

Tutorial Letter 201/3/2016

The Internal Audit Process: Planning the engagement

AUI3703

Semesters 1 & 2

Department of Auditing

This tutorial letter contains important information about your module.

Bar code

CONTENTS

1 BRIEFING 3

2 KEY TO ASSIGNMENT 01/2016 (FIRST & SECOND SEMESTERS)..... 3

1 BRIEFING

This assignment consisted of 20 multiple-choice questions which you had to answer on a mark-reading sheet. The assignment was marked electronically. This tutorial letter contains the correct answers to the various questions.

You will not receive a mark for this assignment but will be given admission to the examination.

Lecturer: AUI3701

2 KEY TO ASSIGNMENT 01/2015 (FIRST & SECOND SEMESTERS)

Questions 1 to 14 deal with the administration and learning method for this module. All the information can be found in the introduction section of Tutorial Letter 101.

Questions 15 to 20 deal with an introduction to Internal Auditing.

15. **(3): Option 3 is correct.** AUI3703 deals with the internal audit process: specific audit assignment and reporting. Option 1 is incorrect because it is the content for AUI3702. Option 2 is incorrect because it is the content for AUI3701. Option 4 is incorrect because it is the content for AUI3704.
16. **(2): Option 2 is correct.** The professional guidance for internal auditing is IPPF, which stands for International Professional Practices Framework. Therefore only option 1 is correct.
17. **(2): Option 2 is correct.** This question tested your knowledge of the definition of internal auditing which is as follows: "Internal auditing is an independent, **objective assurance** and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management**, control, and governance processes." Therefore only option 2 is correct.
18. **(1): Option 1 is correct.** According to the Definition of Internal Auditing: "Internal auditing is an independent, objective assurance 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 risk management, control and governance processes."

Option 2 is incorrect. Performing the functions of design and implementation of risk management and control systems would impair the objectivity of the internal auditors. Option 3 is incorrect. Internal auditing is much broader than merely examining and evaluating an organisation's accounting system. Option 4 is incorrect because internal auditing serves the organisations, not the external auditors.

19. **(3): Option 3 is correct.** External and internal audit differ because of a difference in

objectives. This question required you to select the alternative that described the objectives of internal audit. Option 3 is correct because it is apparent from the Definition of Internal Auditing that the objective of internal audit is to assist management and the board to manage the organisation efficiently by helping them to achieve the objectives.

Option 1 is incorrect as it is management's responsibility, and not that of internal audit, to implement controls. The internal audit activity would never develop and implement internal controls as part of internal audit work. This would impact on the internal audit activity's objectivity and independence. As part of the consulting activity, internal audit can assist management by compiling internal controls, but they would not implement the internal controls. Option 2 is incorrect as this is an external audit objective. Option 4 is incorrect as it refers to one of the steps within the internal audit process.

20. **(2): Option 2 is correct.** Proficiency means the ability to apply knowledge to situations likely to be encountered and to deal with them appropriately without extensive recourse to technical research and assistance. Internal auditors must be proficient in applying internal audit standards, procedures and techniques in performing engagements. Therefore option 2 is correct.

Option 1 is incorrect since internal auditors should be proficient in accounting principles and techniques only if they work extensively with financial records and reports. Option 3 is incorrect as internal auditors are required to have an understanding of, not proficiency in, management principles. Option 4 is incorrect as internal auditors ordinarily need not be proficient in marketing techniques.