

Tutorial letter 101/3/2017

THE INTERNAL AUDIT PROCESS: Specific Audit Assignments and Reporting

AUI3703

Semester 1 & 2

Department of Auditing

IMPORTANT INFORMATION:

- Please activate your *myLife* email address and ensure you have regular access to the *myUnisa* module site for AUI2601.

BARCODE

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1 INTRODUCTION

Dear Student

It gives us great pleasure to welcome you as an AUI3703 student to the Department of Auditing. As your lecturers, we are here to support you in your studies. You are welcome to contact us at any time should you need any support and advice during this study programme.

Because this is a fully online module, you have to use myUnisa to study and complete the learning activities for this course. You need to visit the websites for AUI3703 on myUnisa frequently. The website for your module is AUI3703-17-S1/S2.

We hope that you will have a very enjoyable and successful year of study.

1.1 To get started on *myUnisa*

Because this is a fully online module, you need to go online to see your study materials and read what to do for the module. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see AUI3703-17-S1/S2 in the row of modules in the orange blocks across the top of the webpage. Remember to also check in the -more- tab if you cannot find this module in the orange blocks. Then click on the module you want to open.

Students must be registered for a *myLife* email address and must be able to access *myUnisa* to be able to access their study material, submit assignments, gain access to the Library functions and various learning resources, download study material, “chat” to their lecturers and fellow students about their studies and the challenges they encounter, and participate in online discussion forums.

In addition, you will receive this tutorial letter and a printed copy of the online study material for your module. While these printed materials may appear to be different from the online study materials, they are exactly the same and have been copied from the myUnisa website.

We wish you success on your journey!

2 PURPOSE OF THE MODULE FOR THIS MODULE

For this module, there are several outcomes that we hope you will be able to accomplish by the end of the course:

- **Specific outcome 1:** Adhere to the International Professional Practices Framework (IPPF) of Internal Auditing when conducting specific assignments, including (but not limited to):

- the Standards for the Professional Practice of Internal Auditing (Standards),
 - the Practice Advisories,
 - the Code of Ethics.
- **Specific outcome 2:** Consider the significant factors impacting on the conduct of specific assignments.
- **Specific outcome 3:** Conduct specific internal audit assignments according to applicable standards and generally acceptable practice.
- **Specific outcome 4:** Adhere to the International Professional Practices Framework (IPPF) of Internal Auditing pertaining to reporting and follow-up on completed internal audit assignments, including (but not limited to):
 - the Standards for the Professional Practice of Internal Auditing (Standards),
 - the Practice Advisories,
 - the Code of Ethics.
- **Specific outcome 5:** Report and follow up on completion of an internal audit assignment.

3 LECTURER(S) AND CONTACT DETAILS

3.1 Lecturer information

Your lecturer(s) for this module:

Ms BM van Wyk

You may contact her in the following ways:

Tel: +27 12 429 4712

E-mail: vwykbm@unisa.ac.za

PLEASE NOTE: Personal appointments should be arranged beforehand.

Always have your student number and module code ready when you contact the university!!!

3.2 Department

Department of Auditing:

If you wish to write to us, letters should be addressed to:

The module leader: **AUI3703**

Department of Auditing

PO Box 392

Unisa

0003

Secretary:

Tel: +2712 429 4707

Departmental web page:

<http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=194>

3.3 College

College related undergraduate enquiries should be directed to: +2712 429 2233/2982 or Casenquiries-undergraduate@unisa.ac.za

3.4 University

If you need to contact Unisa about matters not related to the content of this module, please consult the brochure *my Studies @ Unisa*, which you should have received with your study material. In this document you will find the contact details of various administrative departments. If you did not receive this document and have access to the internet, you can find it on myUnisa under the 'Resources' option. Remember to always have your student number ready when making an enquiry.

Please ensure that you contact the correct section or department for each enquiry as this will result in a speedy resolution of the enquiry.

The contact details are:

E-mail addresses:

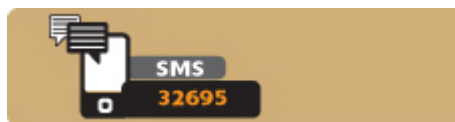
- info@unisa.ac.za for general enquiries
- study-info@unisa.ac.za for application and registration-related enquiries (prospective and registered students)
- international@unisa.ac.za for international students (registration-related enquiries)
- assign@unisa.ac.za for assignment enquiries
- exams@unisa.ac.za for examination enquiries
- despatch@unisa.ac.za for study material enquiries
- finan@unisa.ac.za for student account enquiries
- gaudeamus@unisa.ac.za for graduation enquiries
- myUnisaHelp@unisa.ac.za for assistance with myUnisa
- myLifeHelp@unisa.ac.za for assistance with myLife email accounts
- aegrotats@unisa.ac.za for aegrotat exams
- remark@unisa.ac.za for remarking of papers
- recheck@unisa.ac.za for rechecking of papers
- condiscipuli@unisa.ac.za for fellow student names
- counselling@unisa.ac.za for student counselling and career development
- vospresc@unisa.ac.za for enquiries about prescribed books

Library

The *my Studies @ Unisa* booklet, which is part of your registration package, lists all the services offered by the Unisa library.

General library catalogue enquiries	bib-oasis@unisa.ac.za
Library web co-coordinator	bib-web@unisa.ac.za
Inter-library loans enquiries	libr-ill@unisa.ac.za
Enquiries about subject databases	bib-dbase@unisa.ac.za
Library information desk	bib-help@unisa.ac.za
Enquiries about training presented by the library	bib-oplei@unisa.ac.za
Send a question to the library staff	bibrefq@unisa.ac.za

SMS numbers:



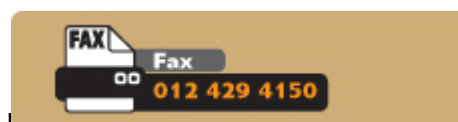
Send an SMS to 32695 for more information on how to contact Unisa via SMS (only for students within the borders of South Africa). Students will receive an auto-response SMS with the various SMS options. Standard SMS rates apply.

Students can also SMS enquiries directly to:

43578 for applications and registrations*
43584 for assignments*
43584 for examinations*
43579 for study material*
31954 for student accounts*
43582 for *myUnisa* and *myLife**

* The SMS number is only for students residing in South Africa. International students are urged to make use of the e-mail address info@unisa.ac.za.

Fax number:



Online address <http://my.unisa.ac.za>
Unisa website <http://www.unisa.ac.za>

Other means of contacting the University are:

Physical address

University of South Africa
Preller Street
Muckleneuk
Pretoria
City of Tshwane

Postal address

University of South Africa
PO Box 392
Unisa
0003

NB: Lecturers cannot assist you with registration, payments, module codes, examinations, etc. These are administrative issues which should be discussed with the relevant sections.

4 MODULE-RELATED RESOURCES

For library service request procedures, please consult the *my Studies @ Unisa* brochure.

4.1 Prescribed books

Your prescribed textbooks for this course for this semester are:

- LexisNexis. 2012. Auditing: Legislation and Standards. First edition. LexisNexis.
- Kurt F Reding. 2013. Internal Auditing: Assurance & Advisory Services Year Published. 3rd Edition. IIA Research Foundation. This book can be purchased from the Institute of Internal Auditors' (IIA) Bookstore. You are welcome to contact the IIA at either (011) 450 1040 or www.iiasa.org.za

4.2 Other resources – printed support material

Because we want you to be successful in this online module, we also provide you with some of the study material in printed format. This will allow you to read the study materials, even if you are not online.

The printed study material will be sent to you at the beginning of the semester, but you do not have to wait to receive it to start studying – you can go online as soon as you register and all your study material will be there. Therefore, the printed material is not something that you need to wait for before you start with the module. It is only an **offline** copy of the formal content of the online module.

Having the study material in printed form will give you the chance to do a lot of the studying for this module WITHOUT having to go into the internet or to an internet cafe. This will save you money, of course, and you will be able to take as much time as you need to read -- and to re-read -- the materials and do the activities.

It is therefore very important that you log into myUnisa regularly. We recommend that you should do this at least every week or every 10 days to check for the following:

- **Check for new Announcements.** You can also set up your myLife email so that you receive the Announcement emails on your cell phone.
- **Do the Discussion forum activities.** For every unit in this module, we want you to share with the other people in your group in the activities. You can read the instructions here and even prepare your answers but you need to go online to post your messages.

We hope that this system will help you to succeed in this online module by giving you extra ways to study the material and practise doing all the activities and assignments. At the same time, you **MUST** go online in order to complete the activities and assignments on time -- and to get the most from the online course.

Remember, the printed support materials are a back-up for everything that is found online on myUnisa. There are no extra things there. **In other words, you should NOT wait for the printed support material to arrive before you start studying.**

5. ASSESSMENT

5.1 Assessment plan

Assignments and learning

Here is a breakdown of the assignments, as they occur in the semester.

Assignments

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

Compulsory assignments

The submission of the compulsory assignment **01 and 02 or 03** will prove that you are an active student and will therefore earn you admission to the examination. Admission to the examination will be obtained by submitting the compulsory assignment. You will undoubtedly realise the importance of commencing your study programme in good time so that you can obtain admission to the examination and earn a good year mark.

NB: The compulsory assignment 01 for this module takes place right at the beginning of the semester, so make sure that you submit it on time. For admission to the examination, you must submit assignment 01 AND 02 or 03. No admission will be considered if you did not submit one of these two assignments before the due date.

General remarks

- a) Assignment 01 is included in this tutorial letter but is also available on myUnisa.

- b) The **compulsory assignment** (number 01), must be submitted on or before the due date to obtain admission to the examination. Make sure it is marked as "01".
- c) It is in your own interest to **retain a copy of proof that the compulsory assignment (number 01) was submitted** so that you can produce this in the event that there should afterwards be any dispute concerning whether or not the assignment was received.
- d) A **year-mark** of 20% will contribute to your final mark. This year-mark will be calculated as an average of the marks obtained for **Assignment 02 and Assignment 03** (if you obtain at least 40% in the examination).

The final mark is calculated as follows:

- 0% x mark obtained for compulsory Assignment 01, plus
- 10% x mark obtained for Assignment 02 (may also be used as a compulsory assignment) plus
- 10% x mark obtained for Assignment 03, plus
- 80% x mark obtained in the examination (sub-minimum of 40%)

The sub-minimum of 40% implies that if you obtain a mark of less than 40% in the examination, your year mark will not be taken into account.

THUS:

TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 AND 02 OR 03 BEFORE OR ON THE DUE DATE.

YOUR MARKS FOR BOTH ASSIGNMENTS 02 OR 03 WILL BE USED TO DETERMINE YOUR YEAR MARK.

Plagiarism

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities. The *Disciplinary Code for Students* (latest version) is given to all students at registration. Students are advised to study the Code. Read the University's *Policy on Copyright Infringement and Plagiarism* as well.

Commentaries and feedback on assignments

The solution to Assignment 01 will be provided to you in Tutorial Letter 201 which will only be distributed after the due date of Assignment 01. The solution to Assignment 02 will be sent to you in Tutorial Letter 202 which will only be distributed after the due date of assignment 02. The solution to Assignment 03 will be sent to you in Tutorial Letter 203 which will only be distributed after the due date of assignment 03.

As soon as you have received the solutions and comments, please check your answers. The assignments and the comments on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination. These will enable you to mark your own assignment.

Assignments are numbered consecutively per module, starting from 01. Only Arabic numerals are used, for example: Assignments 01, 02, 03, and so on.

In addition to the general assignment number (e.g. 01), each assignment has its **own unique assignment number** (e.g. 102717). This number must be written on the mark reading sheet or assignment cover page in the designated space.

Assignment and assessment methodology applicable only to AUI3703

Assignment 01

The due dates for the assignment 01 and unique codes are set out in section 6.4 of this tutorial letter. If you use a wrong unique code we as lecturers will never receive your assignment. Note that Assignment 01 is due at the **beginning of the semester**.

The purpose of assignment 01 is to orientate you for this specific module.

This assignment allows you to obtain **admission to the examination – a rule that applies only to this module. Therefore do not assume that this rule applies to any of your other modules.**

Read this tutorial letter 101 and then submit assignment 01 immediately.

Assignment 02 and 03

Very important -- the purpose of assignments 02 and 03 in this module is to build your own learning portfolio (class notes). The assignments will take you systematically through the **whole** syllabus. The activities that you are expected to submit **online** are indicated at the **end of each learning unit**. As soon as you complete a learning unit, you must save it on your computer (or write on an examination pad) before moving on to the next learning unit. In so doing, you will work **consistently**. You will feel good about yourself because you can see that you have progressed. Please work on your portfolios on a weekly basis, **you cannot complete it over the weekend before the due date**. The amount of reading and writing required in this module is simply too much and you will end up disliking the module if you postpone your efforts.

This will require planning and work on your part (ownership and time management skills). This is an open learning environment where you manage your own progress. I do not know your personal circumstances, so I cannot prescribe when to do what. If you are working and have registered for many modules, manage your available time carefully because this is not a Mickey Mouse module. **You** are therefore required to schedule **your** own dates (targets) and discipline yourself to meet those dates.

Therefore take **ownership** of your own studies and your progress – it is in your hands. In achieving your targets, you will become positive, focused and driven – the stuff internal auditors are made of.

Assignments 02 and 03 together contribute towards a year mark of **20% (10% per assignment)**. **Assignment 02** comprises of **all** the activities indicated in section 6.5 of this tutorial letter. In other words, for Assignment 02 you must have submitted **specified** activities for topics 1 to 4 on or before **the due date** (refer to section 6.4 of this tutorial letter for the due dates and codes). Activity 0.1 on page ix of the study guide entails a declaration from you that you have submitted your own attempt. You are required to submit this activity for both of Assignment 02 **and** 03.

Although the university allows you to submit handwritten assignments we recommend that you rather record your work on the computer. By utilising the computer you become proficient

in a word program and therefore improve your basic employability skills. Remember to accumulate all the activities applicable for an assignment and submit it as a single document.

NB: It is your own responsibility to make sure that you refer to the references and constructively utilise the prescribed material to compile your learning notes. The portfolio that you will be building through the two assignments therefore becomes part of your learning notes. If you studied at a residential university, you would have attended class regularly and compiled your own study notes.

All the activities must be submitted as a single assignment (in PDF) with the unique codes as stipulated in section 6.3 of this tutorial letter. PDF file should **NOT** be submitted as “Read only”.

The due dates for **all** the assignments are non-negotiable therefore plan for the unforeseen and do not leave it for last.

5.2 Due dates and unique assignment numbers

In addition to the general assignment number (eg 01), each assignment has its **own unique assignment number** (eg 102717). This number must be written on the mark reading sheet or assignment cover page in the designated area.

Refer to the following table for the unique numbers and due dates applicable to the assignments that you have to submit:

Assignment	FIRST SEMESTER Due date if you are registered for the first semester	SECOND SEMESTER Due date if you are registered for the second semester
01 (Compulsory) (0% of year mark)	17 February 2017 Unique number: 670558 Multiple choice questions.	28 July 2017 Unique number: 875858 Multiple choice questions.
02: (10 % of year mark)	17 March 2017 Unique number: 832387	18 August 2017 Unique number: 776450
03: (10 % of year mark)	11 April 2017 Unique number: 646793	15 September 2017 Unique number: 848417

5.3 Submission of assignments

You may submit written assignments and assignments done on mark reading electronically via *myUnisa*. Assignments may **not** be submitted by fax or e-mail. For detailed information and requirements as far as assignments are concerned, see the brochure, **my Studies @ Unisa** that you received with your study material.

Note: Assignments 02 and 03 can only be submitted in PDF format on *myUnisa*.

To submit an assignment via *myUnisa*:

- Go to *myUnisa*.
- Log in with your student number and password.
- Select the module from the orange bar.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

Please ensure that your assignment 01 reaches the University **before the due date – late submission of assignment 01 will result in you not being admitted to the examination.**

TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 AND 02 OR 03 BEFORE OR ON THE DUE DATE.

YOUR MARKS FOR BOTH ASSIGNMENTS 02 OR 03 WILL BE USED TO DETERMINE YOUR YEAR MARK.

Assignments posted should be addressed to:

The Registrar
PO Box 392
Unisa
0003

To submit assignments using *myUnisa*:

- Go to <http://my.unisa.ac.za>
- Enter your student number and password
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

5.4 Assignments

5.4.1 Compulsory Assignment 01 (Semester 1)

Instructions:

- (1) Write the correct unique assignment number in the six blocks provided on the mark reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark reading sheet.
- (3) Consult my *Studies @ Unisa* for an example of how a computer mark reading sheet should be filled in.

- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult *My studies @ Unisa* when you answer multiple-choice assignments.

Special instructions for answering this assignment

- (1) This assignment consists of 20 self-reflection multiple-choice questions.

ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS (compulsory)

Semester 1 and 2

17 February 2017

Unique number: 670558

The aim of this assignment is to **admit** you to the examination. If the assignment is not submitted **on/before the due date** you will not be able to write the examination. The good news is that it is a self-reflection assignment. Therefore, it is an activity to set you up, get you committed and to give you an opportunity to write the examination. The assignment is not content-based and, therefore, it will not count towards the year mark.

Remember, Assignment 02 and 03 will count 20% towards your year mark (10% for Assignment 02 and 10% for Assignment 03).

These questions are applicable to Semester 1 and Semester 2.

QUESTION 1

20 marks

REQUIRED

Select only **one** alternative for each question; and mark the digit that corresponds with the digit of the alternative of your choice on *myUnisa*. Answer the sub-sections of the question in numerical sequence, for example:

1. 1
2. 2

(1 mark per question)

- 1.1 Have you read the introduction to this module as set out in the beginning of this tutorial letter 101?

1. Yes.
2. No.

- 1.2** Are you aware that the myUnisa platform allows lecturers to communicate with you quicker, via announcements and discussion forums:
1. Yes.
 2. No.
- 1.3** Are you aware that this module's study guide is available on myUnisa under the Learning Units tab?
1. Yes.
 2. No.
- 1.4** Are you aware that certain icons are used in the study guide together with a description of their meanings, to assist you in working through the study guide?
1. Yes.
 2. No.
- 1.5** You cannot attempt this module without access to the **two** prescribed textbooks. Do you have a copy of the prescribed textbooks: 1) Reding, KF., Sobel, PJ., Anderson, UL., Head, MJ., Ramamoorti, S, Slamasick, M & Riddle, C. Internal auditing: Assurance & consulting services (2nd or 3rd edition); 2) Auditing legislation and standards?
1. Yes.
 2. No.
- 1.6** Are you aware that you should submit Assignment 01 **AND** 02 or 03 in order to be admitted to the examinations while both Assignments 02 and 03 must be submitted because they contribute to the year mark?
1. Yes.
 2. No.
- 1.7** Are you aware that you must submit Assignment 2 and 3 in pdf format and that if you submit your assignments online that you then have proof of submission?
1. Yes.
 2. No.
- 1.8** Are you aware that the answers to the activities do not only serve as assignments but also form part of your learning or class notes?
1. Yes.
 2. No.

1.9 Are you aware that you must physically complete all the activities as you work through each learning unit and that you must save the answers to the activities on your computer/flash drive or examination pad?

1. Yes.
2. No.

1.10 Have you identified the due dates for Assignments 2 and 3?

1. Yes.
2. No.

1.11 Have you identified the topics that you must cover for Assignments 2 and 3?

1. Yes.
2. No.

1.12 Do you understand that it is important to attempt the activities yourself and not to copy anyone else's work?

1. Yes.
2. No.

1.13 Are you aware that paying someone else to do your assignment or copying a student's assignment is easy to do, but is unethical, defeats the purpose of learning and will result in disciplinary action?

1. Yes.
2. No.

1.14 Are you aware that this module is jam-packed, and that it is, therefore, essential to carefully **manage** your time and **work consistently**?

1. Yes.
2. No.

1.15 What does this module AUI3703 deal with?

1. The internal audit process: tests of controls.
2. Planning of an internal audit.
3. The internal audit process: specific audit assignments and reporting.
4. The internal audit process: managing the internal audit activity.

1.16 The professional guidance for internal auditing is the IPPF. What does IPPF stand for?

1. Internal Professional Practices Framework.
2. International Professional Practices Framework.
3. International Professional Practical Framework.
4. Internal Profession Practices Framework.

1.17 Which one of the following alternatives best completes the definition of internal auditing as indicated below?

Internal auditing is an independent, _____(a)_____ and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach, to evaluate and improve the effectiveness of _____(b)_____, control and governance processes.

1. (a) assurance; (b) risk assessment.
2. (a) objective assurance; (b) risk management.
3. (a) objective assurance; (b) risk assessment.
4. (a) assurance; (b) risk management.

1.18 Which of the following best describes the purpose of the internal audit activity?

1. To add value and improve an organisation's operations.
2. To assist management with the design and implementation of risk management and control systems.
3. To examine and evaluate an organisation's accounting system as a service to management.
4. To monitor the organisation's internal control system for the external auditors.

1.19 When compared to the objectives of external auditors, the objectives of internal auditors focus more on ...

1. developing and implementing internal accounting controls.
2. the substantiation and presentation of financial statements.
3. assisting members of the organisation to meet their responsibilities and the needs of management.
4. communicating findings to the managers of the various business processes and organisational units.

1.20 Internal auditors must possess the knowledge, skills and other competencies needed to perform their responsibilities, including proficiency in ...

1. accounting principles and techniques.
2. internal audit procedures and techniques.
3. management principles.
4. marketing techniques.

---X---

5.4.2 Assignment 02 (Semester 1) (99 marks)**ASSIGNMENT 02****Semester 1****17 March 2017****Unique number: 832387****QUESTION 1****10 marks****REQUIRED**

For each sub-question of this question, choose only **one** option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A

1.2 C

1.1 You as the internal auditor are responsible for the financial audit of Big Time Ltd a distributions company. You and the chief financial officer (CFO) are best friends. You learn that the audit will focus on critical contract negotiations and that the CFO might be replaced. You relay this information to your friend. Which principle of the IIA's code of ethics has been violated?

- A integrity
- B objectivity
- C confidentiality
- D privacy

1.2 You as the internal auditor need to assess the design adequacy and operating effectiveness of entity level controls. This will form part of ...

- A a consulting engagement.
- B an assurance engagement.
- C outsourcing.
- D a compliance engagement.

- 1.3 The following audit procedure was documented in the working paper file “Evaluating the extent to which results are being achieved”. This audit procedure will relate to the ...
- A economy of the process.
 - B efficiency of the process.
 - C financial impact of the process.
 - D effectiveness of the process.
- 1.4 The purchase of goods on credit in the knowledge that it will not be possible to pay the account, or the tendering of a stolen credit card or a falsified cheque, is an example of ...
- A external fraud.
 - B embezzlement.
 - C misappropriation.
 - D management fraud.
- 1.5 Which one of the following alternatives is **not** an example of general controls?
- A System software controls
 - B Controls over transaction data
 - C Computer operating controls
 - D Business continuity controls
- 1.6 Which one of the following alternatives is **not** an example of consulting services provided by the internal audit activity?
- A Conducting control self-assessment training.
 - B Assisting in developing and drafting policies.
 - C Providing advice to management on risk management processes.
 - D Examining whether control procedures are mitigating the risks identified.
- 1.7 The following came to your attention while working through the reporting file. “The above situation was due to the fact that the person in charge of the assets did not exercise proper control over the receipt of the equipment.” Indicate what element of an audit finding this statement represents.
- A Criteria.
 - B Cause
 - C Effect
 - D Recommendation.

- 1.8** Which one of the following alternatives is an indication of a good performance objective?
- A Non-measurable
 - B General.
 - C Specific.
 - D Unattainable.
- 1.9** Which one of the following is **not** mandatory guidance as prescribed by the International Professional Practices Framework (IPPF)?
- A Definition of internal audit.
 - B The international standards.
 - C Code of ethics.
 - D Practice advisories.
- 1.10** The audit committee of the board does not conduct any auditing itself, but it does oversee both the internal and external auditing of the organisation. This statement is an example of ...
- A governance controls.
 - B management controls.
 - C technical controls.
 - D general controls.

QUESTION 2

64 marks

Do the following activities listed in the study guide:

Study Unit 1 - Activity 1, 2, 3, 4 (12 marks)

Study Unit 2 – Activities 5 (7 marks)

Study Unit 3 – Activities 6 (18 marks), 7 (10 marks), 8 (5 marks), 9 (12 marks)

QUESTION 3

25 marks

You as the internal audit manager of Solar Express requested one of the junior auditors in your team to attend the monthly stock take this weekend.

The junior auditor provided you with the following information:

- All solar geyser and solar panels are stored in the warehouse. There is no access control and anyone can enter the warehouse during working hours. The warehouse manager indicated that he trusts his employees and no access controls are required.
- Major differences were noted between the inventories on hand and the inventory

amount on the system. The only explanation that the warehouse manager gave was that differences are normal and that the auditor should not worry about the differences.

- The junior internal auditor recorded all the differences in the audit file.
- There are no policies or procedures in the warehouse department.
- No reconciliation is done between the geysers received and the geysers that are sold.
- There are various vacant positions and the warehouse manager is responsible for receiving the geysers, booking them out and authorising and signing off on all jobs completed.

The following additional information was received on the fraud hotline:

- The warehouse manager sells geysers to customers for cash, even though cash transactions are not allowed.
- The warehouse manager recently bought an expensive car and holiday house. When questioned by fellow employees he explained that his wife has received a bonus.
- The warehouse manager has accumulated leave over the past year and was at the warehouse at least once every weekend.
- The warehouse manager has a good relationship with his fellow employees in the department.

REQUIRED	Marks
3.1 List eight (8) warning signs given in the information above that could have aroused suspicion that the warehouse manager was involved in fraudulent activities and for each warning sign, provide a recommendation that will improve the internal controls.	16
3.2 Briefly describe the tasks of the internal auditor during a fraud investigation.	4
3.3 There are certain key principles that the organisation can follow to establish an environment that will effectively manage its fraud risk. List the key principles for managing fraud risk.	5

---X---

5.4.3 Assignment 03 (Semester 1)**ASSIGNMENT 03****Semester 1****11 April 2017****Unique number: 646793****QUESTION 1****8 marks****REQUIRED**

For each sub-question of this question, choose **one** only option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A**1.2** C**1.1** Which one of the following statements is true?

- A Effectiveness is the relationship between planned outputs and planned inputs.
- B Economy is the relationship between actual inputs and planned outputs.
- C Effectiveness is the relationship between actual outputs and planned outputs.
- D Economy is the relationship between actual outputs and planned outputs.

1.2 Which one of the following alternatives refers to the “effect” section of an audit finding?

- A What is the significance?
- B Why did it happen?
- C What should the position be?
- D What is the standard of comparison?

1.3 Internal auditors perform both assurance engagements and consulting engagements. Which one of the following alternatives would be classified as an assurance engagement?

- A Examining whether control procedures are mitigating the risks identified.
- B Conducting control self-assessment training.
- C Assisting in developing and drafting policies.
- D Providing advice to management on risk management, control and governance issues.

- 1.4** System development and implementation controls are an example of ...
- A Application controls.
 - B Key controls.
 - C General controls.
 - D Secondary controls.
- 1.5** Which one of the following is not mandatory guidance as prescribed by the International Professional Practices Framework (IPPF)?
- A Definition of internal audit.
 - B The international standards.
 - C Code of ethics.
 - D Practice advisories.
- 1.6** You are the internal auditor for Plantland. Plantland specialises in distributing various plants to different nurseries. You are conducting an operational audit on the distribution process of Plantland. You believe that the process can be improved, but the management team is resistant to change. Indicate the technique which would overcome the manager's resistance to change.
- A Involving the managers in the operational audit and subsequent decision making.
 - B Interviewing each manager individually to discuss their concerns.
 - C Reporting the problem to the board of directors and the audit committee.
 - D Coercing the managers through threats.
- 1.7** In reporting there are three different stages of importance: insignificant, significant and material. Which one of the following alternatives relates to the material stage of importance?
- A Indicates that a control has a more than remote likelihood of failing and that the impact of its failure is more than trivial.
 - B Indicates that a control has a more than remote likelihood of failing and that the impact of its failure exceeds the materiality threshold.
 - C Indicates that a control has a remote likelihood of failing or that the impact of its failure is trivial.
 - D Indicates that a control has a poor likelihood of failing or that the failure is insignificant.
- 1.8** Audit risk is the risk that audit coverage will not address significant business exposures. Which one of the following components does not form part of audit risk?
- A Inherent risk.
 - B Control risk.
 - C Detection risk.
 - D Business risk.

(Questions taken from Reding et al.)

QUESTION 2**63 marks**

Do the following activities listed in the study guide:

Study Unit 4 – Activities: 10 (15 marks); 11 (10 marks), 12 (10 marks)

Study unit 5 – Activities: 13 (5 marks); 14 (9 marks)

Study unit 6 – Activity 15 (4 marks)

Study unit 7 – Activities 16 (5 marks); 17 (5 marks)

QUESTION 3**19 marks**

You as the internal audit manager of Solar Express are also responsible for the audit of the information system (IS) department. The management of Solar Express recently explained that they are in the process of upgrading their current information system (IS). During the meeting you explained that controls are the responsibility of management and that management should ensure effective and efficient controls through adequate planning, organising and directing.

Management furthermore requested the following assistance from you as the internal auditor:

1. Provide advisory services regarding the new upgraded system and the controls that should be in place.
2. Assess the design adequacy and operating effectiveness of the business processes and controls.
3. Educate process owners and employees about fundamental governance, risk and control concepts.

You briefly listed the following controls that could be implemented when upgrading the current system.

1. The line manager should approve all application program changes.
2. Employees are forbidden to eat/drink at their work stations.
3. Backup copies of all masterfiles should be stored offsite.
4. Management should review exception reports on a regular basis.
5. Masterfiles should be kept under the supervision of an independent person.
6. Certain controls will be embedded in the application program code and applied by the computer.
7. All transactions should be authorised and approved by the manager responsible for the section.

One of the junior IS auditors wanted to know whether computer-assisted audit techniques (CAATS) would be used during the audit of Solar Express's IS department.

REQUIRED	Marks
3.1 Briefly differentiate between assurance engagements and consulting engagements and for each of the requests listed in 1 to 3, indicate whether it will form part of an assurance or consulting engagement.	6
3.2 CAATs should be applied correctly during the audit process. Describe the audit functions that CAATs can best be used for during the audit process.	6
3.3 For each of the controls listed in 1 to 7 above, indicate whether they are general controls or application controls.	7

QUESTION 4 10 marks

During the audit of Solar Express one of the concerns raised with management relates to the access controls of the warehouse. This is a major problem for management as very expensive solar equipment is stored in the warehouse. The following information was obtained and included in the working paper file:

- There are no access controls at the warehouse, and any employee can enter the warehouse at any time. Even the public can enter the warehouse without any form of access control.
- The warehouse manager explained that the access card machine is not working and that it is easier to keep the warehouse open during working hours. The manager further mentioned that he trusts all his employees and that access controls are not needed.

REQUIRED	Marks
4.1 Based on the information provided regarding the access controls, complete the audit finding that will be included in the internal audit report.	5
4.2 Briefly describe what a well-designed final communication (internal audit report) should include.	5

---X---

5.4.4 Assignment 02 (Semester 2) (102 marks)**ASSIGNMENT 02****Semester 2****18 August 2017****Unique number: 776450****QUESTION 1****10 marks****REQUIRED**

For each sub-question of this question, choose only **one** option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A**1.2** C**1.1** The purposes of the Standards include all of the following **except** ...

- A. establishing the basis for the measurement of the internal audit performance.
- B. guiding the ethical conduct of internal auditors.
- C. stating basic principles that represent the practice of internal auditing.
- D. fostering improve organisation processes.

1.2 Engagement information is usually considered relevant when it is ...

- A. derived through valid statistical sampling.
- B. objective and unbiased.
- C. factual, adequate and convincing.
- D. consistent with the engagement objectives.

- 1.3** An inexperienced internal auditor notified the senior auditor of a significant variance from the engagement client budget. The senior told the new internal auditor not to worry because the senior had heard that there has been an unauthorised stoppage that probably accounted for the difference. Which of the following statements is most appropriate?
- A. The new internal auditor should have investigated the matter fully and not bothered the senior.
 - B. The senior used proper judgement in curtailing what's could have been a wasteful investigation.
 - C. The senior should have halted the engagement until the variance was fully explained.
 - D. The senior should have aided the new internal auditor in formulating a plan for accumulating appropriate information..
- 1.4** A primary purpose for establishing a code of conduct with a professional organisation is to ...
- A. reduce the likelihood that members of the profession will be sued for substandard work.
 - B. ensure that all members of the profession perform at approximately the same level of competence.
 - C. promote ethical culture among professionals who serve others.
 - D. require members of the profession to exhibit loyalty in all members pertaining to the affairs of their organisation.
- 1.5** In the course of their work, internal auditors must be alert to fraud and other forms of white collar crime. The important characteristic that distinguishes fraud from other varieties of white collar crime is that ...
- A. fraud is characterised by deceit, concealment or violation of trust.
 - B. unlike other white-collar crimes, fraud is always perpetrated against an outside party.
 - C. white-collar crime is usually perpetrated for the benefit of an organisation, but frauds benefit others.
 - D. white-collar crime is usually perpetrated by outsiders to the detriment of the organisation but fraud is perpetrated by insiders for the benefit of the organisation.
- 1.6** Which of the following is not considered a red flag?
- A. Management has delegated the authority to subordinates to make purchases under a certain value.
 - B. An individual has held the same cash handling job for an extended period without any rotation of duties.
 - C. An individual handling marketable securities is responsible for making the purchases, recording the purchases, and reporting any discrepancies and again/loses to senior management.
 - D. The assignment of responsibility and accountability on the accounts receivable department is not clear.

- 1.7** Which of the following should the auditor recommend as the most economical point at which to correct input errors in an online system?
- A. Input data are balanced with computer-produced control totals.
 - B. Entry of data into each field of a record is completed.
 - C. Output data are balanced with computer produced control totals and delivered to the user.
 - D. Entry of data into each record is completed.
- 1.8** Rejection of unauthorised modification to applications system could be accomplished through the use of ...
- A. programmed checks.
 - B. batch controls.
 - C. implementation controls.
 - D. one-by-one checking.
- 1.9** The following audit procedure was documented in the working paper file: "To determine whether document flow and the provision of management information throughout the delivery department are optimised". This audit procedure will relate to ...
- A. the economy of the process.
 - B. the efficiency of the process.
 - C. the effectiveness of the process.
 - D. the financial impact of the process.
- 1.10** Which of the following statements is true?
- A. Effectiveness is the relationship between planned inputs and actual output.
 - B. Economy is the relationship between planned inputs and actual inputs.
 - C. Efficiency is the relationship between actual input and actual output.
 - D. Effectiveness is the relationship between planned inputs and actual inputs.

QUESTION 2

64 marks

Do the following activities listed in the study guide:

Study Unit 1 - Activity 1, 2, 3, 4 (12 marks)

Study Unit 2 – Activities 5 (7 marks)

Study Unit 3 – Activities 6 (18 marks), 7 (10 marks), 8 (5 marks), 9 (12 marks)

QUESTION 3

28 marks

ReadAlot is an online bookstore. Orders from all over the country is placed online and then books ordered delivered via door-to-door courier services

The distribution department of ReadAlot is responsible for collecting all the packed orders at the warehouse and then deliver them within 24 hours to the customers. Due to the increase in sales the personnel in the distribution department are working extra hours and spending a lot of additional hours on the road. As a result that leaves little time for manager-employee interaction and oversight.

Drivers are appointed on a contract basis and are paid a fixed rate per hour. The distribution department does not advertise for drivers as they prefer to use friends and family of current employees due to the fact that it is a lot quicker than to appoint someone formally. The culture of the company is very trusting with very few rules. A newly appointed employee only has to sign an agreement that they do have a valid driver's licence. A staff member was fired recently, but although the reason was rumoured to due to fraudulent behaviour, nobody really knew why.

Due to the expected increase in sales it became clear that additional delivery vans will have to be purchased for the distributions department. The Chief Audit Executive has requested you to investigate the economical procurement and efficient utilisation of the new delivery vehicles that will be purchased. You are in the process of obtaining background information on the procedures followed and the processes employed when purchasing new vehicles.

REQUIRED

Marks

- | | | |
|------------|--|-----------|
| 3.1 | Identify the weaknesses in the distribution department's operating procedures that would encourage fraudulent behaviour and for each weakness briefly describe why this would be the case. | 10 |
| 3.2 | Describe eight (8) audit procedures that could be used to provide assurance with regard to the economical purchase of the new equipment. | 12 |
| 3.3 | Indicate how the tasks of the internal auditor during a fraud investigation would differ from the tasks performed during a performance audit of the distributions department. | 6 |

---X---

5.4.5 Assignment 03 (Semester 2)**ASSIGNMENT 03****Semester 2****15 September 2017****Unique number: 848417****QUESTION 1****8 marks****REQUIRED**

For each sub-question of this question, choose **one** only option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A**1.2** C**1.1** Which one of the following statements is true?

- A Effectiveness is the relationship between planned outputs and planned inputs.
- B Economy is the relationship between actual inputs and planned outputs.
- C Effectiveness is the relationship between actual outputs and planned outputs.
- D Economy is the relationship between actual outputs and planned outputs.

1.2 Which one of the following alternatives refers to the “effect” section of an audit finding?

- A What is the significance?
- B Why did it happen?
- C What should the position be?
- D What is the standard of comparison?

1.3 Internal auditors perform both assurance engagements and consulting engagements. Which one of the following alternatives would be classified as an assurance engagement?

- A Examining whether control procedures are mitigating the risks identified.
- B Conducting control self-assessment training.
- C Assisting in developing and drafting policies.
- D Providing advice to management on risk management, control and governance issues.

1.4 System development and implementation controls are an example of ...

- A Application controls.
- B Key controls.
- C General controls.
- D Secondary controls.

1.5 Which one of the following is not mandatory guidance as prescribed by the International Professional Practices Framework (IPPF)?

- A Definition of internal audit.
- B The international standards.
- C Code of ethics.
- D Practice advisories.

1.6 You are the internal auditor for Plantland. Plantland specialises in distributing various plants to different nurseries. You are conducting an operational audit on the distribution process of Plantland. You believe that the process can be improved, but the management team is resistant to change. Indicate the technique which would overcome the manager's resistance to change.

- A Involving the managers in the operational audit and subsequent decision making.
- B Interviewing each manager individually to discuss their concerns.
- C Reporting the problem to the board of directors and the audit committee.
- D Coercing the managers through threats.

- 1.7** In reporting there are three different stages of importance: insignificant, significant and material. Which one of the following alternatives relates to the material stage of importance?
- A Indicates that a control has a more than remote likelihood of failing and that the impact of its failure is more than trivial.
 - B Indicates that a control has a more than remote likelihood of failing and that the impact of its failure exceeds the materiality threshold.
 - C Indicates that a control has a remote likelihood of failing or that the impact of its failure is trivial.
 - D Indicates that a control has a poor likelihood of failing or that the failure is insignificant.
- 1.8** Audit risk is the risk that audit coverage will not address significant business exposures. Which one of the following components does not form part of audit risk?
- A Inherent risk.
 - B Control risk.
 - C Detection risk.
 - D Business risk.

(Questions taken from Reding et al.)

QUESTION 2

63 marks

Do the following activities listed in the study guide:

- Study Unit 4 – Activities: 10 (15 marks); 11 (10 marks), 12 (10 marks)
- Study unit 5 – Activities: 13 (5 marks); 14 (9 marks)
- Study unit 6 – Activity 15 (4 marks)
- Study unit 7 – Activities 16 (5 marks), 17 (5 marks)

QUESTION 3

30 marks

You are the internal auditor of a manufacturing company, called “We Make It (Pty) Ltd”. The company conducts its business with a variety of customers that vary in size, from small size retailers to franchise supermarkets. The company has various departments which include the marketing, ordering, production, sales and finance departments.

Management requested you to perform a performance audit on the ordering, sales production and dispatch processes of We Make It (Pty) Ltd.

Initial discussions with the chief operations officer revealed the following.

- I. Orders are received through different sources (email, fax and telephone). Telephone orders are scripted on the diary.
- II. Orders are received by reception. The receptionist forwards the orders to one of the

sales staff who then forward them to production. The sales department is responsible for approving the orders before they are processed for production.

- III. The sales department approves all orders received.
- IV. There are four staff members in the sales department. However, responsibilities of the staff members are not formally defined.
- V. Invoices are issued by the sales department immediately after the orders have been forwarded to the production section.
- VI. The pricing of orders is done by production section.
- VII. The company has a huge warehousing facility.
- VIII. The company leases some of the machinery and equipment from various suppliers at different prices.
- IX. Production supplies are ordered by the receptionist on an *ad hoc* basis.
- X. Supplies are ordered from a company that is owned by a university friend of the CEO.
- XI. Dispatch staff sit under the tree on the company property for long periods of time.
Upon inquiry from the dispatch supervisor, you are told that it is because there are no deliveries to be made.
- XII. The customers have returned some of the deliveries due to quality concerns

A1 – Upon inspection of some of the delivery notes, you see that there are items on the delivery note that the customers did not accept delivery of, as they indicated that they had never ordered them. The customers also indicated that the items that they did order was not delivered.

REQUIRED

Marks

- 3.1 For each of the statements (i to xiii) made above, indicate whether it relates to effectiveness, efficiency or economy and formulate an audit procedure for each of the statements that you can use to complete the audit. **(20)**

Present your answer in a tabular format:

Number of statement	Efficiency, economy or effectiveness	Audit procedure

- 3.2 Based on the observation made in A1, draft an audit finding providing a practical illustration of the different **elements** of an audit finding. **(10)**

---X---

6 EXAMINATION

Requirements for admission to the examination

Submission of the **compulsory Assignment 01 AND Assignment 02 OR 03** by its due date will give you *admission* to the examination in this module. Admission will be obtained by submitting this assignment **in time** and not the marks you obtain for it. Please ensure that this assignment reaches the University **before or on the due date**. **Late submission of a compulsory assignment will result in you not being admitted to the examination. No extension will be given for the late submission of Assignments.**

The examination period

This module is offered in both semesters. This means that if you are registered for the first semester, you will write the examination in May/June 2016 and the supplementary examination will be written in October/November 2016. If you are registered for the second semester you will write the examination in October/November 2016 and the supplementary examination will be written in May/June 2017.

During the semester, the examination section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

Previous examination papers

Previous examination papers are available to students on **myUnisa**. **Suggested solutions are not provided.** Please do not request these from us, as it is a departmental policy that we are not allowed to supply you with the memorandums. You may, however, accept that the type of questions that will be asked in the examination will be similar to those found in your study material.

Use the **my Studies @ Unisa** brochure for general guidance for the examination as well as for your preparation for the examination.

7 FREQUENTLY ASKED QUESTIONS

The **my Studies @ Unisa** brochure contains an A–Z guide of the most relevant study information. We also posted a number of frequently asked questions on **myUnisa**.

8 CONCLUSION

Wishing you every success with your Auditing studies! We are here to assist you with the content of the module. Please make the most of your opportunity to learn about this module.

9 ADDENDUM

There are no addendums to this tutorial letter.