

# KASNEB

ATD LEVEL III

AUDITING

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

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

## QUESTION ONE

- (a) Public sector auditing is a crucial component for the administration of the public sector in your country. Most governments have taken crucial steps to boost the effectiveness of the audit of public sector.

**Required:**

Discuss some of the problems facing the audit of the public sector in your country. (10 marks)

- (b) Discuss the goals of public sector audit and propose ways of enhancing the same in developing countries. (10 marks)  
(Total: 20 marks)

## QUESTION TWO

- (a) (i) Discuss the respective responsibilities of the auditors and management in detecting fraud committed in a company. (8 marks)

(ii) Briefly describe three advantages and three disadvantages to a company for outsourcing its internal audit functions. (6 marks)

- (b) Analyse the factors affecting the evolution of the auditing process from traditional auditing to modern auditing. (6 marks)

(Total: 20 marks)

## QUESTION THREE

- (a) ISA 300-Planning an Audit of Financial Statements, provides guidance to auditors. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning of an audit benefits the audit of financial statements in several ways.

**Required:**

(i) Explain the importance of audit planning. (5 marks)

(ii) Discuss the matters you would consider and the work you would carry out in planning the audit. (8 marks)

- (b) Explain the purpose of an engagement letter and list its contents. (7 marks)

(Total: 20 marks)

## QUESTION FOUR

- (a) (i) Explain four financial statement assertions relevant to classes of transaction and events for the year under audit. (4 marks)

(ii) For each identified assertion above, describe the substantive procedures relevant to the audit of revenue. (4 marks)

- (b) Describe substantive procedures you would perform to obtain sufficient and appropriate audit evidence in relation to:

(i) Suppliers statement reconciliation. (4 marks)

(ii) Bank reconciliation. (4 marks)

(iii) Accounts receivable. (4 marks)

(Total: 20 marks)

**QUESTION FIVE**

- (a) Explain five components of an internal control system. (10 marks)
- (b) Outline five matters which are included in the "introductory paragraph" of an auditor's report. (5 marks)
- (c) In addition to performing the normal audit, it is customary for an audit firm to provide other services to its client especially when the client is a private company.

**Required:**

Explain the measures that an auditor should put in place to safeguard his independence when providing other services to his client. (5 marks)

**(Total: 20 marks)**

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