



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

INTERNAL AUDITING

BID33A3

Final Summative Assessment Opportunity

June 2014

Time: 3 hours

Marks: 100

Assessor: Mr C Ackermann

Moderator: Mr M. Pete

INSTRUCTIONS:

- This paper consists of five pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly (if applicable).
- Start each question on a new page.
- Silent, non-programmable calculators may be used.



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QUESTION 1**[10]**

State whether the following statements are true or false, no reasons for your answer is needed.

- 1.1) Internal audit is a value added activity.
 - 1.2) Internal auditors provide assurance and consulting services.
 - 1.3) The IIA Global was established in 1964.
 - 1.4) Mandatory guidance consists of the definition of internal auditing, the Code of Ethics and the *Standards*.
 - 1.5) The scope of internal auditors only comprises of internal control testing.
 - 1.6) The Code of Ethics promotes an ethical culture throughout the internal audit profession.
 - 1.7) Internal auditors need not to adhere to the *Standards* when providing internal audit services to clients.
 - 1.8) Practice advisories are a very useful interpretation tool for the *Standards*.
 - 1.9) The Competency Framework for Internal Auditors does not indicate the level of skill, tools and techniques and knowledge areas needed to be regarded as a competent internal auditor.
 - 1.10) No professional designation exists within the field of internal auditing.
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QUESTION 2**[10]**

The definition of internal auditing forms the basis of the rest of the International Professional Practices Framework (IPPF). The current definition of internal auditing encompasses all the dimensions of the internal audit profession, suggesting a profession that is characterised by broad business parameters and technical skills.

REQUIRED:

Define the term internal auditing as approved by the IIA board on 26 June 1999.

QUESTION 3**[12]**

The Code of Ethics applies to both individuals and organisations that provide internal audit services. For IIA members and recipients of, or candidates for, IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to the IIA's Bylaws and Administrative Guidelines. Members, certifications holders and candidates can be liable for disciplinary action. The IIA Code of Ethics consists of four principles namely:

- Integrity
- Objectivity
- Confidentiality
- Competency

REQUIRED:

For each of the principles stated above, list the applicable **rules of conduct** that needs to be adhered to.

QUESTION 4**[4]**

The International *Standards* for the Professional Practice of Internal Auditing form part of the IPPF and provide guidance for the conduct of internal auditing at both the organisational and individual auditor levels. These *Standards* consists of various elements such as the Attribute *Standards* (1000 series) and Performance *Standards* (2000 series).

REQUIRED:

List the purpose of the *Standards*.

QUESTION 5**[14]**

No	STANDARD	No	EXPLANATION
5.1	1000 Purpose, Authority and Responsibility	A	Having an impartial, unbiased attitude and avoid conflict of interest.
5.2	1100 Independence and Objectivity	B	Involves an evaluation of the internal audit activity which is the responsibility of the Chief Audit Executive with the aim of improving the internal audit activity.
5.3	1120 Individual Objectivity	C	The Chief Audit Executive must do this to ensure that the IAA achieve its purpose and responsibility, conforms to the definition of IA and the <i>Standards</i> and conformance with the Code of Ethics.
5.4	1210 Proficiency	D	Planning must be risk-based.
5.5	1220 Due Professional Care	E	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
5.6	1230 CPD	F	This is defined in the internal audit charter.
5.7	1300 AQIP	G	This is what you do with the results of your work.
5.8	2000 Managing the Internal Audit Activity	H	It states the nature of work for internal auditors.
5.9	2010 Planning	I	Engagements must be performed with proficiency and due professional care.
5.10	2100 Nature of work	J	Internal auditors must develop and document a plan for each engagement, including the engagement objectives, scope, timing and resource allocation.
5.11	1130 Impairment to independence and objectivity	K	You need to continuously enhance knowledge, skills and other competencies.
5.12	1200 Proficiency and Due Professional Care	L	Freedom from conditions that threaten the ability of the internal audit activity or the Chief Audit Executive so that functions can be carried out in an unbiased manner.
5.13	2400 Communicating results	M	You need the necessary knowledge, skills and other competencies to perform your individual responsibility.
5.14	2200 Engagement planning	N	This relates to, amongst other things, a limitation on scope.

REQUIRED:

Match the explanation column with the corresponding *Standards*. For example, 5.1) A.

QUESTION 6**[35]**

In 1992 the Treadway Commission identified that a sound internal control structure is one of the major focus areas for any organisation to survive. The commission came up with a framework for internal control, called COSO Internal Control Integrated Framework.

REQUIRED:

List and describe the components of internal control as per the COSO framework.

QUESTION 7**[8]**

Briefly explain the three broad categories of Standards.

QUESTION 8**[7]**

The work of the internal auditor requires the auditor to engage with lots of people at all levels.

REQUIRED:

List some of the role players the internal audit will interact with.

TOTAL:**[100]**