

Tutorial Letter 101/3/2018

Internal Auditing: Theory & Principles

AUI2601

Semester 1 and 2

Department of Auditing

IMPORTANT INFORMATION

Please register on myUnisa, activate your myLife e-mail address and make sure that you have regular access to the myUnisa module website, as well as your group website.

Note: This is an online module and therefore it is available on myUnisa. However, in order to support you in your learning process, you will also receive some study material in printed format

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1 INTRODUCTION

Dear Student

It gives us great pleasure to welcome you as an AUI2601 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.

This is a blended module, therefore you will receive your study material in print and online. To access the online version, you have to use myUnisa. You need to visit the websites for AUI2601 on myUnisa frequently. The website for your module is AUI2601-18-S1/S2. All the learning material is available on myUnisa with useful links to assist you in mastering a perceived difficult subject like internal 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 year of study.

1.1 To get started on myUnisa

Because the study material is available online 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 and fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums, blogs or self-assessments. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see AUI2601-18-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.

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 are electronically available on myUnisa.

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 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.

1.2 How to study this module online

All your study material and learning activities are online, on myUnisa. 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 **Questions and Answers** tool. The semester period is very short; therefore communicating with you online is the most effective way to cover all the learning material.

2 PURPOSE AND OUTCOMES FOR THE MODULE

Students who successfully complete this module will have a basic understanding of the theory, principles, standards and practice of internal auditing and will be able to adapt to the rapidly changing discipline of internal auditing in a structured manner.

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

2.2 Outcomes

Specific outcome 1: Demonstrate an understanding of the theoretical concepts underlying internal auditing.

Specific outcome 2: Determine the functional role of the internal auditor in an organisation.

Specific outcome 3: Describe professionalism and the generally accepted elements of a profession.

Specific outcome 4: Demonstrate the qualifications, characteristics, powers, duties and liabilities of an internal auditor.

Specific outcome 5: Demonstrate the ability to apply the main systematic steps in the conduct of an internal audit.

Specific outcome 6: Discuss the relationship between internal auditing and related disciplines.

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3 LECTURERS AND CONTACT DETAILS

3.1 Lecturers' information

Your lecturers for this module are:

Course co-ordinator:

Mrs BM van Wyk +27 12 429 4712

E-mail: vwykbm@unisa.ac.za

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 regard 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 should be directed to the relevant 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, you should address your letters to:

The Module Leader: **AUI2601**
Department of Auditing
PO Box 392
Unisa
0003

Secretary:

Tel: +2712 429 4707

Departmental webpage:

<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 you 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 e-mail accounts
- aegrotats@unisa.ac.za for aegrotat exams
- remark@unisa.ac.za for remarking of papers



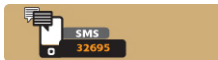
- recheck@unisa.ac.za for rechecking of papers
- condiscipuli@unisa.ac.za for fellow student names
- counselling@unisa.ac.za for student counselling and career development
- vospresc@unisa.ac.za for enquiries about prescribed books

Library

The *Study @ Unisa* 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:



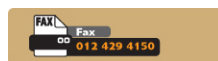
Send an SMS to 32695 for more information on how to contact Unisa via SMS (only for students within the borders of South Africa). Students will receive an auto-response SMS with the various SMS options. Standard SMS rates apply.

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:



Fax enquiries to +2712 429 415

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 RESOURCES

4.1 Prescribed books

There are no prescribed books for this module. Your study material consists of the study guide and the tutorial letters that you will receive during the semester.

4.2 Other resources – printed support material

Because we want you to be successful in this blended 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.

- **Do other online activities.** E-tutors are provided in this module and you will be allocated to an e-tutor group on myUnisa. It is important that you interact regularly with your etutor.

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.

4.3 Library services and resources information

For brief information go to: <http://www.unisa.ac.za/static/myunisa/Content/documents/study-at-Unisa2017-brochure.pdf>

For more detailed information, go to the Unisa website: <http://www.unisa.ac.za/>, and click on Library.

For research support and services of personal librarians, go to: <http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=7102>.

The Library has compiled numerous library guides:

- Find recommended reading in the print collection and e-reserves - <http://libguides.unisa.ac.za/request/undergrad>.
- Request 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/find 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 those listed are 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; that means that you should 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 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. Here is a breakdown of the assignments, as they occur in the semester.

Compulsory assignment

You are required to **submit Assignment 01 and Assignment 02 before the due date**. Admission will be obtained by submitting Assignment 01 or Assignment 02 and not based on 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) Assignment 01 is included in this tutorial letter, but is also available on myUnisa.
- (b) The assignments 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 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:

10% x mark obtained for Assignment 01, plus

10% x mark obtained for Assignment 02

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 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.

my Studies @ Unisa Disciplinary Codes (2011) 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.

Commentaries and feedback on assignments

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

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.

8.2 Assignment numbering**General assignment numbers**

Assignments are numbered consecutively per module, starting from 01.

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.

8.3 Due dates for assignments

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
Assignment 1 (10 % of year mark)	8 March 2018 Unique assignment number: 843926 Multiple-choice questions	16 August 2018 Unique assignment number: 693467 Multiple-choice questions
Assignment 2 (10 % of year mark)	5 April 2018 Unique assignment number: 718144 Written assessment	13 September 2018 Unique assignment number: 564925 Written assessment

8.4 Submission of assignments

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

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.

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

- The Registrar
- PO Box 392
- Unisa
- 0003

Important: By submitting your assignment you confirm that you accept and will adhere to the terms of the plagiarism declaration included in paragraphs 8.5.2 (Semester 1) and 8.5.4 (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.

8.5 Assignments

8.5.1 Semester 1: *Compulsory Assignment 01*

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

Special instructions for answering Assignment 01

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1–3 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)**

**1st SEMESTER
Unique Number: 843926
Date Of Submission: 8 March 2018**

QUESTION 1

20 marks

REQUIRED

Answer questions 1 to 20 by selecting the **one** alternative that you consider the most correct answer to the relevant question. Mark the corresponding digit on myUnisa or on the mark-reading sheet. Answer the subsections of the questions in number sequence, for example:

1. 1
2. 3

(1 mark per question)

1.1. Objectivity is most likely impaired by an internal auditor's ...

- 1 continuation on an engagement at a division for which (s)he will soon be responsible as the result of a promotion.
- 2 reduction of the scope of an engagement due to budget restrictions.
- 3 participation on a task force that recommends standards for control of a new distribution system.
- 4 review of a purchasing agent's contract drafts prior to their execution.

1.2 The internal audit activity must collectively possess or obtain certain competencies, including proficiency in ...

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

1.3 An internal auditor observes that a receivables clerk has physical access to and control of cash receipts. The auditor worked with the clerk several years before and has a high level of trust in the individual. Accordingly, the auditor notes in the engagement working papers that controls over receipts are adequate. Has the auditor exercised due professional care?

- 1 Yes, reasonable care has been taken.
- 2 No, irregularities were not noted.

- 3 No, alertness to conditions most likely indicative of irregularities was not shown.
- 4 Yes, the engagement working papers were annotated.

1.4 The purposes of the *Standards* include all of the following **except** ...

- 1 establishing the basis for the measurement of internal audit performance.
- 2 guiding the ethical conduct of internal auditors.
- 3 stating basic principles that represent the practice of internal auditing.
- 4 fostering improved organisational processes and operations.

1.5 An accounting association established a code of ethics for all members. What is one of the association's primary purposes of establishing the code of ethics?

- 1 To outline criteria for professional behaviour to maintain standards of integrity and objectivity.
- 2 To establish standards to follow for effective accounting practice.
- 3 To provide a framework within which accounting policies could be effectively developed and executed.
- 4 To outline criteria that can be used in conducting interviews of potential new accountants.

1.6 An internal auditor discovered some material inefficiencies in a purchasing function. The purchasing manager is the internal auditor's next-door neighbour and best friend. In accordance with the Institute of Internal Auditor's Code of Ethics, the internal auditor should ...

- 1 objectively include the facts of the case in the engagement communications.
- 2 not report the incident because of loyalty to the friend.
- 3 include the facts of the case in a special communication submitted only to the friend.
- 4 not report the friend unless the activity is illegal.

1.7 Which of the following is permissible under the IIA Code of Ethics?

- 1 Disclosing confidential, engagement-related information that is potentially damaging to the organisation in response to a court order.
- 2 Using engagement-related information in a decision to buy an ownership interest in the employer organisation.
- 3 Accepting an unexpected gift from an employee whom the internal auditor has praised in a recent engagement communication.
- 4 Not reporting significant observations and recommendations about illegal activity to the board because management has indicated it will address the issue.

1.8 During the course of an engagement, an internal auditor discovers that a clerk is embezzling funds from the organisation. Although this is the first embezzlement ever encountered and the organisation has a security department, the internal auditor

decides to interrogate the suspect. If the internal auditor is violating the IIA Code of Ethics, the rule violated is most likely ...

- 1 failing to exercise due diligence.
- 2 lack of loyalty to the organisation.
- 3 lack of competence in this area.
- 4 failing to comply with the law.

1.9 The chief audit executive is defined by the IIA as ...

- 1 the officer who reports to every audit committee meeting.
- 2 The most senior person responsible for promoting risk management in the organisation.
- 3 the most qualified internal auditor in post.
- 4 a senior position within the organisation responsible for internal audit activities.

1.10 Select the appropriate option. A is necessary and appropriate for the profession of internal auditing, founded as trust is placed in its objective assurance about risk, control and governance. The applies to both individuals and entities that provide internal audit services.

- 1 dedicated audit secretary
- 2 focused audit report
- 3 code of ethics
- 4 audit charter

1.11 Independence permits internal auditors to render impartial and unbiased judgements. The best way to achieve independence is through...

- 1 individual knowledge and skills.
- 2 a dual-reporting relationship.
- 3 supervision within the organization.
- 4 organisational knowledge and skills.

1.12 Internal auditors must be objective in performing their work. Assume that the chief audit executive received an annual bonus as part of that person's compensation package. The bonus may impair the CAE's objectivity if...

- 1 the bonus is administered by the board of directors or its salary administration committee.
- 2 the bonus is based on monetary amount recovered or recommended future savings as a result of engagements.
- 3 the scope of internal auditing is evaluating controls rather than account balances.
- 4 All of the answers above.

1.13 Within the context of internal auditing, assurance services are best defined as ...

- 1 objective examinations of evidence for the purpose of providing independent assessment.
 - 2 advisory services intended to add value and improve an organisation's operations.
 - 3 professional activities that measure and communicate financial and business data.
 - 4 objective evaluations of compliance with policies, plans, procedures, laws and regulations.
- 1.14 Which of the following are "mandatory guidance" in the IIA's International Professional Practice Framework for internal auditors?
- I Practice advisories.
 - II The Code of Ethics.
 - III The Definition of Internal Auditing.
 - IV The *Standards*.
- 1 I, II and IV.
 - 2 II and IV.
 - 3 II, III and IV.
 - 4 I, II, III and IV.
- 1.15 A charter is being drafted for a newly formed internal auditing department. Which of the following **best** describes the appropriate organisational status that should be incorporated into the charter?
- 1 The chief audit executive should report to the chief executive officer but have access to the board of directors.
 - 2 The chief audit executive should be a member of the audit committee of the board of directors.
 - 3 The chief audit executive should be a staff officer reporting to the chief financial officer.
 - 4 The chief audit executive should report to an administrative vice president.
- 1.16 Internal auditing standards assign the responsibility for providing appropriate audit supervision to the ...
- 1 audit committee.
 - 2 chief audit executive.
 - 3 audit supervisor.
 - 4 senior auditor.
- 1.17 The best description of the purpose of internal auditing is that it ...
- 1 furnishes members of the organisation with information needed to effectively discharge their responsibilities.
 - 2 review the reliability and integrity of financial and operating information.
 - 3 reviews the means of safeguarding assets and, as appropriate, verifies the existence of such assets.
 - 4 appraises the economy and efficiency with which resources are employed.

- 1.18 According to the IIA Standards, the independence of internal auditors is achieved through ...
- 1 staffing and supervision.
 - 2 continuing education and due professional care.
 - 3 human relations and communications.
 - 4 organisational status and objectivity.
- 1.19 As a particular engagement is being planned in a high-risk area, the chief audit executive determines that the available staff does not have the requisite skills to perform the assignment. The best course of action consistent with engagement planning principles is to ...
- 1 not perform the engagement because the requisite skills are not available.
 - 2 use the engagement as a training opportunity and let the internal auditors learn as the engagement is performed.
 - 3 consider using external resources to supplement the needed knowledge, skill and other competencies and complete the assignment.
 - 4 perform the engagement but limit the scope in light of the skill deficiency.
- 1.20 One of the primary roles of an engagement work program is to ...
- 1 serve as a tool for planning and conducting engagement work.
 - 2 document an internal auditor's evaluations of controls.
 - 3 Provide for a standardised approach to the engagement.
 - 4 assess the risks associated with the activity under review.

---X---

8.5.2 Semester 1: Assignment 02

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, limiting each paragraph to one statement.
- (5) Do not copy and paste directly from the Companies Act, interpret the theory and apply it to the question.
- (6) 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 AUI2601 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 AUI2601 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

ASSIGNMENT 02: WRITTEN ASSIGNMENT

1st SEMESTER

Unique Number: 718144

Date Of Submission: 5 April 2018

QUESTION 1

20 marks

REQUIRED

Answer questions 1 to 12 by selecting the **one** alternative that you consider to be the most correct answer to the relevant question. Write the correct answer on your assignment paper as illustrated below. Answer the subsections of the questions in number sequence, for example:

1. 1
2. 3

(1 mark per question)

1.1 The internal auditor prepares working papers primarily for the benefit of ...

- 1 the audit committee.
- 2 the executive management of the auditee.
- 3 the internal audit activity.
- 4 the external auditor.

1.2 Which of the following alternatives is not one of the four functions of management?

- 1 Reviewing.
- 2 Organising.
- 3 Directing.
- 4 Planning.

1.3 Which one of the following alternatives is not an internal audit procedure?

- 1 Recalculating the depreciation of fixed assets.
- 2 Verifying that there are two signatures of senior officials on all cheques.
- 3 Recommending improvements for the internal control system.
- 4 Observing the daily clocking in of employees.

1.4 The policies and procedures that help to ensure that management directives are executed and actions are taken to address the risks that threaten the achievement of the organisation's objectives describes ...

- 1 risk assessments.
 - 2 control activities.
 - 3 control environments.
 - 4 monitoring.
- 1.5 The scope of an internal audit engagement encompasses a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of all the following processes except for ...
- 1 risk management.
 - 2 control.
 - 3 regulation.
 - 4 governance.
- 1.6 Which one of the following is not an element of the International Professional Practices Framework (IPPF)?
- 1 The definition of internal auditing.
 - 2 The International Standards for the Professional Practice of Internal Auditing.
 - 3 The internal audit charter.
 - 4 The IIA Code of Ethics.
- 1.7 An internal auditor who suspects fraud should ...
- 1 determine whether a loss has been incurred.
 - 2 recommend an investigation if appropriate.
 - 3 identify the employees who could be involved in the case.
 - 4 interview those who have been involved in the control of assets
- 1.8 Internal audit's working papers have the following characteristics:
- 1 They are the property of the organisation and are available to all the company employees.
 - 2 They become the property of the independent external auditors when completed.
 - 3 They should be retained permanently in the organisation's records.
 - 4 They document the auditing procedures performed, the information obtained and the conclusions reached.
- 1.9 According to the International Standards for the Professional Practice of Internal Auditing (Standards), due professional care calls for ...
- 1 infallibility and extraordinary audit performance when the system of internal control is inadequate.
 - 2 detailed audits of all transactions related to a particular function.
 - 3 testing transactions in sufficient detail to give absolute assurance that non-compliance does not exist.

- 4 consideration of the possibility of material errors and irregularities during an audit assignment.
- 1.10 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.
- 1.11 Internal auditing standards assign the responsibility for providing appropriate audit supervision to the ...
- 1 chief audit executive.
 - 2 audit supervisor.
 - 3 senior auditor.
 - 4 audit committee.
- 1.12 The IIA Code of Ethics requires internal auditors to perform their work with ...
- 1 knowledge, skills and competencies.
 - 2 honesty, diligence and responsibility
 - 3 punctuality, objectivity and responsibility.
 - 4 timeliness, sobriety and clarity.
- 1.13 Risk management is the responsibility of management. The role of the internal audit activity in the risk management process may include which one of the following?
- 1 Evaluating the risk management process as part of the engagement plan.
 - 2 Appointing consultants to assist management with the risk management process.
 - 3 Managing the risk management process.
 - 4 All of the above.
- 1.14 Which one of the following is an attribute standard of the International Professional Practices Framework (IPPF)?
- 1 Nature of work.
 - 2 Independence and objectivity.
 - 3 Resolution of management's acceptance of risks.
 - 4 Performing the engagement.

QUESTION 2

30 marks

Thabo Khumalo has been an external auditor with an accounting firm for over 10 years. Thabo is contemplating changing his career to internal auditing, since there are so many similarities

between external and internal auditing. However, Thabo approaches you for advice before making a final decision.

REQUIRED

Marks

In order to assist Thabo with his decision:

- 2.1 List **six (6)** differences between internal and external auditing. Your answer should be in the following format. (12)

Factor	Internal audit	External audit

- 2.2 List **ten (10)** personal characteristics that can assist an internal auditor to effectively discharge his or her internal auditing duties. (5)

- 2.3 Briefly describe the following concepts to Thabo: (6)
- a) risk
 - b) control
 - c) governance
- (1)

- 2.4 An internal auditor is also an adviser in the organisation. Give **seven (7)** examples of how internal audit can assist management. (7)

QUESTION 3

13 marks

You have recently been appointed as the chief audit executive (CAE) of a newly formed internal audit division at Data Magic (Pty) Limited. The company specialises in software training and has grown substantially over the last five years. During your review of the internal auditing documents, you see that the internal audit charter states that the CAE reports to the audit committee.

REQUIRED

Marks

- 3.1 Discuss the advantages and disadvantages of reporting to the audit committee. (4)
- 3.2 According the IIA Standards, recommend the type of reporting preferred for independence purposes. (2)
- 3.3 List seven (7) practices that would enhance good relationships between the audit committee and the internal audit activity. (7)

QUESTION 4

16 marks

You have just been promoted to senior internal auditor, and your new responsibilities include providing training to internal audit trainees. As you go through the training file that was used by

your predecessor, you come across a comprehensive list of possible control activities that can be performed in an organisation. The list includes the following control activities, which are used to illustrate the different types of controls, namely preventive, detective and directive controls:

- 0 High-value stock items are locked in a safe.
- 1 The line manager reviews and signs all leave forms before employees go on leave.
- 2 The accounting clerk performs bank reconciliations monthly.
- 3 Employees use passwords to log onto their computers.
- 4 The finance department's activities are guided by a comprehensive procedures manual

REQUIRED

Marks

4.1 For each of the control activities listed in the scenario above, indicate which type of control it represents **and** also for each control activity, describe an audit procedure (test of control) that may be used to determine whether the control is working as intended.

Your answer should be structured as follows: **Note:** Number 0 above is used as an example of how you should answer this question and does not carry any mark.

(10)

Control activity	Type of control (1 mark)	Audit procedure (1½ marks)
0	<i>Preventive</i>	<i>Observe that high value stock items are stored in a safe and the safe is locked at all times.</i>
1	xxx	xxx

4.2 Name and briefly describe the **four (4)** most common kinds of audit evidence.

(6)

QUESTION 5

20 marks

In the course of their duties, all internal auditors are required to adhere to the elements of the International Professional Practices Framework (IPPF) established by the Institute of Internal Auditors (IIA). You have come across the following ethical issues while conducting various audits

REQUIRED

Marks

Conclude and explain, with reference to the IIA Code of Ethics, whether each of the scenarios below is permissible or not. Please provide reasons for each of your conclusions

Your answer should be structured as follows:

	Permissible/not permissible (1 mark)	Reference to IIA Code of Ethics (2 marks)	Reasons (1 mark)
5.1			

- 5.1 In response to a court order, an internal auditor is summoned to court to divulge confidential, engagement-related information that is potentially damaging to the organisation. The internal auditor refuses to appear in court. (4)
- 5.2 To save organisational costs, the chief audit executive has cancelled all staff training for the next two years on the basis that all internal audit staff are too new to benefit from such training. (4)
- 5.3 John, an internal auditor has been assigned to audit the human resources department which is managed by his uncle. (4)
- 5.4 Simon, the chief audit executive (CAE), disagrees with the engagement client about the observations that have taken place in and recommendations that have been made with regard to a sensitive area. Senior management has nevertheless accepted the risk and want the findings removed from the report. Simon does not accept this and reports the matter to the board. (4)
- 5.5 The audit plan requires an extensive evaluation of the integrity of the information systems used by the organisation. Owing to budget constraints, the internal audit activity cannot appoint someone with the necessary experience to perform the required evaluation and nobody in the activity has proper experience for this engagement. You then offer to conduct the audit to the best of your ability. (4)

---X---

8.5.3 Semester 2: Compulsory Assignment 01

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

Special instructions for answering Assignment 01

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1–3 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)**

**2nd SEMESTER
Unique Number: 693467
Date Of Submission: 16 August 2018**

QUESTION 1

18 marks

REQUIRED

Answer questions 1 to 20 by selecting the **one** alternative that you consider the most correct answer to the relevant question. Mark the corresponding digit on myUnisa or on the mark-reading sheet. Answer the subsections of the questions in number sequence, for example:

1. 1
2. 3

(1 mark per question)

1. An internal auditor most likely will have a conflict of interest by providing an assurance service with regard to a ...
 - 1 financial activity in which the internal auditor had been a key employee 5 years previously.
 - 2 purchasing activity if a major supplier is owned by the internal auditor's sister-in-law.
 - 3 data processing centre for which the internal auditor had performed the service three times previously.
 - 4 Computer system for which the internal auditor had been the internal audit activity's representative on the design team.

- 1.2 The *Standards* require that internal auditors possess which of the following skills?
 - I Internal auditors should understand human relations and be skilled in dealing with people.
 - II Internal auditors should be able to recognise and evaluate the materiality and significance of deviations from good business practices.
 - III Internal auditors should be experts on subjects such as economics, commercial law, taxation, finance and information technology.
 - IV Internal auditors should be skilled in oral and written communication.

- 1 II only.
 - 2 I and III only.
 - 3 III and IV only.
 - 4 I, II and IV only.
- 1.3 Due professional care implies reasonable care and competence, not infallibility or extraordinary performance. Thus, which of the following is unnecessary?
- 1 The conduct of examinations and verifications to a reasonable extent.
 - 2 The conduct of extensive examinations.
 - 3 The reasonable assurance that compliance does exist.
 - 4 The consideration of the possibility of material irregularities.
- 1.4 A major reason for establishing an internal audit activity is to ...
- 1 relieve overburdened management of the responsibility for establishing effective controls.
 - 2 safeguard resources entrusted to the organisation.
 - 3 ensure the reliability and integrity of financial and operational information.
 - 4 evaluate and improve the effectiveness of control processes.
- 1.5 A primary purpose of establishing a code of conduct within a professional organisation is to ...
- 1 reduce the likelihood that members of the profession will be sued for substandard work.
 - 2 ensure that all members of the profession perform at approximately the same level of competence.
 - 3 promote an ethical culture among professionals who serve others.
 - 4 require members of the profession to exhibit loyalty in all matters pertaining to the affairs of their organisation.
- 1.6 The Institute of Internal Auditor's Code of Ethics requires internal auditors to perform their work with ...
- 1 honesty, diligence and responsibility.
 - 2 timeliness, sobriety and clarity.
 - 3 knowledge, skills and competencies.
 - 4 punctuality, objectivity and responsibility.
- 1.7 Which of the following actions taken by a chief audit executive (CAE) could be considered professionally ethical under the IIA Code of Ethics?
- 1 The CAE decides to delay an engagement at a branch so that his nephew, the branch manager, will have time to "clean things up".

- 2 To save organisational resources, the CAE cancels all staff training for the next 3 years on the basis that all staff are too new to benefit from training.
 - 3 To save organisational resources, the CAE limits procedures at foreign branches to confirmations from branch managers that no major personnel changes have occurred.
 - 4 The CAE refuses to provide information about organisational operations to his father, who is a part owner.
- 1.8 Which is the correct definition of internal auditing according to the Institute of Internal Auditors?
- 1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
 - 2 Internal auditing is an independent, assurance and consulting activity designed to add value and improve an organisation's operations.
 - 3 Internal auditing is an independent, objective assurance and consulting activity designed to add value to an organisation's operations.
 - 4 Internal auditing is an independent, objective assurance and consulting service designed to add value or improve an organisation's operations.
- 1.9 The audit charter establishes audit's position within the organisation and address several issues. Select the **correct** option.
- I The nature of the chief audit executive's functional reporting relationship.
 - II Authorises access to records.
 - III The scope of audit work.
 - IV Mandatory nature of the definition of internal audit.
 - V Internal audit's responsibilities.
 - VI Internal audit staffing levels and requirements.
 - VII Outline of independence.
- 1 I, II and III only.
 - 2 II, III, IV and VI only.
 - 3 I, II, III, IV, V and VII only.
 - 4 I, II, III, IV, V, VI and VII.
- 1.10 According to the IIA Standards, supervision of an audit assignment should ...
- 1 assigning staff members to the particular engagement.
 - 2 determining that audit working papers adequately support the audit findings.
 - 3 determining the scope of the audit.
 - 4 appraising each auditor's performance on at least an annual basis.
- 1.11 Due professional care calls for ...
- 1 detailed reviews of all transactions related to a particular function.
 - 2 infallibility and extraordinary performance when the system of internal control is known to be weak.
 - 3 consideration of the possibility of material irregularities during every engagement.

- 4 testing in sufficient details to give absolute assurance that noncompliance does not exist.

1.12 Internal auditors must have competent interpersonal skills. Which of the following does not represent an attribute of interpersonal skills?

- 1 Communication.
- 2 Leadership.
- 3 Project management.
- 4 Team capabilities.

1.13 Which of the following is/are components of the *Standards*?

- I Practice Guides.
- II Interpretations.
- III Glossary.

- 1 I only.
- 2 I and II.
- 3 II and III.
- 4 I, II and III.

1.14 The audit committee of an organization has charged the chief audit executive with bringing the department into full compliance with the *Standards*. The CAE's first task is to develop a charter. Identify the item that should be included in the statement of objectives.

- 1 Report all audit findings to the audit committee every quarter.
- 2 Notify governmental regulatory agencies of unethical business practices by organization management.
- 3 Determine the adequacy and effectiveness of the organisation's systems of internal controls.
- 4 Submit departmental budget variance reports to management every month.

1.15 If the internal audit staff does **not** have the skills to perform a particular task, a specialist could be brought in from ...

- I The organisation's external audit firm.
- II An outside consulting firm.
- III The department currently being audited.
- IV A college or university.

- 1 I and II.
- 2 II and IV.
- 3 I, II and III.
- 4 I, II and IV.

- 1.16 The primary criteria for determining the adequacy of working papers can be found in the ...
- 1 IIA Standards.
 - 2 Institute's Code of Ethics.
 - 3 Statement of Responsibilities of Internal Auditing.
 - 4 Foreign Corrupt Practices Act.
- 1.17 The chief audit executive of a newly formed internal auditing department is seeking management approval of a charter. What is the authoritative source for seeking such approval?
- 1 The IIA Standards, which clearly place that responsibility on the CAE.
 - 2 The appropriate Practice Advisories, which require the CAE to take that course of action.
 - 3 The Code of Ethics, which requires internal auditors to document company policy.
 - 4 According to the IIA Standards, no approval is necessary.
- 1.18 Which of the following relationships best depicts the appropriate dual reporting responsibility of the internal auditor? Administratively to the ...
- 1 board of directors, functionally to the chief executive officer.
 - 2 controller, functionally to the chief financial officer.
 - 3 chief executive officer, functionally to the board of directors.
 - 4 chief executive officer, functionally to the external auditor.
- 1.19 The best control over the work on which internal auditor's opinions are based is ...
- 1 supervisory review of all engagement work.
 - 2 preparation of time budgets for internal audit activities.
 - 3 preparation of engagement working papers.
 - 4 staffing of internal audit activities.
- 1.20 In the preparation of an engagement work program, which of the following items is **least** essential?
- 1 The performance of a preliminary risk assessment.
 - 2 A review of material from prior engagement communications.
 - 3 The preparation of a budget identifying the costs of resources needed.
 - 4 A review of criteria established by management to determine whether operating goals and objectives have been accomplished.

---X---

8.5.4 Semester 2: Assignment 02

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, limiting each paragraph to one statement.
- (5) Do not copy and paste directly from the Companies Act, interpret the theory and apply it to the question.
- (6) 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 AUI2601 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 AUI2601 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

ASSIGNMENT 02: WRITTEN ASSIGNMENT

2nd SEMESTER

Unique Number: 564925

Date Of Submission: 13 September 2018

QUESTION 1

40 marks

REQUIRED

Answer questions 1 to 20 by selecting the **one** alternative that you consider the most correct answer to the relevant question. Mark the corresponding digit on myUnisa or on the mark-reading sheet. Answer the subsections of the questions in number sequence, for example:

1. 1
2. 3

(1 mark per question)

- 1.1. Which of the following alternatives best completes the Mission of Internal Audit as indicated below?

To enhance and ___(a)___ organisational value by providing risk-based and objective assurance, ___(b)___, and insight.

- 1 (a) improve; (b) advice.
- 2 (a) protect; (b) advice.
- 3 (a) improve; (b) training.
- 4 (a) protect; (b) consulting.

- 1.2 Which one of the following alternatives forms part of the personal characteristics required of an internal auditor?

- I Practical approach.
- II Extrovert personality.
- III Assertive.
- IV Good interpersonal relations.

- 1 I and II.
 - 2 II and IV.
 - 3 I and IV.
 - 4 II and III.
- 1.3 Which one of the following is **not** an element of the International Professional Practice Framework (IPPF)?
- 1 The definition of internal auditing.
 - 2 The International Standards for the Professional Practice of Internal Auditing.
 - 3 The internal audit charter.
 - 4 The IIA Code of Ethics.
- 1.4 Indicate the alternative that correctly completes the following sentence: The main purpose of an internal audit is to ...
- 1 review the means of safeguarding assets and as appropriate, verify the existence of such assets.
 - 2 review the reliability and integrity of financial and operating information.
 - 3 appraise the effectiveness and efficiency of operations.
 - 4 assist management of the organisation in the effective discharge of their responsibilities.
- 1.5 Which one of the following options is an example of a directive control?
- 1 Review of exception reports.
 - 2 Personnel access cards.
 - 3 Procedure manuals.
 - 4 Physical stock counts.
- 1.6 The most important benefit that the audit committee provides to the internal auditor is to ...
- 1 protect the independence of the internal auditor from undue management influence.
 - 2 review annual audit plans and to monitor audit results.
 - 3 approve audit plans and to schedule meetings with the internal auditor.
 - 4 review copies of the procedure manuals for selected company operations and discuss such manuals with a company official.
- 1.7 In establishing an internal auditing department for your company, your approach would most likely be to appoint ...
- 1 internal auditors, each of whom possess all the necessary skills for handling all auditing assignments.
 - 2 inexperienced personnel and train them according to the company's needs.
 - 3 qualified accountants because most audit work is related to accounting.

- 4 internal auditors who collectively have the knowledge and skills needed to complete all internal auditing engagements.
- 1.8 An internal auditor who suspects fraud should ...
- 1 determine whether a loss has been incurred.
 - 2 recommend an investigation if appropriate.
 - 3 identify the employees who could be involved in the case.
 - 4 interview those who have been involved in the control of assets.
- 1.9 Which one of the following factors is essential in evaluating the sufficiency of audit evidence? The evidence must ...
- 1 be well documented and cross-referenced in the working papers.
 - 2 be based on the best available evidence that is considered appropriate.
 - 3 bear a direct relationship to the finding and include all the elements of a finding.
 - 4 be convincing enough for a prudent person to reach the same conclusion as the internal auditor.
- 1.10 The IIA Code of Ethics requires internal auditors to perform their work with ...
- 1 knowledge, skills and competencies.
 - 2 honesty, diligence and responsibility.
 - 3 punctuality, objectivity and responsibility.
 - 4 timeliness, sobriety and clarity.
- 1.11 Internal auditors who fail to maintain their proficiency through continuing education could be found to be in violation of ...
- 1 the International Standards for the Professional Practice of Internal Auditing.
 - 2 the IIA's Code of Ethics.
 - 3 both the International Standards for the Professional Practice of Internal Auditing and the IIA's Code of Ethics.
 - 4 None of the above answers is correct.
- 1.12 Which of the following activities is presumed to impair the objectivity of an internal auditor?
- I Recommending standards of controls for a new information system application.
 - II Drafting procedures for running a new computer application to ensure that proper controls are installed.
 - III Performing review of procedures for a new computer application before it is installed.
- 1 II only.
 - 2 I only.
 - 3 III only.
 - 4 I and III.

1.13 Which one of the following is not included in the mandatory guidance of the IPPF?

- 1 Implementation Guidance.
- 2 Definition of Internal Auditing.
- 3 Core Principles.
- 4 Code of Ethics.

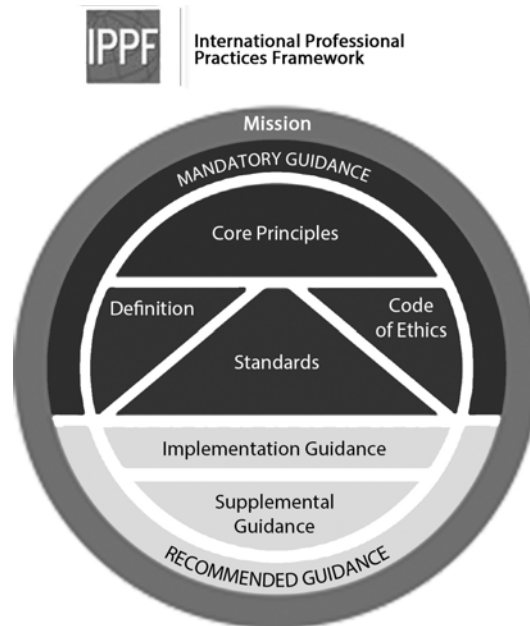
1.14 The scope of an internal audit engagement encompasses a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of all the following processes, **except** for ...

- 1 risk management.
- 2 control.
- 3 regulation.
- 4 governance.

QUESTION 2

33 marks

In the course of their duties, all internal auditors are required to adhere to the elements of the International Professional Practices Framework (IPPF) established by the Institute of Internal Auditors (IIA). In July 2015, the IPPF was updated as seen in the figure below:



REQUIRED

Marks

- 2.1 List **six (6)** Core Principles of the Professional Practice of Internal Auditing. (6)
- 2.2 The following is a glossary of internal auditing terms. Match the term in column A with its corresponding definition in column B. For example:
2.2.1 Chief audit executive - f. (7)

No.	Column A - term	Column B - definition
2.2.1	Chief audit executive	a. Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility.
2.2.2	Fraud	b. A person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards.
2.2.3	Risk	c. An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.
2.2.4	Assurance services	d. A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding achievement of the organisation's objectives.
2.2.5	Risk appetite	e. An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation.
2.2.6	Objectivity	f. Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force.
2.2.7	Independence	g. The level of risk that an organisation is willing to accept.
		h. The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
		i. The possibility of an event occurring that will have an impact on the achievement of objectives.

		j. Any relationship that is, or appears to be, not in the best interest of the organisation.
--	--	--

2.3 Conclude and explain, **with reference** to the IPPF, whether each of the scenarios below is permissible or not. Please provide reasons for each of your conclusions.

Your answer should be structures as follows:

	Permissible/not permissible (1 mark)	Reference to IIA Code of Ethics (2 marks)	Reasons (1 mark)
2.3.1			

- 2.3.1 Simon is a newly appointed junior internal auditor. He has no practical experience as he only graduated last month. Simon has been appointed to oversee the year-end stocktake, and has to prepare a detailed audit report on the procedures followed. The supervisor of the internal auditing department agreed that Simon could attend the stocktake on his own, as the supervisor is currently busy finalising the audit in another department and does not have time to attend. (4)
- 2.3.2 Francois Burger, a junior internal audit staff member, discussed with his friends the incidence of fraud he had discovered during his audit of the company’s debtors. (4)
- 2.3.3 The internal audit reports prepared by an internal audit activity (IAA) have for the past three years stated that their internal audit activities are concluded in accordance with the Standards for the Professional Practice of Internal Auditing. Regular internal assessments have been performed and recorded and the IAA has been subjected to an independent assessment of its quality improvement programme three years ago. (4)
- 2.3.4 The chief audit executive (CAE) disagrees with the engagement client about the observations that have taken place in and recommendations that have been made with regard to a sensitive area. Senior management has nevertheless accepted the risk and wants the findings removed from the report. The CAE does not accept this and reports the matter to the board. (4)
- 2.3.5 An internal auditor is included in the internal audit review of the accounts payable section eighteen months after being the supervisor of the accounts payable section. (4)

QUESTION 3

26 marks

You are an internal auditor at Timeless Moments Ltd. As an internal auditor, you interact with related functions, namely, management, external audit and the audit committee.

REQUIRED**Marks**

- 3.1 Discuss management **and** internal audit's responsibilities regarding risk management. (5)
- 3.2 Complete the following table regarding some of the defences between external and internal auditing. The mark allocation is given in brackets. (11)

Factor	Internal audit	External audit
Certification	3.2.1 (1)	Chartered Accountant
Audit timeframe	3.2.3 (1½)	3.2.4 (1½)
Audit coverage	3.2.5 (1½)	External audit works primarily with those financial systems that have a bearing on the final accounts.
Organisational structure	3.2.6 (1½)	External audit is an external contractor, never an employee of the company.
Legislation	3.2.7 (1½)	3.2.8 (1½)

- 3.3 List seven (7) practices that would enhance good relationships between the audit committee and the internal audit activity. (7)
- 3.4 Describe the **three (3)** elements of an internal audit charter. (3)

QUESTION 4**20 marks**

The internal audit process consists of four phases. The third phase is audit fieldwork.

REQUIRED**Marks**

- 4.1 Name and briefly describe the **four (4)** most common kinds of audit evidence. (6)
- 4.2 During the fieldwork of an audit, the auditor compiles working papers. Describe the objectives and benefits of audit working papers (8)
- 4.3 Describe the internal auditor's responsibilities regarding fraud when conducting audit engagements. (6)

---X---

9 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.

Format of the examination paper

The duration of the examination is 2 hours. The exam paper consists of a scenario with questions. Students will have to apply their theoretical knowledge to the information provided in the scenario. The exam paper will have multiple choice questions and longer questions.

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.

Calculator policy

Candidates may only use silent, electronic, battery-driven pocket calculators subject to the following conditions:

- Calculators must be cordless, and may not have print-out facilities or alpha keys;
- Any financial calculator will be allowed, as the following tables will not be provided:
 - Tables of present value factors for various discount rates for varying periods; and
 - Tables of future value factors for various interest rates for varying periods;
- The calculator function on mobile telephones or any electronic device (i.e. laptops and/or any Smart Phone) may not be used; and
- Candidates may not share a calculator with another candidate in the examination room.

10 FREQUENTLY ASKED QUESTIONS

The *Study @ Unisa* brochure contains an A–Z guide of the most relevant study information.

11 SOURCES CONSULTED

Only the prescribed textbook has been consulted.

12 CONCLUSION

We wish you every success with your Internal 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.

13 ADDENDUM

There are no addendums to this tutorial letter.