

Tutorial Letter 101/3/2018

Corporate Governance in Accountancy AUE2602

Semesters 1 and 2

Department of Auditing

This tutorial letter contains important information
about your module.

BARCODE



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1 INTRODUCTION

Dear Student

Welcome to the module AUE2602. We shall do our best to make your study of this course interesting and rewarding. You will be well on your way to success if you start studying early in the semester and decide to do your assignments properly.

Students must be registered for a myLife e-mail address and must be able to access myUnisa in order 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.

Only some tutorial letters will be posted to students, however, we encourage you to utilise the online learning platform. All the learning material is available on myUnisa with useful links to assist you in mastering a perceived difficult subject like auditing. In this module you will be guided through the content by working through the learning units either on myUnisa or the printed version.

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

1.1 To get started on myUnisa

Based on a Unisa decision, for this module you will only receive a printed study guide and tutorial letter 101 (this tutorial letter). The other tutorial letters of less than 20 pages are not printed and is electronically available on *myUnisa*. You must be registered on *myUnisa* to be able to access study material, submit your assignments, gain access to the library functions and various learning resources, to “chat” to your lecturer or e-tutor and fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums, blogs or self-assessments.

In addition to registering on myUnisa, it is crucial that you activate your myLife e-mail address, as all your official correspondence regarding this module will be sent to your myLife address and not your private e-mail address. Please consult with the *Study@Unisa* publication for more information on the activation of your myLife e-mail address as well as obtaining access to the myUnisa module site.

Go to the website <https://my.unisa.ac.za> and login with your student number and password. Then you will see **AUE2602** in your row of modules, in the orange bar across the top of the webpage.

1.2 How to study this module online

This module is taught online — this means that it is a different experience from some of your other modules at Unisa.

- **All your study material and learning activities are available online, on myUnisa.** Limited printed material will be provided. However, you will benefit from utilising the online platform.

- **Attempt to submit all of your assignments online.** If you submit your assignments online, make sure that you submit them on myUnisa in the required format (**PDF**). (Remember: submitting your assignments online is **faster and safer** than by post.)
- **This means that most of the communication between yourself and the University also happens online** — by e-mail, in the **Discussion Forums** and through the **FAQ's** tool. The semester period is very short; therefore communicating with you online is also most effective.

2 PURPOSE AND OUTCOMES

2.1 Purpose

The purpose of this module is to provide learners with knowledge and skills regarding the principles of corporate governance, statutory matters and internal controls in the business cycles. Students credited with this module will be equipped with a theoretical knowledge of corporate governance and will be able to identify and evaluate the efficiency of internal controls in different business cycles.

2.2 Outcomes

For the learning outcomes of this module, we refer you to the various topics covered in the study guide.

During the semester you should

- work through your study material; make summaries and complete the “do” activities
- answer the questions contained in Tutorial Letter 102 and compare your answers with the suggested solutions contained in Tutorial Letter 103
- complete and submit Assignment 01 and Assignment 02 **before the due dates** and complete the self-evaluation assessment. All the assignments and the self-evaluation assessments are included in this tutorial letter
- compare your answers to the assignments with the solutions provided in the tutorial letters on myUnisa.
- prepare yourself for the examination (for examination preparation and techniques, refer to the *Study@Unisa* (formerly *myStudies @ Unisa*) brochure

3 LECTURER(S) AND CONTACT DETAILS

3.1 Lecturer(s)

Your lecturers for this module are:

Ms N Coetzee

E-mail: AUE2602@unisa.ac.za

Tel: 012 429 6480/+27 12 429 6480

Ms E Pieterse

E-mail: AUE2602@unisa.ac.za

Tel: 012 429 2164/+27 12 429 2164

Course co-ordinator:

Prof HJ Theron

E-mail: therohj@unisa.ac.za

Tel: 012 429 4364/+27 12 429 4364

Please do not hesitate to contact the lecturer(s) by e-mail, telephonically or personally (by prior arranged appointment only), should you experience specific problems regarding the **content of the module**. Please have your study material open online when you contact us. Please note that enquiries with regards to matters **not** relating to the **content of the module** (e.g. myUnisa or myLife access, enquiries in respect of examination dates, examination venues, etc) must **not be directed to your lecturer** but to the relevant administrative department. The contact details are available in the *Study@Unisa* brochure (www.unisa.ac.za).

3.2 Department

Department of Auditing:

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

The Module Leader: AUE2602
 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 4211 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 *Study@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 as follows:

E-mail addresses:



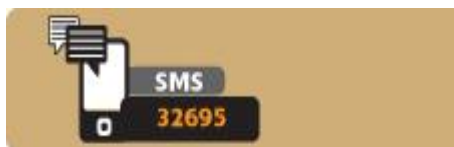
- info@unisa.ac.za for general enquiries
- study-info@unisa.ac.za for application and registration-related enquiries (prospective and registered students)
- international@unisa.ac.za for international students (registration-related enquiries)
- assign@unisa.ac.za for assignment enquiries
- exams@unisa.ac.za 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 e-mail 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 *Study@Unisa* brochure, 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 questions regarding registration, payments, module codes, examinations, etc. These are administrative issues, which should be discussed with the relevant sections.

4 RESOURCES**4.1 Prescribed books**

The following is a list of the prescribed books for this module:

- Jackson, RDC & Stent, WJ. 2016. *Auditing notes for South African students*. 10th edition. Durban: LexisNexis.
- LexisNexis. *Auditing: Legislation and Standards*. 2016. 2nd edition. LexisNexis.
- Gowar, H & Jackson, RDC. 2018. *Graded Questions on Auditing 2018*. Durban: LexisNexis.
- Insight Education (Pty) Ltd. Website: <http://insighteducation.co.za/>

NB: All three books are essential for passing this module.

- Auditing Notes for South African Students is used for all the topics.
- Auditing: Legislation and Standards contains the Companies Act, number 71 of 2008 and the King IV Report. This will be used in Topic 1. Also refer to the electronic reserves in section 4.3 below.
- Graded Questions on Auditing 2018 contains additional questions. The relevant questions are identified in Tutorial letter 102; the solutions to these questions are in Tutorial letter 103.
- Insight Education is an online interactive learning platform designed to help you understand the business cycles (topics 3 – 8), by visualising the theory.

Please consult the list of official booksellers and their addresses listed in the *Study@Unisa* brochure.

Prescribed books are available at the University's official booksellers. If you have any difficulties obtaining books from these bookshops, please contact the prescribed book section as soon as possible at telephone number +27 12 429 4152 or e-mail address vospresc@unisa.ac.za.

Information on the use and the sources of information available in the Unisa Library is available in the *Study@Unisa* brochure.

4.2 Recommended books

There are no recommended books for this module.

4.3 Electronic reserves (e-reserves)

The Companies Act 71 of 2008 and the Companies Regulations of 2011 can be obtained electronically from:

<https://www.saica.co.za/Portals/0/Technical/LegalAndGovernance/Act%2071%202008%20Companies%20Act.pdf> and www.dti.gov.za/news2011/companies_regulations_final.pdf

4.4 Library services and resources information

For brief information, go to www.unisa.ac.za/brochures/studies.

For detailed information, go to <http://www.unisa.ac.za/library>. For research support and services of personal librarians, click on "Research support".

The library has compiled a number of library guides:

- finding recommended reading in the print collection and e-reserves – <http://libguides.unisa.ac.za/request/undergrad>
- requesting material – <http://libguides.unisa.ac.za/request/request>
- postgraduate information services – <http://libguides.unisa.ac.za/request/postgrad>
- finding, obtaining and using library resources and tools to assist in doing research – http://libguides.unisa.ac.za/Research_Skills
- how to contact the library/finding us on social media/frequently asked questions – <http://libguides.unisa.ac.za/ask>

5 STUDENT SUPPORT SERVICES

For student support services you are referred to the *Study@Unisa* brochure. Please also visit myUnisa for announcements and additional information resources.

Telecentres

Free computer and internet access

Unisa has entered into partnerships with establishments (referred to as Telecentres) in various locations across South Africa to enable you (as a Unisa student) free access to computers and the Internet. This access enables you to engage in e-tutoring activities and signature courses; etc. Please note that any other activity outside of these is for your own cost e.g. printing, photocopying, etc. For more information on the Telecentre nearest to you, please visit www.unisa.ac.za/telecentres.

6 STUDY PLAN

You are responsible for pacing yourself. Spread your studies evenly throughout the semester.

Also use the *Study@Unisa* brochure for general time management and planning.

7 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

There is no practical work for this module.

8 ASSESSMENT

8.1 Assessment criteria

For the assessment criteria of this module, we refer you to the learning outcomes of the various topics covered in the study guide.

8.2 Assessment plan

Assignments and learning

Assignments assess your progress and learning and must be submitted before the due dates. As you do the assignments, study the reading texts, consult other resources, and discuss the work with fellow students or tutors, you are actively engaged in learning.

Compulsory assignment

You are required to **submit the compulsory Assignment 01 or Assignment 02 before the due date** to obtain **admission to the examination**. Admission will be obtained by submitting the Assignment 01 or Assignment 02 and not by the marks you obtain for it. **No admission will be considered if you did not submit one of these two assignments before the due date.**

The marks you obtained for Assignment 01 and Assignment 02 will contribute towards your year mark.

General remarks

- (a) Both Assignment 01 and Assignment 02 is included in this tutorial letter.
- (b) The **compulsory assignment** (number 01 and/or 02), must be submitted on or before the due date to obtain admission to the examination. Make sure that it is marked as "01" or "02".
- (c) It is in your own interest to **retain a copy of proof that the compulsory assignment (number 01 and/or 02) 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. The marks that you obtain for Assignment 01 and Assignment 02 will contribute towards your year mark for the module. The final mark is calculated as follows:

5% x mark obtained for compulsory Assignment 01, plus

15% x mark obtained for Assignment 02 (may also be used as a compulsory assignment)

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.

IMPORTANT:

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

YOUR MARKS FOR BOTH ASSIGNMENTS 01 AND 02 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.

Studies @ Unisa Disciplinary Codes (2018) is given to all students at registration. Students are advised to study the Code, especially Chapter 3: 1.18 and 1.19. Also please read the University's Copyright Infringement and Plagiarism Policy.

All your assignments must be your own work. You will receive 0% for your whole assignment if it's deemed that plagiarism was committed in any part of the assignment and you may also be subject to disciplinary proceedings by the University.

Everyone must obtain the required skills to ensure that you will be able to make a valuable contribution in the workplace.

PLEASE NOTE: Enquiries about assignments must be addressed to assign@unisa.ac.za.

8.3 Assignment numbers

8.3.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

8.3.2 Unique assignment numbers

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

8.4 Assignment due dates

Refer to the following table for the unique assignment 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) (5 % of year mark)	12 March 2018 Unique assignment number: 847226 Multiple-choice questions	13 August 2018 Unique assignment number: 824899 Multiple-choice questions
02: (May also be used as the compulsory assignment) (15 % of year mark)	13 April 2018 Unique assignment number: 893696 Written assessment	10 September 2018 Unique assignment number: 819502 Written assessment

8.5 Submission of assignments

You may submit written assignments and assignments done on mark-reading sheets either by post or electronically via myUnisa. We **recommend** that students **submit the assignments electronically via myUnisa** (in **PDF**) instead of posting them.

Assignments posted should be addressed to: (if you are unable to submit it electronically)

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.

To submit assignments manually (using postal services):

- (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 the *Study@Unisa* brochure 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 *Study@Unisa* when you answer multiple-choice assignments.

Important: By submitting your assignment you confirm that you accept and will adhere to the terms of the plagiarism declaration included in paragraphs 8.6.2 (Semester 1) and 8.6.4 (Semester 2) respectively. Please note:

- If you are found to be in violation of the plagiarism declaration you will receive 0% for the assignment.
- If you copied **all or a portion** of your assignment from someone else, both you and the person you copied from will receive 0% for the assignment.
- If you worked together in a study group, remember that you still have to submit your **own work**, written in your **own words**. If any similar-looking/worded assignments are found it will be considered to be a violation of the declaration and you will receive 0% for the assignment.
- The **plagiarism declaration** holds you accountable for completing your assignment on your own.

8.6 The assignments

8.6.1 Semester 1: Compulsory Assignment 01

NB: This assignment is due on 12 March 2018.

Special instruction for answering Assignment 01

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1–2 of the study guide.
- (3) If you honestly attempt the assignment **after** first studying the prescribed study material, you will reap the benefits. If you copy the solution with the aim to obtain a high year mark, do not be surprised if you fail the examination despite an excellent year mark.

**ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS
(Compulsory)**

**UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:
847226**

DATE OF SUBMISSION

First semester: 12 March 2018

QUESTION 1

30 marks

REQUIRED

For each question, select only **ONE** alternative you consider to be the most correct and then mark on myUnisa, or on the mark-reading sheet, the digit that corresponds with the digit of the alternative you have selected as your answer. Answer the subsections of this question in numerical sequence, for example:

1. 1
2. 3

(1½ marks per question)

1. Which ONE of these is **not** a benefit that could be realised through good governance according to the King IV Report?
 - 1 Effective control.
 - 2 Ethical culture.
 - 3 Legitimacy.
 - 4 Maximise short term profits.
2. Application of the King IV Report is based on ...
 - 1 apply or else.
 - 2 apply and explain.
 - 3 apply or explain.
 - 4 apply when necessary.
3. Which of the following committees are recommended by the King IV Report for the governing body to provide independent judgement, balance of power and effective discharge of its duties?

- i. Audit committee
- ii. Remuneration committee
- iii. Social and ethics committee
- iv. Corporate citizenship committee

- v. Risk committee
- vi. Internal audit committee
- vii. Nominations committee
- viii. Sustainability committee

Choose the correct alternative.

- 1 i, iv, v, vi and viii.
 - 2 i, ii, iii, v, and vii.
 - 3 ii, iii, vi, vii and viii.
 - 4 iii, iv, v vi and vii.
4. Which ONE of the following activities by a governing body will **not** be considered as ethical?
- 1 Reporting fraudulent activities committed by a manager to the governing body.
 - 2 Claiming more VAT from SARS than the entity is entitled to.
 - 3 Donating 5% of the company profits to the local school to build better classrooms.
 - 4 Making funds available to all staff for confidential annual HIV testing.
5. Select the alternative which **best** completes the following sentence:
- Fees for non-executive directors for their services as directors must be submitted for approval by ...
- 1 special resolution by the board members within three years preceding the payment.
 - 2 special resolution by the shareholders within three years preceding the payment.
 - 3 special resolution by the shareholders within two years preceding the payment.
 - 4 special resolution by the board members within two years preceding the payment.
6. What is the minimum number of members the risk committee should have according to the recommendations of the King IV Report?
- 1 Three members.
 - 2 The King IV Report does not make a recommendation.
 - 3 Five members.
 - 4 Four members.
7. Select the **best** alternative to complete the following sentence:
- Stakeholders in a governance context are considered to be ...

- 1 the shareholders of the company.
 - 2 any group that can affect or be affected by the company's operations.
 - 3 any group that could affect the company's financial performance, or be affected by the company's financial performance.
 - 4 the community in which the company operates.
- 8.** Who is ultimately responsible for ensuring that the entity complies with applicable laws and regulations?
- 1 All the personnel of the company.
 - 2 The governing body.
 - 3 The audit committee.
 - 4 The risk committee.
- 9.** An independent, non-executive director is a director who ...
- a) does not receive remuneration contingent on the performance of the company.
 - b) is not a professional advisor to the company.
 - c) has not been employed by the company in any executive capacity for the preceding two financial years.
 - d) holds 6% of the shareholding of the company or its subsidiary.
 - e) is not a representative of a shareholder who has the ability to control or significantly influence management.

Choose the correct alternative.

- 1 c, d and e.
 - 2 a, b and c.
 - 3 a, b and e.
 - 4 a, b and d.
- 10.** The chair of the governing body should be ...
- 1 a previously disadvantaged person.
 - 2 an independent non-executive director.
 - 3 the CEO of the company.
 - 4 the CEO of the company, or an independent non-executive director who reports to the CEO.

11. Which ONE of the following is **not** a limitation of internal controls?
- 1 Management's usual requirement that the cost of the internal control should be less than the expected benefit to be derived.
 - 2 Possibility of bypassing internal controls through collaboration of a member of management or an employee with parties outside or inside the company.
 - 3 Potential for carelessness, distractions, mistakes of judgement and misunderstanding of instructions that could lead to errors.
 - 4 Tendency for internal controls to be directed at non-routine transactions rather than routine transactions.
12. Which ONE of the following is **not** a component of internal controls?
- 1 Control environment.
 - 2 Risk assessment.
 - 3 Segregation of duties.
 - 4 Monitoring of controls.
13. Which ONE of the following is an example of a good control environment?
- 1 There are policies and procedures, but only some employees follow it.
 - 2 There are policies and procedures, but only management follows it.
 - 3 There are policies and procedures being followed most of the time, but not always.
 - 4 There are policies and procedures, both management and employees follow it all the time.
14. Which ONE of the following is **not** an example of isolation of responsibilities?
- 1 The cashier uses a unique username and password to gain access to the till.
 - 2 If a mistake was made, the cashier will log the error, and the manager will authorise the correction.
 - 3 Each manager has his/her own username and password to enable corrections of mistakes.
 - 4 The security guard signs the till slip to indicate that he checked the goods in the bag against the till slip.
15. Which ONE of the following is **not** an example of general physical controls?
- 1 A control over visitors from outside the company to the IT building.
 - 2 Computers are placed at least one meter away from windows in locked rooms.

- 3 Only the finance department's top personnel have valid usernames and passwords to access the bank account application.
 - 4 Only relevant personnel will have access to the IT building through the use of their activated personnel cards.
16. Which ONE of the following alternatives is **not** an input application control to ensure accuracy in a computerised environment?
- 1 Alpha-numeric format checks.
 - 2 Access control.
 - 3 Sign checks.
 - 4 Reasonableness and limit tests.
17. As part of systems development, which ONE of the following alternatives is **not** an advantage of packaged software purchased?
- 1 Lower costs.
 - 2 Technical support is available.
 - 3 Packages are upgraded on an ongoing basis.
 - 4 Changes cannot be made by a purchaser of the software.
18. Which ONE of the following is **not** part of the risk assessment process, as one of the components of internal control?
- 1 Deciding on actions to deal with the risks.
 - 2 Estimating the potential impact if a risk was to occur.
 - 3 Identifying business risks relevant to financial reporting objectives.
 - 4 Identifying and assessing audit risks.
19. Select the alternative which **best** completes the following sentence:
- The financial manager ensures that **all** sales for the financial year are recorded in order to satisfy himself or herself that ...
- 1 the completeness assertion has been fulfilled and to ensure that revenue is not materially misstated in the financial records of the company.
 - 2 debtors paid their accounts in good time during the financial year.
 - 3 the going concern concept is adhered to.
 - 4 the profit is increased to an acceptable level.

20. Which ONE of the following alternatives is **not** a factor the external auditor should consider when assessing whether a risk is a significant risk?

- 1 Recent significant economic, accounting or other developments.
- 2 Complexity of the transactions.
- 3 Nature, timing and extent of audit procedures.
- 4 Significant transaction with related parties.

8.6.2 Semester 1: Compulsory Assignment 02 (if you did not submit Assignment 01)

Instructions

- (1) Consult the *Study@Unisa* brochure for instructions on how to submit written assignments.

Special instructions for the answering of this assignment

- (1) This assignment covers the whole syllabus.
- (2) All questions must be answered.
- (3) **Only selected questions will be marked.**
- (4) Where discussion is required, structure your answer in point format.
- (5) You are reminded that your assignments must be your own work.

By submitting your assignments, you confirm that you accept and will adhere to the terms of the **plagiarism declaration**. Please note:

- If you are found to be in violation of the declaration, you will receive 0% for Assignment 02.
- If you copied **all or a portion** of your assignment from someone else (including tutors, online study group, etc.), both you and the person(s) you copied from will receive 0%. If any similar-looking/worded assignments are found it will be considered to be a violation of the declaration.

This declaration holds you accountable for completing your assignment **on your own**.

PLAGIARISM DECLARATION:

By submitting AUE2602 assignment 02, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any AUE2602 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

ASSIGNMENT 02: ESSAY-TYPE QUESTIONS
(Compulsory assignment if student did not submit Assignment 01)

UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:
893696

DATE OF SUBMISSION

First semester: 13 April 2018

QUESTION**80 marks**

MobileMob Limited (hereafter referred to as MobileMob), is a global mobile telecommunications operator listed on both the JSE and the New York Stock Exchange.

Corporate governance in the company

As a result of the recent update of the King III report and the release of the King IV report, the shareholders requested a review of the company's current corporate governance practices with reference to the changes in the report.

The company secretary provided you with the following schedule of directors:

Board of directors

L Maharaj
 AC de Villiers
 G du Plessis

Chairperson and executive director
 Chief Executive Officer (CEO)
 Marketing director (an executive director)

L Rabada	Non-executive director
S Domingo	Non-executive director – retired as CEO last year
R de Kock	Non-executive director
I Amla (CA(SA)	Non-executive director

Except for S Domingo, the non-executive directors have no significant relationship with MobileMob.

Although MobileMob has an audit committee, they do not have any other committees.

Revenue and receipts

Due to the large volume of daily transactions that occur at MobileMob Ltd, their revenue and receipts cycle is highly automated and they have strict controls in place to prevent employees from making unauthorised changes to the debtors' masterfile. However, they have been experiencing issues when processing receipts (payments received) from customers.

Continuity of operations

Shareholders are also concerned about the risk of the loss of data and the continuity of MobileMob's operations due to a recent online security threat.

Payroll and personnel

Mr Novice is part of the internal audit department of MobileMob. He has identified the following risks relating to the timekeeping function in the payroll and personnel cycle whilst planning for the upcoming internal audit.

- Risk 1: There is a risk that employees can clock in and then leave the premises.
- Risk 2: There is a risk that an employee can clock a card for a fictitious employee.
- Risk 3: There is a risk that employees clock in for absent fellow employees.
- Risk 4: There is a risk that hours on the clockcard are incorrectly calculated for normal and / or overtime.
- Risk 5: There is a risk that normal hours can be counted as overtime hours (which have a higher pay rate).

This is the first time Mr Novice will be involved with the internal audit of the payroll and personnel cycle. He is very worried and has looked up his study notes on some of the internal controls relevant to the payroll and personnel cycle:

- Entry and exit points to the work area should be limited (preferably one);
- Before the batch of clockcards is transferred for payroll preparation, the section head should check and sign the batch control sheet;
- At the end of a wage period, the section administration clerk should collect all clockcards for the period and agree the number of cards to the list of employees within the section.
- At the end of the wage period, the section administration clerk should collect all clockcards for the period, divide the cards into workable batches (e.g. 25) and complete a batch control sheet.
- Details of the batch should be entered in a batch register, which will accompany the clockcards to payroll preparation.
- Clockcards to be prepared by the personnel department, strictly in terms of the authorised employee list, and placed on racks at the entry points.

- Entry and exit points to the work area should be protected by a “turnstile” type mechanism;
- At the end of the wage period, the section administration clerk should collect all clockcards for the period and calculate the ordinary time worked and the overtime worked.
- Entry and exit points to the work area should be supervised during clocking periods.
- Before the batch of clockcards is transferred for payroll preparation, the section head should check the calculations;

REQUIRED**Marks**

- 1** **Comment** on the composition of the board of directors of MobileMob Limited in relation to the requirements of sound corporate governance in terms of the King IV report.

(9)

Address both compliance and non-compliance in your answer.

- 2** MobileMob Limited only has an audit committee. Name the FOUR (4) other committees the governing body should consider creating as per the requirements of the King IV report; AND name ONE main function of each.

Present your answer in the following format:

	Name of committee	Function of committee
1		
2		
3		
4		

(12)

- One presentation mark will be awarded if the answer is presented in the required format, and for communication, logical reasoning and structure.

(1)

- 3** MobileMob Limited is also listed on the New York Stock Exchange. Name one international Act that MobileMob Limited will also need to adhere to AND the main purpose of this Act.

(3)

- 4** With reference to the revenue and receipts information in the scenario, list the application controls that should be implemented by MobileMob Limited to enhance accurate capturing of receipts from debtors.

Limit your answer to the processing of receipts from debtors.

(16½)

- 5** Describe the controls that MobileMob Limited needs to implement in order to ensure the continuity of their operations.

Structure your answer under the following headings:

- Disaster recovery plan.
- Backup strategies.

(10½)**(9)**

6 Refer to the information provided under the Payroll and Personnel heading.

Assist Mr Novice to identify which internal control(s) will mitigate which risk. The number of internal controls you need to provide for each risk is indicated in the table below.

Provide your answer in the following format:

Risk	Internal control(s)
<i>Risk 1:</i> <i>Example:</i> <i>Employees can clock in and then leave the premises</i>	<i>(provide 3 internal controls)</i> <i>Example:</i> <ul style="list-style-type: none">• Entry and exit points to the work area should be limited (preferably one);• Entry and exit points to the work area should be protected by a “turnstile” type mechanism;• Entry and exit points to the work area should be supervised during clocking periods.
Risk 2	<i>(provide 4 internal controls)</i>
Risk 3	<i>(provide 2 internal controls)</i>
Risk 4:	<i>(provide 3 internal controls)</i>
Risk 5	<i>(provide 3 internal control)</i>

(18)

Note:

- You need not use all the internal controls provided by Mr Novice, and some internal controls may be used more than once.
- Risk 1 was provided as an example, and no marks will be awarded for this.
- One presentation mark will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure.

(1)

8.6.3 Semester 2: Compulsory Assignment 01

NB: This assignment is due on 13 August 2018.

Special instruction for answering Assignment 01

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1–2 of the study guide.
- (3) If you honestly attempted the assignment **after** first studying the prescribed study material, you will reap the benefits. If you copied the solution with the aim to obtain a high year mark, do not be surprised if you fail the examination despite an excellent year mark.

**ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS
(Compulsory)**

**UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
824899**

DATE OF SUBMISSION

Second semester: 13 August 2018

QUESTION 1

30 marks

REQUIRED

For each question, select only **ONE** alternative you consider to be the most correct and then mark on myUnisa, or on the mark-reading sheet, the digit that corresponds with the digit of the alternative you have selected as your answer. Answer the subsections of this question in numerical sequence, for example:

1. 1
2. 3

(1½ marks per question)

QUESTION 1

30 marks

REQUIRED

1. The governing body should oversee and monitor, on an ongoing basis, how the consequences of the organisation's activities and outputs affect its status as a responsible corporate citizen.

Which ONE of the following alternatives is **not** an area over which such oversight and monitoring should be performed against measures and targets agreed with management?

- 1 Society.
 - 2 Payroll.
 - 3 Economy.
 - 4 Environment.
-
2. The balance of power of the governing body is best attained from which ONE of the following combinations?
 - 1 A majority of executive directors, with the other directors being non-executive directors, the majority of whom should be independent.
 - 2 A majority of non-executive directors, the majority of whom should be independent.

3 A majority of non-executive directors, the minority of them being independent.

4 A clear majority of executive directors with a non-executive chairman.

3. Select the **correct** alternative relating to the disclosures of the audit committee in terms of the King IV Report.

In addition to required statutory disclosure recommended for all committees of the governing body, the following should, amongst others, also be disclosed in relation to the audit committee:

- a) A statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation.
- b) The audit committee's views on resolving disputes relating to the company's operations.
- c) The audit committee's views on the quality of the external audit.
- d) The audit committees' views on the effectiveness of the chief audit executive and the arrangements for internal audit.
- e) The audit committee's views on the process for determining the accounting principles to be applied in the annual financial statements.
- f) The arrangements in place for combined assurance and the audit committee's views on its effectiveness.

1 a, c, d, e and f.

2 a, d and f.

3 b, c, d, e and f.

4 a, c, d and f.

4. Which ONE of the following alternatives will **not** lead to the financial director being held liable in terms of the Companies Act 71 of 2008?

1 Failing to act in the best interest of the company.

2 Failing to inform the board of all environmental law changes.

3 Failing to act in good faith and for a proper purpose.

4 Failing to disclose to the board a personal financial interest.

5. Which of the following companies are required by the Companies Act to have an audit committee?

- i) State-owned companies.
- ii) Public companies.
- iii) Private companies.
- iv) A public company that is a subsidiary of a holding company which has an audit committee, but which will not perform the functions of an audit committee within the subsidiary.

Select the correct alternative.

- 1 All the options.
 - 2 Options (i), (ii) and (iv).
 - 3 Options (i) and (ii).
 - 4 Options (ii) and (iii).
6. The governing body should ensure that remuneration is disclosed by means of a remuneration report.

Which ONE of the following should **not** form part of the remuneration report?

- 1 A background statement.
 - 2 An overview of the main provisions of the remuneration policy.
 - 3 The complete remuneration policy.
 - 4 An implementation report, which contains details of all remuneration awarded to individual members of the governing body and executive management during the reporting period.
7. Select the **correct** alternative to complete the following sentence:
- The chair of the governing body should ...
- 1 be a member of the audit committee.
 - 2 also be the chair of the remuneration committee.
 - 3 be a member of the nomination committee.
 - 4 be the chair of the risk committee.
8. Which ONE of the following alternatives is a function of the **remuneration committee**?
- 1 To assist the board in setting and administering remuneration policies.
 - 2 To set and administer remuneration policies and ensure that these policies are being implemented by the board.
 - 3 To assist with the process of identifying suitable members of the board.
 - 4 To consider the risk management policy and to plan and monitor the risk management process.
9. For a non-executive director to be classified as **independent** he must satisfy a number of requirements. Which ONE of the following is an applicable requirement?

- 1 He was the senior external audit manager during the audit performed for the last financial year.
- 2 He is a significant professional advisor to the company.
- 3 He must not receive remuneration which is based on the profits made by the company for the financial year.
- 4 He must at no stage have been the chief executive officer of the company.

10. Select the option that **best** answers the following question.

Which of the following parties are responsible for the internal control process of an entity?

- 1 Management and the board of directors.
- 2 Employees of the entity and management.
- 3 The board of directors.
- 4 Management, the board of directors and the employees.

11. Select the **correct** alternative to complete the following sentence:

Internal controls can be defined as the process designed, implemented and maintained to provide reasonable assurance about the achievement of an entity's objectives with regard to ...

- 1 maximising profits.
- 2 the reliability of the entity's financial reporting.
- 3 compliance with applicable laws and regulations.
- 4 the effectiveness and efficiency of the entity's operations; its compliance with the applicable laws and regulations; and the reliability of its financial reporting.

12. Which ONE of the following alternatives is **not** an **input application control** to ensure accuracy in a computerised environment?

- 1 Sign checks.
- 2 Access control.
- 3 Reasonableness and limit tests.
- 4 Alphanumeric format checks.

13. Which ONE of the following is **not** a risk that will be dealt with by internal controls in a business?

- 1 Late submission of a director's personal tax return.

- 2 Theft of the assets of the company.
 - 3 Non-compliance with laws and regulations.
 - 4 Fraud.
14. Select from the following alternatives the **incorrect** alternative with regard to the **characteristics of internal control**.
- 1 The board of directors has overall responsibility and accountability for the internal control of a business.
 - 2 The potential of human error due to carelessness, distraction, errors of judgement and misunderstanding of instructions is a limitation of internal controls.
 - 3 Internal control is a process: a combination of systems, policies and procedures, designed, implemented and maintained to deal with the risks of running a business.
 - 4 Internal controls are not affected by changes in conditions; therefore, compliance with procedures will not deteriorate.
15. Which ONE of the following alternatives is **not** one of the five components of internal control according to the framework provided by ISA 315 of the auditing standards?
- 1 Control activities.
 - 2 Risk assessment.
 - 3 Monitoring controls.
 - 4 Segregation of duties.
16. Which ONE of the following is **not** regarded as a control activity?
- 1 Segregation of duties.
 - 2 Isolation of responsibilities.
 - 3 Reconciliation of physical assets with recorded assets.
 - 4 Document design.
17. Control activities can be categorised as follows:
- 1 By type, e.g. isolation of responsibilities.
 - 2 As general or application controls.
 - 3 As preventive, detective or corrective.
 - 4 As any of the above.

18. Which ONE of the following is **most likely** to result in segregation of duties becoming ineffective?
- 1 Collusion.
 - 2 Management override.
 - 3 Cost constraints.
 - 4 Carelessness on the part of an employee.
19. Complete the following sentence:
Internal control is ...
- 1 an effective method of addressing collusion.
 - 2 a dynamic process.
 - 3 the sole responsibility of management and the board of directors.
 - 4 an effective method of addressing the risk of management override.
20. Select the alternative which best completes the following sentence:

All masterfile amendments in a computerised environment should be automatically logged by the computer on sequenced logs and should later be sequence-checked against the log to satisfy the ... assertion.
- 1 completeness
 - 2 authorisation
 - 3 occurrence
 - 4 accuracy.

8.6.4 Semester 2: Compulsory Assignment 02 (if you did not submit Assignment 01)

Instructions

- (1) Consult *Study@Unisa* for instructions on how to submit written assignments.

Special instructions for answering this assignment

- (1) This assignment covers the whole syllabus.
- (2) All questions must be answered.
- (3) **Only selected questions will be marked.**
- (4) Where discussion is required, structure your answer in point format.
- (5) You are reminded that your assignments must be your own work.

By submitting your assignments, you confirm that you accept and will adhere to the terms of the **plagiarism declaration**. Please note:

- If you are found to be in violation of the declaration, you will receive 0% for Assignment 02.
- If you copied **all or a portion** of your assignment from someone else (including tutors, online study group, etc.), both you and the person(s) you copied from will receive 0%. If any similar-looking/worded assignments are found it will be considered to be a violation of the declaration.

This declaration holds you accountable for completing your assignment **on your own**.

PLAGIARISM DECLARATION:

By submitting AUE1601 assignment 02, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any AUE1601 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

ASSIGNMENT 02: ESSAY-TYPE QUESTIONS
(Compulsory assignment if student did not submit Assignment 01)

UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
819502

DATE OF SUBMISSION

Second semester: 10 September 2018

QUESTION

80 marks

You are an audit trainee at Iron Throne Auditors. Mr RR Martin, the senior partner of the firm, approached you and asked you to attend to the queries of Westeros Limited, a valued client of Iron Throne Auditors.

Westeros Limited

Westeros Limited is a global supplier of defence products with its major income sourced from the research, design and development of protective armour and gear. It was established in 1998 and listed on the JSE two years later.

Corporate governance in the company

Mr T Lannister provided you with the following information regarding the board of directors, the audit committee and the risk committee. He stated that there are no other committees.

Name	Board of directors	Audit committee	Risk committee
Mr N Stark	Chairman. Non-executive director Retired as CEO 6 years ago	Chairman	Member
Ms D Targaryen	Chief Executive Officer and CA(SA)		
Mr J Snow	Risk Director		Chairman
Ms S Stark	Chief Financial Officer She is the daughter of Mr N Stark		
Ms A Stark	Information Technology Director She is also related to Mr N Stark		
Mr T Lannister	Human Resources Director Acting company secretary Brother of Ms C Lannister		
Ms C Lannister	Non-executive director She is the sister of Mr T Lannister Note 1		
Mr K Drogo	Non-executive director No significant relations to Westeros Ltd	Member	
Mr D Seaworth	Non-executive director No significant relations to Westeros Ltd	Member	

Note 1: Ms C Lannister does not understand why she cannot be classified as an independent non-executive director.

Inventory

Westeros Limited recently started to develop bullet- and fireproof windows. The aluminium frames used are custom designed and manufactured according to customer specifications. Mr H Hodor, the accountant, is unsure which costs should be included in the valuation of the inventory. He provided you with the following expenses that occurred during the previous month.

1.	Raw material aluminium used in frames	R	1 055 000
2.	Import duties	R	84 000
3.	Salary of secretary who coordinates deliveries	R	22 000
4.	Salary of design architect	R	47 000
5.	Wages of factory workers	R	98 000
6.	Material lost during violent union protests	R	41 000
7.	Commissions paid to sales personnel	R	14 000

Bank account access

You heard Ms S Stark complain that gaining access to the bank account in a computerised system is just too much of a hassle and she wishes that the password would just stay the same; she struggles to remember it if it changes so often.

Acquisitions and Payments cycle

Mr J Snow identified the following risks in the receiving of goods and recording of purchases functions of the acquisitions and payroll cycle.

Risks in the receiving of goods function:

- A. Acceptance of damaged or broken items.
- B. Acceptance of short deliveries as full deliveries.
- C. Acceptance of items not ordered.
- D. Theft by employees or outside parties, e.g. collusion with supplier delivery personnel.

Risks in the recording of purchases function:

- E. Recording of incorrect amounts arising from incorrect purchase invoices where the quantity, quality or type of goods are not as ordered or received.
- F. The raising of fictitious purchases / creditors by the introduction of invoices which are for goods never ordered or received by the company.
- G. Delays, misallocation and posting errors when entering details into accounting records resulting in reconciliation problems and failure to make use of favourable settlement terms.

The internal audit department provided Mr Snow with the following list of internal controls that he may implement to address the risks.

- On arrival of the delivery vehicle, the goods receiving clerk should check the quantity and description of goods delivered against the purchase order and the supplier delivery note.
- All casts, extensions and calculations on the invoice should be reperformed.
- The purchase invoices received from the supplier should be matched to the corresponding goods received note, delivery note and purchase order for quantity and description of goods.
- On arrival of the delivery vehicle, the goods receiving clerk should reject all incorrect deliveries and clearly identify rejections on both copies of the delivery note and purchase order.

- On arrival of the delivery vehicle, the goods receiving clerk should accept goods short delivered but identify such goods clearly on the delivery notes and purchase order (the quantity actually accepted must be clearly identified).
- The purchase invoices received from the supplier should be reviewed to confirm that the amounts on the invoice have been allocated to the correct account e.g. inventory, consumables, stationery.
- There should be a designated goods receiving section which should be physically secured and access controlled.
- On arrival of the delivery vehicle, goods should be offloaded in the presence of a goods receiving clerk who should sign the supplier delivery note.
- When a requisition is made out to initiate an order, the account to which the purchase must be allocated in the purchase journal should be selected from the “official list of accounts” and entered onto the requisition and then transferred to the order, to ensure the clerk responsible for the allocation of the purchase will know which account to allocate it to.

Mr Snow is uncertain which of these internal controls will mitigate which of the risks he identified.

REQUIRED

Marks

- 1 **Comment** on the information that Westeros Limited provided with reference to the requirements of **sound corporate governance** in terms of the King IV Report, for the **board of directors and its current committees**. (12)

Note: Only discuss issues in respect of **non-compliance** with the King IV Report in your answer.

- 2 With reference to Ms C Lannister’s comment on independence, name the **requirements** a non-executive director should satisfy to be considered as an **independent non-executive director**. (12)
- 3
 - 3.1 With reference to the information under **Inventory**, indicate if the costs listed should be included or excluded from the calculation for the value of inventory. (10½)
 - 3.2 Calculate the correct value of inventory using the costs provided in the question. (1½)

Note: Present your answer in the following table format:

1.3.1 Item	Included (R)	Excluded (R)
1. Raw material		
2. Import duties		
3. Salary – secretary		
4. Salary – design architect		
5. Wages – factory workers		
6. Material lost		
7. Commissions		
1.3.2 Value of inventory	R	

- One presentation mark will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure. (1)

- 4 Write a **memo** to Ms S Stark, in which you explain why it is important to **restrict access to the bank account** in a computerised system. (7½)

- One and a half presentation mark will be awarded if the answer is presented in the correct format, and for communication, logical reasoning and structure. (1½)

- 5 Provide Ms S Stark with TEN **password controls**. (15)

- 6 Refer to the information under “**Acquisitions and Payments cycle**”.

Help Mr J Snow identify which internal control(s) will mitigate which risk. The number of internal controls you need to provide for each risk is indicated in the table below.

Provide your answer in the following format:

Risk	Internal control(s)
A	(provide 1 internal control)
<i>Example:</i> Acceptance of damaged or broken items.	<i>Example:</i> <ul style="list-style-type: none"> • On arrival of the delivery vehicle, the goods receiving clerk should reject all incorrect deliveries and clearly identify rejections on both copies of the delivery note and purchase order.
B	(provide 2 internal controls)
C	(provide 2 internal controls)
D	(provide 2 internal controls)
E	(provide 1 internal control)
F	(provide 3 internal controls)
G	(provide 2 internal controls)

(18)

Note:

- You need not use all the internal controls provided by the internal audit department, and some internal controls may be used more than once.
- Risk A was provided as an example, and no marks will be awarded for this.
- One presentation mark will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure. (1)

8.7 Other assessment methods

An examination paper which serves as a self-evaluation assessment is provided below as part of this tutorial letter.

Special instructions and remarks regarding the answering of this assessment opportunity

It is advised that you complete this assessment opportunity under examination conditions within two hours without consulting your study material.

After having completed this, you should compare your answers with the key in Tutorial Letter 202. This assessment opportunity **must not** be sent to the University.

Tutorial material for this assessment opportunity

This assessment opportunity deals with the entire contents of this module.

Purpose of this assessment opportunity

The purpose of this assessment opportunity is to serve as a revision of the study material as a whole. At the same time it is an indication of the standard that can be expected in the examination.

Below, find a previous examination paper that serves as a self-assessment assignment.

QUESTION 1

50 Marks

CGC Limited (hereafter referred to as “CGC”) is a property development company situated in Johannesburg, Gauteng. CGC specialises in developing shopping centres and letting shops to tenants.

CGC has grown significantly during the last couple of years. To obtain additional capital for developments, the board of CGC is investigating the option of listing the company’s equity on the JSE (previously named Johannesburg Stock Exchange). In order to do so, CGC has to meet the recommendations of good governance of the King IV Report, since compliance is compulsory for companies listed on the JSE.

You obtained the following information on the board of directors (governing body) and sub-committees from the annual financial statements of CGC for the year ended 31 December 20xx.

Board of directors (Governing body)

<u>Director</u>	<u>Position</u>	<u>Additional information</u>
M Bricks	Chief Executive Officer (CEO)	M Bricks is 55 years old and has a passion for the construction industry.
F Plaster	Independent non-executive chair	F Plaster is 60 years old and also serves as a non-executive director on the board of directors of other construction companies in South Africa. None of these companies have any dealings or relationships with CGC.
G Tiles	Non-executive director	G Tiles is 59 years old and has a degree in civil engineering. He has currently no financial interest in or business relationship with CGC.
H Concre	Risk director (executive director)	H Concre is 38 years old and holds a postgraduate diploma in risk management.
K Landsdain	Marketing director (executive director)	K Landsdain is 44 years old and obtained his degree in marketing from the University of South Africa.

S Deeds	Non-executive director	S Deeds is 42 years old and the son of the founder of CGC. He owns 15% of the shareholding of CGC.
L Buildt	Non-executive director	L Buildt is a CA (SA) who was the financial director of CGC until he retired a year ago.
W Gable	Information technology (IT) director (executive director)	W Gable is 35 years old and completed her Bachelor degree of Information Technology last year.

The board of directors meet every four months at the request of S Deeds who lives abroad and does not want to travel to South Africa more often.

Risk committee

The Risk committee consists of the following members:

L Buildt (chair)
F Plaster
G Tiles
H Concre
W Gable

Company secretary

A company secretary has not been appointed yet, and W Gable will perform the duties of the company secretary until a formal appointment has been made.

Internal audit

You have obtained the internal audit report for the financial year and have noticed that the internal audit department identified that no physical controls exist to prevent access to the computer on which the company's internet banking software is loaded. However, the report indicates that there are sufficient controls governing the access of visitors from outside the company to the separate IT building. They also identified that all personnel in the finance department share a single password to gain unlimited access to the bank account.

CGC requires its internal audit department to perform the following functions among others:

1. Assisting with the review of the internal controls implemented in the payment of suppliers as part of the purchases cycle.
2. Performing a review of the current project, the Hills Mall that is being developed in Centurion by comparing the actual spending to the approved capital budget.
3. Performing a review of the fixed asset register of CGC to ensure that it is complete.
4. The chairperson of the audit committee requested that the head of the internal audit department make a presentation to the board of directors on the laws and regulations that govern the company and its operations, highlighting any areas where laws and regulations are not complied with.

REQUIRED**Marks**

- 1.1** **Comment** on the information provided on the **requirements of sound corporate governance** in terms of the King IV Report.

Present your answer under the following headings:

- a) Board of directors: composition and appointments. (4 comments)
- b) Risk committee: composition and appointments. (3 comments)
- c) Company secretary. (3 comments)

(15)

- Discuss **compliance** and **non-compliance** in your answer.
- One mark will be awarded for the correct presentation of your answer.

(1)

- 1.2** **Indicate** in terms of the recommendations of the King IV Report, by giving brief reasons whether M Bricks and G Tiles are eligible for appointment as members to the audit committee.

(3)

- 1.3** **Indicate** whether the internal audit department should, in accordance with the King IV Report, perform the functions listed in **1- 4** in the scenario; and provide **brief reasons** for your answers.

(6)

Present your answer in the following tabular format:

Function number	Should the function be performed? Yes/No (½ mark)	Brief reason (1 mark)
1		
2		
3		
4		

Communication, logic, structure and presentation.

(1½)

- 1.4** **Describe** the additional **general physical access controls** that CGC should implement to control **access to the computer** on which the company's internet banking software is loaded.

(10½)

Communication, logic, structure and presentation.

(½)

- 1.5** **Describe password controls** as part of good, logical access control that CGC should implement to prevent the theft of money due to unauthorised access to the company's bank account in a **computerised environment**.

(12)

Note that your answer should only deal with password controls.

Communication, logic, structure and presentation.

(½)

QUESTION 2**50 Marks**

Bags Galore (Pty) Ltd (hereafter referred to as “Bags Galore”) sells handbags from all the popular brand names such as Guess, Gucci, Prada, Louis Vuitton and so forth. Bags Galore which opened its doors two months ago purchases inventory from different suppliers across South Africa.

The directors of Bags Galore are committed to good corporate governance. During a recent risk committee meeting, they identified the following risks relating to the **acquisitions and payments cycle**, specifically in the **ordering of goods** function:

- Ordering incorrect or unnecessary goods resulting in liquidity problems.
- Ordering unauthorised goods which results in losses to the company through fraud.
- Requisitions not acted on or orders not placed timeously; or not at all.
- Obtaining inferior quality goods.
- Paying unnecessarily high prices for goods.
- Orders placed with suppliers not completed in good time.
- Misused order forms – placing orders for private purchases.

Inventory

Due to the high value of the inventory of Bags Galore, the year-end inventory count is considered high risk.

Personnel

Bags Galore is expanding and therefore they are employing more personnel. Management is in the process of designing appropriate internal controls to ensure that only valid new employees are added to the Masterfile; and that only valid changes are made to the employee masterfile.

Credit sales

The following is a brief description of the functions in an everyday credit sales transaction of Bags Galore:

1. Once an order is received from an existing client, the order clerk immediately records it on an internal sales order (ISO) and sends it to the warehouse clerk who picks and despatches it.
2. The warehouse clerk uses the ISO, which serves as a picking list to pick out goods from the warehouse and then sends the goods straight away to despatch.>>Author do you mean picking list? DM
3. The despatch clerk receives the goods from the warehouse; loads it directly on the delivery vehicle and leaves for delivery.
4. The customer is given an invoice on delivery to indicate the goods delivered and the amount due.

REQUIRED**Marks**

- 2.1 Describe any seven** internal controls in the **acquisitions and payments cycle**, specifically in the **ordering of goods function** that Bags Galore should implement to reduce the risks identified by the directors.

(10½)

Communication, logic, structure and presentation. (½)

2.2 List four limitations of internal control that could threaten Bags Galore's objectives from being achieved. (4)

2.3 Describe the procedures to be followed when **conducting** a year-end inventory count at Bags Galore. (18)

Communication, logic, structure and presentation. (½)

2.4 Describe six internal controls that management should design; and implement them to ensure that only valid new employees are added to the masterfile and that only valid changes are made to the **employee masterfile**. (9)

Communication, logic, structure and presentation. (½)

2.5 For each of the functions in the everyday credit sales transactions listed in 1-4 in the scenario, **identify one weakness** in the internal control. (6)

Present your answer in the following format:

Function	Weaknesses (1½ marks per weakness)
1	
2	
3	
4	

Communication, logic, structure and presentation. (1)

8.8 The examination

Requirements for admission to the examination

Submission of the **compulsory Assignment 01 OR Assignment 02** 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 2018 and the supplementary examination will be written in October/November 2018. If you are registered for the second semester you will write the examination in October/November 2018 and the supplementary examination will be written in May/June 2019.

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 *Study@Unisa* brochure for general guidance for the examination as well as for your preparation for the examination.

9 FREQUENTLY ASKED QUESTIONS

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

10 SOURCES CONSULTED

Only the prescribed textbook has been consulted.

11 IN CLOSING

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.

12 ADDENDUM

There are no addendums to this tutorial letter.