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ATD LEVEL III

AUDITING

WEDNESDAY: 27 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Analyse six assignments that the internal audit department of a client entity could carry out. (6 marks)
 - (b) Describe the auditor's responsibilities in relation to the prevention and detection of fraud and errors. (6 marks)
 - (c) Examine four ways in which the internal audit function of an entity might help to improve the risk management efforts of an entity. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Examine five factors to consider when designing and performing substantive analytical procedures. (10 marks)
 - (b) Outline six items that should be included in an audit engagement letter. (6 marks)
 - (c) Highlight four benefits of an audit committee. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) In the context of planning and conducting an audit, draw three distinctions in each case between planning for the audit of a new client from planning the audit for an already existing client. (12 marks)
 - (b) Summarise four factors that an auditor should put into consideration when developing an overall audit plan. (4 marks)
 - (c) Describe four limitations of using a standardised audit programme. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Rafiki Enterprises Ltd. intends to implement a computerised accounting system to enhance efficiency in their operations.

Required:

Advise the management of the company on the drawbacks associated with a computerised accounting system. (8 marks)

- (b) Describe six circumstances when the auditor could issue an unqualified report. (12 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Define the following terminologies in relation to internal control system:
 - (i) Control environment. (2 marks)
 - (ii) Control objectives. (2 marks)
 - (iii) Control procedures. (2 marks)

- (b) Trace Manufacturing Ltd. has been experiencing loss of inventory in their control warehouse.

Required:

(i) Examine segregation of duties as a control procedure. (2 marks)

(ii) Suggest six internal controls that the management should put in place to prevent loss of inventory. (12 marks)

(Total: 20 marks)

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