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ATD LEVEL III

AUDITING

TUESDAY: 31 August 2021.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) (i) Define the term “interim audit”. (2 marks)
- (ii) Evaluate four benefits of interim auditing. (8 marks)
- (iii) Itemise four audit assignments normally carried out at the final audit that could be carried out at the interim stage. (4 marks)
- (b) Highlight six ways in which the independence of an auditor might be safeguarded. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Differentiate between “inherent risk” and “control risk”. (4 marks)
- (ii) Identify four inherent risks accruing to an organisation as a result of using computerised information systems. (4 marks)
- (b) Explain three factors that an auditor should consider when deciding to use computer aided techniques (CAATs) in an audit. (6 marks)
- (c) Highlight six factors that an auditor should consider in using analytical procedures as part of substantive procedures when planning an audit. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Distinguish between “a walkthrough test” and “a compliance test”. (4 marks)
- (b) (i) Explain three techniques of documentation used by an auditor in the preparation of audit working papers. (6 marks)
- (ii) Highlight four factors which influence an auditor when undertaking audit documentation. (4 marks)
- (iii) Examine three reasons why the safe custody of audit working papers is of paramount importance to the auditor. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) The internal control system of a firm encompasses all the policies and procedures adopted by the management of that firm to enable achievement of overall corporate objectives.
- Required:**
- (i) Describe six internal control procedures for a purchasing system of a large manufacturing entity. (6 marks)
- (ii) Explain six control objectives that an internal control system on sales aims to achieve. (6 marks)
- (b) Discuss four matters that should be included in an unqualified audit report. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

(a) Define the term “materiality” and indicate its importance in the context of auditing. (4 marks)

(b) During an audit, the external auditors might require written confirmation of some evidence which could be material and only be in possession of the client.

Explain four types of management representations which auditors could obtain from the client during the audit. (8 marks)

(c) External confirmations are procedures used by auditors to obtain externally independent and reliable audit evidence.

Citing four examples, evaluate four circumstances in which external confirmations might be carried out. (8 marks)

(Total: 20 marks)

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