



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07 BOAC	LEVEL: 6
COURSE: AUDITING 202	COURSE CODE: AUT 6215
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DURATION: 3 HRS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Kamotho, D.W., Hainghumbi, H.T. P
MODERATOR:	Ms W Gertze

THIS QUESTION PAPER CONSISTS OF _7_ PAGES (including this front page)

INSTRUCTIONS

1. Answer all the questions in blue or black ink
2. Start each question on a new page in your answer booklet & show all your workings
3. Questions relating to this examination 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 & any assumption made by the candidate should be clearly stated.

PERMISSIBLE MATERIALS

1. Nonprogrammable scientific or financial calculator

Question 1**(25 marks)**

(a)

The IFAC Code of Ethics identifies that threats to audit/accounting practitioners' fundamental principles may be created by a broad range of relationships and circumstances. Discuss the following giving practical examples:

(i) Self-interest threat

(ii) Self-review threat

(iii) Advocacy threat

(iv) Familiarity threat

(v) Intimidation threat.

(10 marks)

(b) At times, a practitioner or professional accountant in public practise may be required to resolve a conflict in complying with the fundamental principles of the IFAC Code of Ethics. Discuss the steps a practitioner/professional should consider in order to ensure compliance with the Code when initiating either a formal or informal conflict resolution process.

(6 marks)

(c) The IFAC Code of Ethics states that professional fees shall be a fair reflection of the value of the professional services performed for the client. Outline the factors which should be considered when setting the fee for an audit engagement in order to comply with the Code.

(4 marks)

(d) Discuss four inherent limitations of an internal control system.

(5 marks)**[Total: 25 Marks]**

Question 2

(25 marks)

A substantial number of organisations in Namibia are required by law to have their annual financial statements audited. The auditors are required to provide an audit report that is published in the annual report of the organisation.

REQUIRED:

- a) Describe the type of information an external audit report should provide regarding the organisation and its financial statements. (10 marks)

- b) Discuss the purposes of an external audit to all relevant stakeholders. (8 marks)

- c) Explain the relationship between internal and external audit within an organisation. (7 marks)

[Total 25 marks]

Question 3

(30 marks)

You are a member of the “Governance and Regulation” department of your audit firm, Prestige Auditors. The primary function of this department is to advise clients in respect of their compliance with the matters of corporate governance, statutory and financial reporting.

Your firm recently received a request from Benny Tjondou, the Chairman and the Chief Executive Officer of Amand (Pty) Ltd, a large children’s toy company. He requested a meeting with you and your audit partner and at this meeting, he raised the following concerns with you.

20% of the shareholding of Amand (Pty) Ltd is held by Hausiku Ltd, a listed company. The board of Hausiku Ltd requires that Amand (Pty) Ltd comply with the recommendations of the Namcode Report on Corporate Governance. Amand (Pty) Ltd needs to respond positively to the request as the link with Hausiku Ltd provides significant benefits for the company.

Benny expressed that he would like you to respond to some of the terminology that is being used, such as *inclusive approach to corporate governance*, *integrated reporting* and *triple bottom line reporting*. He also added that he would also like you to comment and advise on certain aspects of the Corporate Governance structures.

The following information has been provided by Benny Tjondou with respect to the structures in place at Amand (Pty) Ltd.

Board of Directors

The board consists of the following members:

- Benny Tjondou
- Peter Mason (Operations Director and Deputy Chairman)
- Jimmy Nghikevali (Marketing and Research Director)
- Peter Galepo (Financial Director)
- Emmanuel Ndaupapo (non-executive director) - *see note 1*
- Absalom Peacock (Human Resources Director)

- Sebastian Namwandi (Non- Executive Director) – See note 2
- Susan Pohamba (Non-executive director) – see note 3

Note 1: Emmanuel Ndautapo is the major shareholder of Children’s entertainment (Pty) Ltd, Amand (Pty) Ltd.’s major customer.

Note 2: Sebastian Namwandi is the former financial director and deputy chairperson of Amand (Pty) Ltd having retired at the end of the previous financial year end.

Note 3: Susan Pohamba is a partner in the law practice which advises Amand (Pty) Ltd on legal matters.

Board Committees

Amand (Pty) Ltd uses board committees to a limited extent. Benny Tjondou made the following remarks pertaining to the committees that you suggested to him:

Audit Committee

“I recently appointed the audit committee. The current members are myself, Peter Galepo, Jimmy Nghikevali and Peter Mason. I am the chairperson of the committee. Peter Galepo is on the committee to advise on any financial matters which the committee might have to deal with. Jimmy Nghikevali, Peter Mason and I are Market Analysts and definitely not accountants!”

Internal Audit

“We have an internal audit section. It is headed up by Nameva Tjondou, the Senior Internal Audit Clerk. She has two assistants and reports directly to the financial controller. To be perfectly honest, internal audit is regarded as rather low key and I suppose we will have to remedy this if we are to comply with Hausiku’s request.”

REQUIRED:

- a) Explain the following terms:
- i. Inclusive approach to corporate governance (2 marks)
 - ii. Integrated reporting (4 marks)
 - iii. Triple Bottom Line reporting (2 marks)
- b) Discuss the composition of the Board of Directors of Amand (Pty) Ltd in terms of the recommendations of the Namcode based on the information given above. (12 marks)
- c) Comment on the appointment and composition of the audit committee. (10 marks)

[Total 30 marks]

Question 4

(20 marks)

You have recently applied for the position of audit manager with a medium sized practice in your area. The audit partner wishes to ensure that the successful candidate has a good understanding of the impact of IT on the audit process and has requested applicants to draft a report that:

REQUIRED:

(a) Discusses what is meant by an audit trail and explains why it is essential to both management and auditors. (5 marks)

(b) Illustrates, by making use of examples, the six typical uses of computer audit software. (6 marks)

(c) Outlines FIVE problems associated with the use of computer audit software. (5 marks)

(d) Distinguishes between general controls and application controls giving ONE example of each. (4 marks)

[Total: 20 Marks]

END OF QUESTION PAPER

~~Male~~
31/10/2023