



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION: BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE: 07 BOAC</b>	<b>LEVEL: 6</b>
<b>COURSE CODE: AUT 621S</b>	<b>COURSE NAME: AUDITING 202</b>
<b>SESSION: JANUARY/FEBRUARY 2025</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	P. ERKIE
<b>MODERATOR:</b>	W. GERTZE

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This test paper is made up of three (3) questions.</li><li>2. Answer ALL Question in blue or black ink.</li><li>3. Start each question on a new page in your answer sheet.</li><li>4. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.</li><li>5. Questions relating to this paper may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities &amp; any assumption made by the candidate should be clearly stated.</li></ol>

**THIS QUESTION PAPER CONSISTS OF 4 PAGES (excluding this cover page)**

**QUESTION 1 (40 MARKS)**

a) Describe in your own words, what is auditing? (2)

b) Name the stages of the audit process. (4)

c) Audit procedures are designed to assess the accuracy and reliability of financial information, verifying compliance with applicable standards and regulations.

Name two types of audit procedures. (2)

d) Fill in the missing words.

In Namibia, the Auditor-General is appointed by the 1.....on recommendations of the 2.....and the approval of the 3..... (3)

e) The auditor should consider the statutory and ethical requirements and make sure that all the requirements have been complied with before accepting the audit client.

Define statutory requirement and give an example. (2)

f) Describe the elements of an assurance engagement. (10)

g) Internal controls play a vital role in any organization, serving as a framework for achieving various goals.

i) What are the objectives of internal controls? (5)

ii) Name components of internal controls. (4)

h) The audit Practitioner performing assurance engagement must always comply with the ethical principles as contained in the SAICA Code of Professional conduct (CPC).

Name and explain the five (5) fundamental principles of the SAICA (CPC) (10)

i) The preliminary audit engagement stage is a very important stage of an audit. During the preliminary audit engagement stage, an audit firm should focus on several critical activities to lay the groundwork for an effective audit.

Name and explain 4 activities to consider in the preliminary audit engagement stage. (8)

## **QUESTION 2 (30 MARKS)**

### **1. Introduction**

Firezone Ltd ('Firezone ') is a wholesaler of numerous products related to domestic and industrial heating, fire extinguishers and other fire fighting chemicals and equipment's.

### **2. New wholesalers**

Firezone searched for suitable property to build and open a new wholesaler. In May 2024, a suitable property was identified near Okahandja Town Council, for which Firezone secured funding approval from NERD Bank. However, it was later discovered that the property was zoned for agricultural use only and could not be used for commercial developments.

At Firezone 's board meeting on 2 June 2024, Ms Clere Daniels (CEO) requested that Firezone allocate an amount of N\$ 500 000 to her. She subsequently paid the N\$500 000 to key councillors at the Okahandja Town Council municipality, after which they immediately secured re-zoning approval of the property for commercial use. Later, it was established that Ms Clere had a 50% ownership in the property, which she failed to disclose at the board meeting on 2 June 2024.

### **3. Governance**

Firezone is of the opinion that only an audit committee is necessary for it to adhere to King IV. Its existing audit committee meets once a year. The minutes of its most recent audit committee meeting are presented in **Annexure A**.

<b>Annexure A</b>			
<b>Minutes of Firezone 's Audit committee meeting: 05 August 2024 at 09h00</b>			
<b>Audit committee attendees</b>			
<b>Name</b>	<b>Role on audit committee</b>	<b>Other role(s) on Firezone 's board</b>	<b>Period serving on Firezone 's audit committee as at 5 August 2024</b>
Clere Daniels	Chair	CEO, Chair of the board	5 years
Anne Beukes	Member	None	22 years
Zane Mulla	Member	None	2 weeks
<b>No Absentees.</b>			
<b>Opening</b>			
Clere Daniels welcomed all attendees and thanked them for a 100% attendance and their dedication to the annual audit committee meeting. She also welcomed Zane to her first meeting.			
<b>1. Matters from previous meeting</b>			
As no minutes were kept at last year's audit committee meeting, none of the board members could remember whether any previous matters required follow up.			



## **2. Resignation of previous and appointment of new audit committee member**

Clere informed the rest of the committee that Monicah Jonas CA(NAM) resigned from Firezone 's audit committee and Firezone 's board with effect 31 March 2024. Monicah did not have any time to keep her technical knowledge up to date. Since the board did not allow the audit committee to consult with external specialists due to budgetary constraints, Monicah decided to resign.

Clere subsequently appointed the Chief Operating Officer's daughter, Zane, as director and third member of the audit committee, commencing on 22 July 2024. Zane is the only member in the committee with financial background.

### **Closure**

The meeting closed at 09h30.

### **Required:**

a) Based on Ms Clere's N\$500 000 payment to Okahandja Town Council's councillors in 2:

#### **New wholesaler**

- i) Discuss with reasons, whether there is a reportable irregularity under the Auditing Profession Act 2005. (8)
- ii) Assuming there is a reportable irregularity, specify the action(s) that the auditors would have had to take? (8)

b) With reference to **Annexure A**, discuss your concerns in terms of the King IV Code of Corporate Governance.

- i) Composition of the Audit Committee (10)
- ii) Composition of the Governing Body (4)

### **QUESTION 3 ( 20 MARKS)**

You recently graduated from NUST and was fortunate enough to be appointed in an audit firm XYZ Incorporated, as the trainee auditor. During your weekly briefings, you were informed that you have a new assignment to calculate planning materiality for the audit of Hangula Ltd.

Hangula Ltd is a retailer company that sell clothes in Swakopmund, Namibia. The company has been operating since 2015. Based on your risk assessment, inherent risk was assessed as low. Use the following information to determine Hangula Ltd is planning materiality for the year ended 30 September 2023.

Item	Unaudited financial results N\$	Budgeted financial results N\$	Interval used to calculate materiality
Turnover	15 000 000	12 000 000	0.5% - 1%
Profit/(loss) before tax	(5 000 000)	7 000 000	5% - 10%
Total Assets	16 000 000	13 000 000	1% - 2%
Equity	8 000 000	10 000 000	2% -5%

#### **YOU ARE REQUIRED TO:**

- Calculate planning materiality and substantiate your calculations with reasons explaining why you used certain figures. (15)
- Apart from setting materiality, identify any other five (5) key tasks to be performed during audit planning. (5)

**-END OF QUESTION PAPER-**