



**ATD LEVEL III**

**AUDITING**

**TUESDAY: 28 November 2017.**

**Time Allowed: 3 hours.**

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

**QUESTION ONE**

- (a) In relation to prevention, detection and reporting of fraud and errors, discuss four differences between the responsibilities of internal auditors and external auditors. (8 marks)
- (b) Describe six ways in which an audit plan could assist in the conduct of an audit. (12 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) International Standards of Auditing (ISA) 500 on audit evidence, requires that the auditor should obtain relevant and reliable audit evidence sufficient to enable him draw reasonable conclusions thereon.

**Required:**

Discuss four factors that could influence the judgement of the auditor with regard to sufficiency of audit evidence.

- (b) Evaluate four factors that would influence the auditor to accept third party certificates as audit evidence. (8 marks)
- (c) Highlight four factors that influence the reliability of audit evidence. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Highlight six circumstances that would result to an increase in inherent risk of a firm. (6 marks)
- (b) When planning an audit for computerised accounting systems, the auditor should consider an appropriate combination of manual techniques and Computer Aided Auditing Techniques (CAATs).

With reference to the above statement, propose six factors to consider when using CAATs in an audit assignment.

- (c) (i) Explain the term "misappropriation of assets". (2 marks)
- (ii) Describe three ways in which employees could be involved in misappropriation of the organisation's assets. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) You are the internal auditor of XYZ Ltd., a small and medium sized manufacturing company.

**Required:**

Examine six internal control measures you would recommend over the company's invoicing and credit notes system.

- (b) In relation to auditor's report, explain the following:
- (i) True and fair view. (2 marks)
- (ii) Except for opinion. (2 marks)
- (iii) Subject to opinion. (2 marks)
- (iv) Opinion paragraph. (2 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) "Audit work on the records and financial statements relating to the financial year of an organisation are carried out at various times during and after the end of the financial year".

With reference to the above statement, describe the work carried out by an auditor during:

- (i) Interim audit. (8 marks)
- (ii) Final audit. (8 marks)

- (b) Summarise two steps that an auditor should take where ethical conflicts arise in the course of an audit assignment. (4 marks)

**(Total: 20 marks)**

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