the purposes of a public budget. Not all benefits of an effective tax policy to an economy were stated by some candidates in their answers. Candidates were expected to state the measures that a Government

was expected to undertake in order to finance a budget deficit and also state the disadvantages of each of the measures. Answers did not state the measures and hence could not discuss the advantages. Some of the answers did not state the purposes of a Public Budget. For some only one purpose was given in the answer.

QUESTION FIVE

None of the candidates that sat for this paper attempted to answer this question.

Overall performance of candidates

Highest mark obtained in this paper   65%

Lowest mark obtained in this paper   44%

Overall pass rate in this paper   50%

SUBJECT: PFM 5: PUBLIC SECTOR AUDITS

QUESTION ONE

The general performance on this question was excellent. All the 4 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 23, whilst the highest was 33 out of the available 40 marks.

Part (a)
This part of the question required candidates to explain the difference between miss application of funds and misappropriation of funds using information in the scenario. To score maximum marks candidates needed to identify each of these from the information in the scenario.

The performance in this part of the question was good with all the candidates scoring more than half the available marks.

Part (b) Parts (i) and (ii) could be answered at the same time and in columnar form which saves time and ensures that both question requirements are addressed.

(i)   This part of the question required candidates to explain 4 business risks in the operations of the Lusaka City Council. A common mistake in this kind of questions made by candidates is explaining the meaning of business risks which does not deal with the question requirements and for which no marks are awarded.

The following observations were made:
These two parts of the question were satisfactorily answered with all the candidates scoring more than half the available marks. A minority scored less marks on account of not giving correct responses to the risks identified in (i).

(ii)   This part of the question required candidates to suggest suitable responses to the business risks identified in (ii). It is common for candidates not to answer suggest suitable responses for some of the risks identified in (i).

Part (c)
(i)   This part of the question required candidates to explain the meaning of forensic investigations and to state the objective of the forensic investigation. Candidates are encouraged to deal with each part of the requirements separately and where possible use short heading to draw the attention of the markers.

The following observations were made:
A few candidates lost marks for not addressing the second part of the question which required candidates to state the objective of forensic investigations. The candidates only explained the meaning of forensic investigations.

(ii)   This part of the question required candidates to explain 3 differences between audits and forensic investigations.

The performance in this part of the question was good with the candidates scoring more than half the available marks.

Part (d)

This part of the question required candidates to explain the types of fraud that exist in the operation of the Busaka City Council using the information in the scenario. General explanations of three types of fraud without reference to the scenario earned half the available marks.

Candidates lost a few marks for not explaining the types of fraud using the information in the scenario but instead gave general answers with no reference to the information in the scenario.

Part (e)

(i)   This part of the question required candidates to suggest 4 matters that will form the criteria in the compliance audit of the Busaka City Council. Candidates are reminded that the criteria are the benchmark against which actual performance is measured.

Candidates lost marks on account of giving less than the required number of criteria for the compliance audit.

(ii)   This part of the question required candidates to suggest 4 audit procedures that should be performed in the compliance audit.

The following observations were made:

Most of the candidates gave the audit procedures as required and scored more than half the available marks.

QUESTION TWO

The general performance on this question was excellent. All the 4 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 14 out of 20 marks while the lowest was 11.

Part (a)

(i)   This part of the question required candidates to explain the ethical issue in the scenario. All the candidates identified and explained the ethical matter in the scenario and scored maximum marks.

(ii)   This part of the question required candidates to explain the risk of abuse of authority in the public sector. This part of the question was well answered with the candidates scoring maximum marks.

(iii)   This part of the question required candidates to explain their response to a request by a supervisor to process an irregular payment considering ethical principles that should be followed by accountants.

The performance in this part of the question was good but a few candidates gave less than the expected number of possible actions that could be taken. For 4 marks, candidates were expected to give at least 4 different possible actions that could be taken.

Part (b)

(i)   This part of the question required candidates to explain the meaning of 'ghost workers' and to suggest two ways in which they could arise. Candidates needed to address the two aspects of the question.

The following observations were made:
Candidates lost marks by simply explaining the meaning of ghost workers and not answering the second aspect which required candidates to suggest 2 ways in which they could come about.

(ii)   This part of the question required candidates to explain 4 audit procedures that should be performed to determine the extent of ghost workers in the local authorities.

The following observations were made:
Candidates lost marks for explaining less than the 4 audit procedures that should be performed.
There were audit procedures suggested that were not related to establish the existence of ghost workers.

QUESTION THREE

The general performance on this question was good. 2 of the 4 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 14 out of 20 marks while the lowest was 4.

Part (a)

(i)   This part of the question required candidates to explain the meaning and use of CAATs in public sector auditing.

Marks were lost for simply explaining the meaning of CAATs without explaining their use in public sector auditing as required by the question.

(ii)   This part of the question required candidates to explain 2 benefits of using CAATs in public sector auditing.
This performance in this part of the question was good with the candidates scoring maximum marks.

(iii)   This part of the question required candidates to distinguish between audit software and test data in the use of CAATs in public sector auditing.

The performance in this part of the question was average and most of the candidates simply explained the meanings of audit software and test data without giving any examples as required to illustrate their understanding.

Part (b)

(i)   This part of the question required candidates to explain the objective of the performance audit of the weigh bridge project.

This part of the question was well answered with the candidates explaining the value for money principles.

(ii)   This part of the question required candidates to explain the matters that should be considered in designing the work to be performed in the performance audit of the weigh bridge project.

Candidates needed to highlight the matters to be considered in line with the value for money principles of economy, efficiency and effectiveness. Majority of the candidates did not bring out matters in line with these principles and as a result lost mark. Further, candidates gave general answers with no reference to the information in the scenario in explaining the matters that must be considered.

(iii)   This part of the question required candidates to suggest 2 audit procedures for each of the three elements in the performance audit of the weigh bridge project. Candidates needed to know the three elements of economy, efficiency and effectiveness to be able to design suitable audit procedures.

The performance in this part was poor with all the candidates scoring less than half the available marks. Candidates either failed to suggest suitable audit procedures or gave only one procedure for each element instead of the required two procedures.

QUESTION FOUR

None of the candidates that sat for this paper attempted to answer this question.

QUESTION FIVE

The general performance on this question was poor. None of the 4 candidates 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 7.

Part (a)

(i)   This part of the question required candidates to explain the meaning of financial statement assertions giving a suitable example.

Candidates lost marks for simply explaining the meaning of financial statement assertions without using any example in doing so as required by the question.

(ii)   This part of the question required candidates to explain how financial statements assertions help public sector auditors design suitable audit procedures.

All the candidates that attempted this part could not give a satisfactory explanation of how assertions help auditors design suitable audit procedures to undertake.

Part (b)

(i)   This part of the question required candidates to explain the meaning of sufficient appropriate audit evidence in an audit of financial statements. The candidates who attempted this part of the question answered it satisfactorily and scored maximum marks.

(ii)   This part of the question required candidates to explain the reliability of evidence obtained in the audit of Bomba Ltd. The performance in this part of the question was poor with candidates scoring less than half the available marks. Candidates were expected to give at least 4 factors that determine the reliability of audit evidence.

Part (c)

(i)   This part of the question required candidates to explain the audit risk with regards opening balances. Candidates should have discussed what could go wrong in the financial statements.

The candidates simply stated that opening balances may be misstated without linking this to the current year financial statements.

(ii)   This part of the question required candidates to suggest 3 audit procedures for the opening balances in the financial statements of Bomba Ltd.

This part of the question was poorly done with all the candidates failing to suggest suitable audit procedures for opening balances signifying lack of understanding of the relevant auditing standards. Candidates scored less than half the available marks.

Overall performance of candidates

Highest mark obtained in this paper   67%

Lowest mark obtained in this paper   50%

Overall pass rate in this paper   100%

SUBJECT: PFM 6: FINANCIAL REPORTING FRAMEWORK FOR PUBLIC SECTOR ENTITIES

QUESTION ONE

The general performance on this question was good. 2 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 66.7%. The lowest score was 16, whilst the highest was 27 out of the available 40 marks.

QUESTION TWO

The general performance on this question was excellent. The only 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 score was 16 out of 20 marks.

QUESTION THREE

The general performance on this question was 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 66.7% was recorded. The highest score was 10 out of 20 marks while the lowest was 3.

QUESTION FOUR

The general performance on this question was 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 66.7% was recorded. The highest score was 11.5 out of 20 marks while the lowest was 9.

QUESTION FIVE

The general performance on this question was poor. None 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 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 3.

Overall performance of candidates

Highest mark obtained in this paper	52%
Lowest mark obtained in this paper	43%
Overall pass rate in this paper	66.7%