



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION  
DEPARTMENT OF MARKETING AND LOGISTICS**

<b>QUALIFICATION: POST GRADUATE DIPLOMA: PROCUREMENT MANAGEMENT</b>	
<b>QUALIFICATION CODE: 08PDPM</b>	<b>LEVEL: 8</b>
<b>COURSE CODE: PCA802S</b>	<b>COURSE NAME: PROCUREMENT AUDITS</b>
<b>SESSION: NOVEMBER 2022</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>
<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	MS. SELMA KAMBONDE
<b>MODERATOR:</b>	MS. COLENE CLOETE
<b>INSTRUCTIONS</b>	
<ol style="list-style-type: none"><li>1. Answer ALL the questions.</li><li>2. Write clearly and neatly.</li><li>3. Number the answers clearly.</li></ol>	

**THIS QUESTION PAPER CONSISTS OF 6 PAGES (Including this front page)**

**SECTION A: MULTIPLE CHOICE (40 MARKS)**

**QUESTION 1**

There are twenty (20) Multiple-choice questions with several possible choices each. Choose the best possible answer, for example 1.1 A. Each question is equivalent to 2 marks. Only write the letter next to the correct answer.

**1.1 What is the primary purpose of developing an understanding of client internal controls in the planning phase? (2 Marks)**

- a) To measure the possibility of fraud
- b) To document the control risk
- c) To assess the operational efficiency of the client
- d) To determine the planned level of substantive tests
- e) To comply with terms of the engagement letter

**1.2 When the auditor increases the assessed level of risk that the client's internal controls will not prevent or detect a material error, the auditor most likely would? (2 Marks)**

- a) Increase allowable audit risk
- b) Decrease the level of materiality
- c) Increase planned substantive tests
- d) Perform fewer tests of controls

**1.3 Auditors are responsible for determining whether financial statements are materially misstated, so upon discovering a material misstatement they must bring it to the attention of: (2 Marks)**

- a) CPBN
- b) The Ministry of finance
- c) Procurement function
- d) The client's management

**1.4 Why do auditors establish a preliminary judgment about materiality? (2 Marks)**

- a) To determine the appropriate level of audit experience required for the work.
- b) So that the client can know what records to make available to the auditor.
- c) To plan the appropriate audit evidence to accumulate and develop an overall audit strategy.
- d) To finalize the assessment of control risk.

**1.5 Your organisation has recently transformed its purchasing process from a manual process to a computerised system. Which of the following is a probable result associated with transformation to the new automatic system? (2 Marks)**

- a) Processing errors are increased
- b) The organisations risk exposures are reduced
- c) Processing time is increased
- d) Traditional duties are less segregated

**1.6 Inherent risk and control risk differ from detection risk in that inherent risk and control risk are? (2 Marks)**

- a) Elements of audit risk while detection risk is not.
- b) Changed at the auditor's discretion while detection risk is not.
- c) Considered at the individual account-balance level while detection risk is not.
- d) Functions of the client and its environment while detection risk is not.

**1.7 In designing written audit programs, an auditor should establish specific audit objectives that relate primarily to the? (2 Marks)**

- a) Timing of audit procedures.
- b) Cost-benefit of gathering evidence.
- c) Selected audit techniques.
- d) Procurement records assertions.

**1.8 If internal control is properly designed, the same employee should not be permitted to? (2 Marks)**

- a) Sign checks and cancel supporting documents.
- b) Receive merchandise and prepare a receiving report.
- c) Prepare disbursement vouchers and sign checks.
- d) Initiate a request to order merchandise and approve merchandise received.

**1.9 Which of the following procedures would provide the most reliable procurement audit evidence? (2 Marks)**

- a) Inquiries of the client's internal audit staff held in private.
- b) Inspection of prenumbered client purchase orders filed in the vouchers payable department.
- c) Analytical procedures performed by the auditor on the entity's inventory records.
- d) Inspection of a summary of transactions obtained directly from the client's integrated system.

**1.10 The standard of fieldwork states that sufficient competent evidential matter may, in part, be obtained through inspection, observation, inquiries, and confirmations, to afford a reasonable basis for an opinion regarding the financial statements under examination. The evidential matter required by this standard may, in part, be obtained through? (2 Marks)**

- a) Analytical procedures.
- b) Auditor working papers.
- c) Review of the internal control.
- d) Proper planning of the audit engagement



**1.11 A good audit report must at least meet one of the following qualifications:** (2 Marks)

- a) It should offer constructive and timely suggestions to the Management.
- b) It should not point out mistakes.
- c) It should not be based on factual information.
- d) Should indicate who should be arrested for misappropriation of state funds

**1.12 When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the:** (2 Marks)

- a) Amount of known miss-statement is documented in working papers.
- b) Estimates of the total likely misstatement are less than materiality level.
- c) Estimated of the total likely misstatement is more than materiality level.
- d) Estimates of the total likely misstatement cannot be made.

**1.13 Which of the following is not a type of audit opinion?** (2 Marks)

- a) Qualified
- b) Adverse
- c) Reserved
- d) Disclaimer

**1.14 What type of opinion is issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the procurement records?** (2 Marks)

- a) Adverse.
- b) Disclaimer.
- c) Reserved.
- d) Qualified.

**1.15 Before the work of audit is commenced, the auditor plans out the whole of audit work is known as \_\_\_\_\_.** (2 Marks)

- a) Audit scope
- b) Audit guidelines
- c) Audit risk
- d) Audit program

**1.16 For what primary purpose does the auditor obtain an understanding of the entity and its environment?** (2 Marks)

- a) to determine the audit fee
- b) to decide which facts about the entity to include in the audit report

- c) to plan the audit and determine the nature, timing, and extent of audit procedures to be performed
- d) to limit audit risk to an appropriately high level.

**1.17 An unqualified audit report provides assurance to users of the procurement information that: (2 Marks)**

- a) the internal controls operated within the company have been effective during the past year.
- b) the internal auditors have operated efficiently and effectively during the past year.
- c) the directors have run the company efficiently and effectively.
- d) none of the above

**1.18 Auditors working papers should include? (2 Marks)**

- a) All working papers prepared during a previous audit.
- b) Documentation substantiating the examination and evaluation of the adequacy and effectiveness of the system of internal control.
- c) Copies of all procedures that were reviewed during the internal audit.
- d) Copies of all source documents examined in the course of the internal audit

**1.19 Which one of the following is an audit objective? (2 Marks)**

- a) Recalculate each month's reconciliations.
- b) Analyse the pattern of any payment duplication of purchase orders.
- c) Observe the functions of the procurement process.
- d) Evaluate whether procurement processes are adequately safeguarded.

**1.20 Which of the following are elements included in the control environment described in the COSO internal control framework? (2 Marks)**

- a) Integrity and ethical values, management 's philosophy and operating style, and human policies
- b) Organisational structure, commitment to competence and planning.
- c) Competence of personnel, backup facilities, laws, and regulations.
- d) Risk assessment, assignment of responsibility and human resource practices

**SECTION A: 40 TOTAL MARKS**

## **SECTION B: STRUCTURED QUESTIONS**

### **QUESTION 2**

According to Ferguson (2018), public procurement projects account for up to 50 per cent of the annual government spending worldwide. Some of the largest documented schemes of corruption occur in this sector. Operation Car Wash (the Odebrecht case) was described by the United States Department of Justice as " the largest foreign bribery case in history". This case implicated officials in more than twelve countries and led to prosecution and conviction of several company officials and external parties (Lessa, 2017).

2.1 Briefly discuss the types and role of procurement internal controls required to safeguard against illicit behaviour in a procurement environment (make use of relevant example)?

**(30 Marks)**

### **QUESTION 3**

Public procurement is one of the government activities most vulnerable to corruption. In addition to the volume of transactions and the financial interests at stake, corruption risks are exacerbated by the complexity of the process, the close interaction between public servants and businesses, and the multitude of stakeholders. Unethical practices can occur in all phases of the procurement cycle. However, each phase may be prone to specific kinds of integrity risks.

3.1 Briefly discuss the integrity risks prone to the phases of the procurement process (make use of practical examples)?

**(30 Marks)**

**SECTION B: 60 TOTAL MARKS**

**GRAND TOTAL:100**

**END OF QUESTION PAPER**