

KASNEB

CS PART III SECTION 6

GOVERNANCE AND SECRETARIAL AUDIT

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

Pidit Commercial Bank Limited is a company incorporated in Kenya and operates in five other countries which include Rwanda, Uganda, Tanzania, Cameroon and Burundi. The company is currently cross listed in various securities exchanges in the countries where it operates.

Assuming that you are a partner at Craton and Associates Company Secretaries and the board of directors of Pidit Commercial Bank Limited has engaged your firm to conduct a secretarial audit:

- (a) Write a secretarial audit report which should include the following:
- Basis of the secretarial audit.
 - Scope of work.
 - Methodology.
 - Management responsibility.
 - Auditors' responsibility.
 - Opinion. (12 marks)
- (b) Describe eight annexures to the secretarial audit report. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Distinguish between "governance audit" and "board evaluation". (4 marks)
- (b) As the company secretary of Ibis Limited, justify to your board of directors the need for a board evaluation. (10 marks)
- (c) Describe six items which should be verified while carrying out a board evaluation. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Assuming that you have conducted a governance audit for a state corporation in the education sector, draft a governance audit report to be presented to the board of directors. (10 marks)
- (b) Discuss five merits and five demerits of conducting a governance audit. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Show how the work of the following would assist a governance expert in conducting a governance audit for a listed company:
- (i) In house company secretary. (2 marks)
 - (ii) Internal auditors. (2 marks)
 - (iii) External auditor. (2 marks)
 - (iv) Audit and risk committee. (2 marks)
 - (v) Regulatory bodies. (2 marks)
- (b) Prepare a checklist that a secretarial auditor would use while conducting a secretarial audit. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Describe five corporate laws that a secretarial auditor must be conversant with to enable him carry out an effective secretarial audit. (10 marks)
 - (b) Analyse five requirements a company secretary in practice is expected to have in order to prepare an effective secretarial report. (10 marks)
- (Total: 20 marks)**
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