

# Tutorial letter 101/3/2016

## THE INTERNAL AUDIT PROCESS: Specific Audit Assignments and Reporting

### AUI3703

### Semester 1 & 2

### Department of Auditing

**IMPORTANT INFORMATION:**

- Please activate your *myLife* email address and ensure you have regular access to the *myUnisa* module site for AUI2601.

BAR CODE

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## 1 INTRODUCTION

Dear Student

It gives us great pleasure to welcome you as an AUI3703 student to the Department of Auditing. As your lecturers, we are here to support you in your studies. You are welcome to contact us at any time should you need any support and advice during this study programme.

Because this is a fully online module, you have to use myUnisa to study and complete the learning activities for this course. You need to visit the websites for AUI3703 on myUnisa frequently. The website for your module is AUI3703-16-S1/S2.

We hope that you will have a very enjoyable and successful year of study.

### 1.1 To get started on *myUnisa*

Because this is a fully online module, you need to go online to see your study materials and read what to do for the module. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see AUI3703-16-S1/S2 in the row of modules in the orange blocks across the top of the webpage. Remember to also check in the -more- tab if you cannot find this module in the orange blocks. Then click on the module you want to open.

Students must be registered for a *myLife* email address and must be able to access *myUnisa* to be able to access their study material, submit assignments, gain access to the Library functions and various learning resources, download study material, “chat” to their lecturers and fellow students about their studies and the challenges they encounter, and participate in online discussion forums.

In addition, you will receive this tutorial letter and a printed copy of the online study material for your module. While these printed materials may appear to be different from the online study materials, they are exactly the same and have been copied from the myUnisa website.

We wish you success on your journey!

## 2 PURPOSE OF THE MODULE

For this module, there are several outcomes that we hope you will be able to accomplish by the end of the course:

- **Specific outcome 1:** Adhere to the International Professional Practices Framework (IPPF) of Internal Auditing when conducting specific assignments, including (but not limited to):
  - the Standards for the Professional Practice of Internal Auditing (Standards),
  - the Practice Advisories,
  - the Code of Ethics.
- **Specific outcome 2:** Consider the significant factors impacting on the conduct of specific assignments.

- **Specific outcome 3:** Conduct specific internal audit assignments according to applicable standards and generally acceptable practice.
- **Specific outcome 4:** Adhere to the International Professional Practices Framework (IPPF) of Internal Auditing pertaining to reporting and follow-up on completed internal audit assignments, including (but not limited to):
  - the Standards for the Professional Practice of Internal Auditing (Standards),
  - the Practice Advisories,
  - the Code of Ethics.
- **Specific outcome 5:** Report and follow up on completion of an internal audit assignment.

### 3 LECTURER(S) AND CONTACT DETAILS

#### 3.1 Lecturer information

Your lecturer(s) for this module:

**Ms BM van Wyk**

You may contact her in the following ways:

Tel: +27 12 429 4712

E-mail: [vwykbm@unisa.ac.za](mailto:vwykbm@unisa.ac.za)

**PLEASE NOTE:** Personal appointments should be arranged beforehand.

**Always have your student number and module code ready when you contact the university!!!**

#### 3.2 Department

**Department of Auditing:**

If you wish to write to us, letters should be addressed to:

The module leader: **AUI3703**

Department of Auditing

PO Box 392

Unisa

0003

**Secretary:**

Tel: +2712 429 4707

**Departmental web page:**

<http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=194>

#### 3.3 College

College related undergraduate enquiries should be directed to: +2712 429 2233/2982 or [Casenquiries-undergraduate@unisa.ac.za](mailto:Casenquiries-undergraduate@unisa.ac.za)

#### 3.4 University

If you need to contact Unisa about matters not related to the content of this module, please consult the brochure *my Studies @ Unisa*, which you should have received with your study material. In this document you will find the contact details of various administrative departments. If you did not receive this document and have access to the internet, you can find it on myUnisa under the 'Resources' option. Remember to always have your student number ready when making an enquiry.

**Please ensure that you contact the correct section or department for each enquiry** as this will result in a speedy resolution of the enquiry.

The contact details are:

### E-mail addresses:



- [info@unisa.ac.za](mailto:info@unisa.ac.za) for general enquiries
- [study-info@unisa.ac.za](mailto:study-info@unisa.ac.za) for application and registration-related enquiries (prospective and registered students)
- [international@unisa.ac.za](mailto:international@unisa.ac.za) for international students (registration-related enquiries)
- [assign@unisa.ac.za](mailto:assign@unisa.ac.za) for assignment enquiries
- [exams@unisa.ac.za](mailto:exams@unisa.ac.za) for examination enquiries
- [despatch@unisa.ac.za](mailto:despatch@unisa.ac.za) for study material enquiries
- [finan@unisa.ac.za](mailto:finan@unisa.ac.za) for student account enquiries
- [gaudeamus@unisa.ac.za](mailto:gaudeamus@unisa.ac.za) for graduation enquiries
- [myUnisaHelp@unisa.ac.za](mailto:myUnisaHelp@unisa.ac.za) for assistance with myUnisa
- [myLifeHelp@unisa.ac.za](mailto:myLifeHelp@unisa.ac.za) for assistance with myLife email accounts
- [aegrotats@unisa.ac.za](mailto:aegrotats@unisa.ac.za) for aegrotat exams
- [remark@unisa.ac.za](mailto:remark@unisa.ac.za) for remarking of papers
- [recheck@unisa.ac.za](mailto:recheck@unisa.ac.za) for rechecking of papers
- [condiscipuli@unisa.ac.za](mailto:condiscipuli@unisa.ac.za) for fellow student names
- [counselling@unisa.ac.za](mailto:counselling@unisa.ac.za) for student counselling and career development
- [vospresc@unisa.ac.za](mailto:vospresc@unisa.ac.za) for enquiries about prescribed books

### Library

The *my Studies @ Unisa* booklet, which is part of your registration package, lists all the services offered by the Unisa library.

General library catalogue enquiries	<a href="mailto:bib-oasis@unisa.ac.za">bib-oasis@unisa.ac.za</a>
Library web co-coordinator	<a href="mailto:bib-web@unisa.ac.za">bib-web@unisa.ac.za</a>
Inter-library loans enquiries	<a href="mailto:libr-ill@unisa.ac.za">libr-ill@unisa.ac.za</a>
Enquiries about subject databases	<a href="mailto:bib-dbase@unisa.ac.za">bib-dbase@unisa.ac.za</a>
Library information desk	<a href="mailto:bib-help@unisa.ac.za">bib-help@unisa.ac.za</a>
Enquiries about training presented by the library	<a href="mailto:bib-oplei@unisa.ac.za">bib-oplei@unisa.ac.za</a>
Send a question to the library staff	<a href="mailto:bibrefq@unisa.ac.za">bibrefq@unisa.ac.za</a>

### SMS numbers:



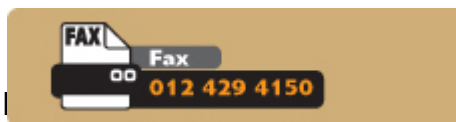
Send an SMS to 32695 for more information on how to contact Unisa via SMS (only for students within the borders of South Africa). Students will receive an auto-response SMS with the various SMS options. Standard SMS rates apply.

**Students can also SMS enquiries directly to:**

43578 for applications and registrations\*  
43584 for assignments\*  
43584 for examinations\*  
43579 for study material\*  
31954 for student accounts\*  
43582 for *myUnisa* and *myLife*\*

\* The SMS number is only for students residing in South Africa. International students are urged to make use of the e-mail address [info@unisa.ac.za](mailto:info@unisa.ac.za).

**Fax number:**



Online address <http://my.unisa.ac.za>  
Unisa website <http://www.unisa.ac.za>

**Other means of contacting the University are:**

Physical address  
University of South Africa  
Preller Street  
Muckleneuk  
Pretoria  
City of Tshwane

Postal address  
University of South Africa  
PO Box 392  
Unisa  
0003

**NB: Lecturers cannot assist you with registration, payments, module codes, examinations, etc. These are administrative issues which should be discussed with the relevant sections.**

## 4 MODULE-RELATED RESOURCES

For library service request procedures, please consult the *my Studies @ Unisa* brochure.

### 4.1 Prescribed books

Your prescribed textbooks for this course for this semester are:

- LexisNexis. 2012. Auditing: Legislation and Standards. First edition. LexisNexis.
- Kurt F Reding. 2013. Internal Auditing: Assurance & Advisory Services Year Published. 3rd Edition. IIA Research Foundation. This book can be purchased from the Institute of Internal Auditors' (IIA) Bookstore. You are welcome to contact the IIA at either (011) 450 1040 or [www.iiasa.org.za](http://www.iiasa.org.za)

## 4.2 Other resources – printed support material

Because we want you to be successful in this online module, we also provide you with some of the study material in printed format. This will allow you to read the study materials, even if you are not online.

The printed study material will be sent to you at the beginning of the semester, but you do not have to wait to receive it to start studying – you can go online as soon as you register and all your study material will be there. Therefore, the printed material is not something that you need to wait for before you start with the module. It is only an **offline** copy of the formal content of the online module.

Having the study material in printed form will give you the chance to do a lot of the studying for this module **WITHOUT** having to go into the internet or to an internet cafe. This will save you money, of course, and you will be able to take as much time as you need to read -- and to re-read -- the materials and do the activities.

It is therefore very important that you log into myUnisa regularly. We recommend that you should do this at least every week or every 10 days to check for the following:

- **Check for new Announcements.** You can also set up your myLife email so that you receive the Announcement emails on your cell phone.
- **Do the Discussion forum activities.** For every unit in this module, we want you to share with the other people in your group in the activities. You can read the instructions here and even prepare your answers but you need to go online to post your messages.

We hope that this system will help you to succeed in this online module by giving you extra ways to study the material and practise doing all the activities and assignments. At the same time, you **MUST** go online in order to complete the activities and assignments on time -- and to get the most from the online course.

Remember, the printed support materials are a back-up for everything that is found online on myUnisa. There are no extra things there. **In other words, you should NOT wait for the printed support material to arrive before you start studying.**

## 5 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

There is no practical work for this module.

## 6 ASSESSMENT

## 6.1 Assessment plan

### Assignments and learning

Here is a breakdown of the assignments, as they occur in the semester.

#### Assignments

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

#### Compulsory assignments

The submission of the compulsory assignment **01 and 02 or 03** will prove that you are an active student and will therefore earn you admission to the examination. Admission to the examination will be obtained by submitting the compulsory assignment. You will undoubtedly realise the importance of commencing your study programme in good time so that you can obtain admission to the examination and earn a good year mark.

**NB: The compulsory assignment 01 for this module takes place right at the beginning of the semester, so make sure that you submit it on time. For admission to the examination, you must submit assignment 01 AND 02 or 03. No admission will be considered if you did not submit one of these two assignments before the due date.**

#### General remarks

- a) Assignment 01 is included in this tutorial letter but is also available on myUnisa.
- b) The **compulsory assignment** (number 01), must be submitted on or before the due date to obtain admission to the examination. Make sure it is marked as "01".
- c) It is in your own interest to **retain a copy of proof that the compulsory assignment (number 01) was submitted** so that you can produce this in the event that there should afterwards be any dispute concerning whether or not the assignment was received.
- d) A **year-mark** of 20% will contribute to your final mark. This year-mark will be calculated as an average of the marks obtained for **Assignment 02 and Assignment 03** (if you obtain at least 40% in the examination).

The final mark is calculated as follows:

- 0% x mark obtained for compulsory Assignment 01, plus
- 10% x mark obtained for Assignment 02 (may also be used as a compulsory assignment) plus
- 10% x mark obtained for Assignment 03, plus
- 80% x mark obtained in the examination (sub-minimum of 40%)

The sub-minimum of 40% implies that if you obtain a mark of less than 40% in the examination, your year mark will not be taken into account.

**THUS:**

**TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 AND 02 OR 03 BEFORE OR ON THE DUE DATE.**



**YOUR MARKS FOR BOTH ASSIGNMENTS 02 OR 03 WILL BE USED TO DETERMINE YOUR YEAR MARK.**

## **Plagiarism**

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities. The *Disciplinary Code for Students* (latest version) is given to all students at registration. Students are advised to study the Code. Read the University's *Policy on Copyright Infringement and Plagiarism* as well.

## **Commentaries and feedback on assignments**

The solution to Assignment 01 will be provided to you in Tutorial Letter 201 which will only be distributed after the due date of Assignment 01. The solution to Assignment 02 will be sent to you in Tutorial Letter 202 which will only be distributed after the due date of assignment 02.

As soon as you have received the solutions and comments, please check your answers. The assignments and the comments on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination. These will enable you to mark your own assignment.

Assignments are numbered consecutively per module, starting from 01. Only Arabic numerals are used, for example: Assignments 01, 02, 03, and so on.

In addition to the general assignment number (e.g. 01), each assignment has its **own unique assignment number** (e.g. 102717). This number must be written on the mark reading sheet or assignment cover page in the designated space.

## **6.2 Assignment and assessment methodology applicable only to AUI3703**

### **Assignment 01**

The due dates for the assignment 01 and unique codes are set out in section 6.4 of this tutorial letter. If you use a wrong unique code we as lectures will never receive your assignment. Note that Assignment 01 is due at the **beginning of the semester**. The purpose of assignment 01 is to orientate you for this specific module.

This assignment allows you to obtain **admission to the examination – a rule that applies only to this module. Therefore do not assume that this rule applies to any of your other modules.**

Read this tutorial letter 101 and then submit assignment 01 immediately.

### **Assignment 02 and 03**

Very important -- the purpose of assignments 02 and 03 in this module is to build your own learning portfolio (class notes). The assignments will take you systematically through the **whole** syllabus. The activities that you are expected to submit **online** are indicated at the **end of each learning unit**. As soon as you complete a learning unit, you must save it on

your computer (or write on an examination pad) before moving on to the next learning unit. In so doing, you will work **consistently**. You will feel good about yourself because you can see that you have progressed. Please work on your portfolios on a weekly basis, **you cannot complete it over the weekend before the due date**. The amount of reading and writing required in this module is simply too much and you will end up disliking the module if you postpone your efforts.

This will require planning and work on your part (ownership and time management skills). This is an open learning environment where you manage your own progress. I do not know your personal circumstances, so I cannot prescribe when to do what. If you are working and have registered for many modules, manage your available time carefully because this is not a Mickey Mouse module. **You** are therefore required to schedule **your** own dates (targets) and discipline yourself to meet those dates.

Therefore take **ownership** of your own studies and your progress – it is in your hands. In achieving your targets, you will become positive, focused and driven – the stuff internal auditors are made of.

Assignments 02 and 03 together contribute towards a year mark of **20% (10% per assignment)**. **Assignment 02** comprises of **all** the activities indicated in section 6.5 of this tutorial letter. In other words, for Assignment 02 you must have submitted **specified** activities for topics 1 to 4 on or before **the due date** (refer to section 6.4 of this tutorial letter for the due dates and codes). Activity 0.1 on page ix of the study guide entails a declaration from you that you have submitted your own attempt. You are required to submit this activity for both of Assignment 02 **and** 03.

Although the university allows you to submit handwritten assignments we recommend that you rather record your work on the computer. By utilising the computer you become proficient in a word program and therefore improve your basic employability skills. Remember to accumulate all the activities applicable for an assignment and submit it as a single document.

**NB:** It is your own responsibility to make sure that you refer to the references and constructively utilise the prescribed material to compile your learning notes. The portfolio that you will be building through the two assignments therefore becomes part of your learning notes. If you studied at a residential university, you would have attended class regularly and compiled your own study notes.

All the activities must be submitted as a single assignment (in PDF) with the unique codes as stipulated in section 6.3 of this tutorial letter. PDF file should **NOT** be submitted as “Read only”.

The due dates for **all** the assignments are non-negotiable therefore plan for the unforeseen and do not leave it for last.

### **The examination period**

This module is offered in both semesters. This means that if you are registered for the first semester, you will write the examination in May/June 2016 and the supplementary examination will be written in October/November 2016. If you are registered for the second semester you will write the examination in October/November 2016 and the supplementary examination will be written in May/June 2017.

During the semester, the examination section will provide you with information about the examination in general, examination venues, examination dates and examination times.

### Previous examination papers

Previous examination papers are available to students on *myUnisa*. Suggested solutions are **not** provided. You may, however, accept that the type of questions that will be asked in the examination will be similar to those found in your study material.

Use the brochure *my Studies @ Unisa* for general guidance on the examination as well as for your exam preparation.

### 6.3 Due dates and unique assignment numbers

In addition to the general assignment number (eg 01), each assignment has its **own unique assignment number** (eg 102717). This number must be written on the mark reading sheet or assignment cover page in the designated area.

Refer to the following table for the unique numbers and due dates applicable to the assignments that you have to submit:

Assignment	FIRST SEMESTER Due date if you are registered for the first semester	SECOND SEMESTER Due date if you are registered for the second semester
01 ( <b>Compulsory</b> ) (0% of year mark)	19 February 2016 Unique number: 602339 Multiple choice questions.	22 July 2016 Unique number: 785024 Multiple choice questions.
02: (10 % of year mark)	11 March 2016 Unique number: 672030	12 August 2016 Unique number: 622054
03: (10 % of year mark)	15 April 2016 Unique number: 704134	16 September 2016 Unique number: 816164

### 6.4 Submission of assignments

You may submit written assignments and assignments done on mark reading electronically via *myUnisa*. Assignments may **not** be submitted by fax or e-mail. For detailed information and requirements as far as assignments are concerned, see the brochure, *my Studies @ Unisa* that you received with your study material.

**Note: Assignments 02 and 03 can only be submitted in PDF format on *myUnisa*.**

To submit an assignment via *myUnisa*:

- Go to *myUnisa*.
- Log in with your student number and password.
- Select the module from the orange bar.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

Please ensure that your assignment 01 reaches the University **before the due date – late submission of assignment 01 will result in you not being admitted to the examination.**

**TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 AND 02 OR 03 BEFORE OR ON THE DUE DATE.**

**YOUR MARKS FOR BOTH ASSIGNMENTS 02 OR 03 WILL BE USED TO DETERMINE YOUR YEAR MARK.**

Assignments posted should be addressed to:

The Registrar  
PO Box 392  
Unisa  
0003

**To submit assignments using *myUnisa*:**

- Go to <http://my.unisa.ac.za>
- Enter your student number and password
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

## **6.5 Assignments**

### **6.5.1 Compulsory Assignment 01 (Semester 1)**

**Instructions:**

- (1) Write the correct unique assignment number in the six blocks provided on the mark reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark reading sheet.
- (3) Consult my *Studies @ Unisa* for an example of how a computer mark reading sheet should be filled in.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult *My studies @ Unisa* when you answer multiple-choice assignments.

**Special instructions for answering this assignment**

- (1) This assignment consists of 20 self-reflection multiple-choice questions.

## ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS (compulsory)

### Semester 1 and 2

The aim of this assignment is to **admit** you to the examination. If the assignment is not submitted **on/before the due date** you will not be able to write the examination. The good news is that it is a self-reflection assignment. Therefore, it is an activity to set you up, get you committed and to give you an opportunity to write the examination. The assignment is not content-based and, therefore, it will not count towards the year mark.

Remember, Assignment 02 and 03 will count 20% towards your year mark (10% for Assignment 02 and 10% for Assignment 03).

These questions are applicable to Semester 1 and Semester 2.

#### QUESTION 1

20 marks

#### REQUIRED

Select only **one** alternative for each question; and mark the digit that corresponds with the digit of the alternative of your choice on *myUnisa*. Answer the sub-sections of the question in numerical sequence, for example:

1. 1
2. 2

(1 mark per question)

- 1.1 Have you read the introduction to this module as set out in the beginning of this tutorial letter 101?

1. Yes.
2. No.

- 1.2 Are you aware that the myUnisa platform allows lecturers to communicate with you quicker, via announcements and discussion forums:

1. Yes.
2. No.

**1.3** Are you aware that this module's study guide is available on myUnisa under the Learning Units tab?

1. Yes.
2. No.

**1.4** Are you aware that certain icons are used in the study guide together with a description of their meanings, to assist you in working through the study guide?

1. Yes.
2. No.

**1.5** You cannot attempt this module without access to the **two** prescribed textbooks. Do you have a copy of the prescribed textbooks: 1) Reding, KF., Sobel, PJ., Anderson, UL., Head, MJ., Ramamoorti, S, Slamasick, M & Riddle, C. Internal auditing: Assurance & consulting services (2nd or 3rd edition); 2) Auditing legislation and standards?

1. Yes.
2. No.

**1.6** Are you aware that you should submit Assignment 01 **AND** 02 or 03 in order to be admitted to the examinations while both Assignments 02 and 03 must be submitted because they contribute to the year mark?

1. Yes.
2. No.

**1.7** Are you aware that you must submit Assignment 2 and 3 in pdf format and that if you submit your assignments online that you then have proof of submission?

1. Yes.
2. No.

**1.8** Are you aware that the answers to the activities do not only serve as assignments but also form part of your learning or class notes?

1. Yes.
2. No.

**1.9** Are you aware that you must physically complete all the activities as you work through each learning unit and that you must save the answers to the activities on your computer/flash drive or examination pad?

1. Yes.
2. No.

**1.10** Have you identified the due dates for Assignments 2 and 3?

1. Yes.
2. No.

**1.11** Have you identified the topics that you must cover for Assignments 2 and 3?

1. Yes.
2. No.

**1.12** Do you understand that it is important to attempt the activities yourself and not to copy anyone else's work?

1. Yes.
2. No.

**1.13** Are you aware that paying someone else to do your assignment or copying a student's assignment is easy to do, but is unethical, defeats the purpose of learning and will result in disciplinary action?

1. Yes.
2. No.

**1.14** Are you aware that this module is jam-packed, and that it is, therefore, essential to carefully **manage** your time and **work consistently**?

1. Yes.
2. No.

**1.15** What does this module AUI3703 deal with?

1. The internal audit process: tests of controls.
2. Planning of an internal audit.
3. The internal audit process: specific audit assignments and reporting.
4. The internal audit process: managing the internal audit activity.

**1.16** The professional guidance for internal auditing is the IPPF. What does IPPF stand for?

1. Internal Professional Practices Framework.
2. International Professional Practices Framework.
3. International Professional Practical Framework.
4. Internal Profession Practices Framework.

**1.17** Which one of the following alternatives best completes the definition of internal auditing as indicated below?

*Internal auditing is an independent, \_\_\_\_\_(a)\_\_\_\_\_ and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach, to evaluate and improve the effectiveness of \_\_\_\_\_(b)\_\_\_\_\_, control and governance processes.*

1. (a) assurance; (b) risk assessment.
2. (a) objective assurance; (b) risk management.
3. (a) objective assurance; (b) risk assessment.
4. (a) assurance; (b) risk management.

**1.18** Which of the following best describes the purpose of the internal audit activity?

1. To add value and improve an organisation's operations.
2. To assist management with the design and implementation of risk management and control systems.
3. To examine and evaluate an organisation's accounting system as a service to management.
4. To monitor the organisation's internal control system for the external auditors.

**1.19** When compared to the objectives of external auditors, the objectives of internal auditors focus more on ...



1. developing and implementing internal accounting controls.
2. the substantiation and presentation of financial statements.
3. assisting members of the organisation to meet their responsibilities and the needs of management.
4. communicating findings to the managers of the various business processes and organisational units.

**1.20** Internal auditors must possess the knowledge, skills and other competencies needed to perform their responsibilities, including proficiency in ...

1. accounting principles and techniques.
2. internal audit procedures and techniques.
3. management principles.
4. marketing techniques.

### 6.5.2 Assignment 02 (Semester 1)

## ASSIGNMENT 02: PORTFOLIO

### Semester 1

#### QUESTION 1

**15 marks**

#### REQUIRED

For each sub-question of this question, choose only **one** option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

**1.1** You are the internal auditor performing an audit on the distributions activities of a big mining company. As the internal auditor you are determining management's objectives and then establishing whether the management controls that exist lead to effectiveness, efficiency and economy. You are busy performing an ...

- A compliance audit.
- B financial audit.

- C performance audit.
- D environmental audit.

**1.2** Recommendations in audit reports may or may not actually be implemented. Which one of the following alternatives best describes the role of the internal auditor when he or she follows up on the implementation of audit recommendations?

- A The internal auditor should follow up to ensure that appropriate action is taken in the areas for which recommendations have been made.
- B The internal auditor has no role and follow up is solely the responsibility of management.
- C The internal auditor is responsible for the implementation of recommendations.
- D To ensure that external auditors maintain their independence, the internal auditor should ask external audit to follow up on the implementation of their recommendations.

**1.3** Information Systems (IS) auditing professionalism is normally indicated by ...

- A employing professional IS auditors.
- B outsourcing the IS audit function.
- C employing professional internal auditors.
- D compliance with internationally recognised standards.

**1.4** An internal auditor is assigned to investigate the economy of operations in a certain section. She is likely to focus her audit procedures on determining the relationship between ...

- A actual inputs and planned inputs.
- B planned inputs and planned outputs.
- C actual inputs and actual outputs.
- D actual outputs and planned outputs.

**1.5** Computer assisted audit techniques (CAATS) can be used in the execution of various types of audit procedures. Which one of the following alternatives is not a benefit of CAATS?

- A Consistent application of audit procedures and techniques.
- B Client systems and data may be compromised.
- C Greater opportunities to develop new approaches.
- D Better management of audit data and working papers.

**1.6** Which one of the following audit procedures is more likely to provide significant information when testing for possible fraud in accounts receivable?

- A Performing analytical review procedures on accounts receivable by comparing outstanding debtors balances over time.
- B Tracing a sample of inventory requisitions from inventory, through billing to the sales journal.
- C Confirming debtor balance by performing a positive debtors' circulation.
- D Vouching entries in the sales journal back to the original orders and delivery notes.

**1.7** The purpose of the Attribute Standards (the 1000 series) is to ...

- A describe the nature of internal audit activities.
- B describe the characteristics needed for the effective administration of the internal audit activity.
- C describe the criteria against which the performance of the internal audit activities can be measured.
- D describe the actual execution of internal audit activities.

**1.8** The responsibility to identify, assess and manage risk lies primarily with ...

- A internal audit activity.
- B the external auditors.
- C management of the organisation.
- D the audit committee.

**1.9** Specific forms of fraud are identified both in literature and in practice. Which one of the following alternatives is an example of misappropriation?

- A Creating false purchase invoices or destroying supplier credit notes.
- B Creating fictitious employees on the organisation's database.
- C False claims against suppliers for shortfalls on deliveries and poor quality products.
- D The irregular transfer of goods or money to a fictitious third party.

**1.10** As part of a performance audit, you as the internal auditor are required to evaluate the company's mission statement. Which one of the following steps would you take when evaluating the mission statement?

- A Find out whether the mission statement is verbally defined.
- B Gain an understanding of the business purpose and ensure that the mission statement does not translate into the reason for the existence of the company.
- C Evaluate the performance objectives to ensure that there is no direct link between the performance objectives and the mission statement.
- D Discuss with management whether they are keeping their mission statement in line with the changing needs of their customers.

(Questions taken from Reding et al.)

## **QUESTION 2**

**64 marks**

Do the following activities listed in the study guide:

Study Unit 1 - Activity 1, 2, 3, 4 (12 marks)

Study Unit 2 – Activities 5 (7 marks)

Study Unit 3 – Activities 6 (18 marks), 7 (10 marks), 8 (5 marks), 9 (12 marks)

## **QUESTION 3**

**21 marks**

Due to the recent increase in the petrol price, the demand for public transport has increased dramatically, especially the use of the Gautrain. The number of daily commuters using the Gautrain has increased by more than 60% and it is expected to increase more over the next few months.

You are a senior internal auditor employed by Gauport. Gauport's responsibility is to ensure that the Gautrain operates effectively and efficiently. Gauport also needs to ensure that the Gautrain's operations can handle the increase in commuters on a daily basis.

You as the internal auditor of Gauport are responsible for auditing the procurement department. The main responsibility of the procurement department is to procure additional train carts to ensure that all the trains are operating at maximum capacity.

The Chief Audit Executive (CAE) has requested you to focus on the economical procurement of the additional train carts, and to ensure that the operations of the procurement department are effective and efficient.

During the course of the internal audit you discovered the following:

1. There is no purchasing policy in the department.
2. Quite a few tasks are being duplicated within the procurement department.
3. The department currently has four vacancies that still need to be filled.
4. No measures in place to measure departmental performance.
5. No quotes for train carts are obtained, and there is no supplier list available.

After various discussions with the personnel of the procurement department it came to your attention that there is a delay with delivering the new carts to the stations. During discussion with Mr Craig, the manager responsible for the inspections of the train carts, he explained that once the carts have been received all carts need to be inspected before they can be delivered to the different stations. He further mentioned that a staff shortage has hampered the efforts of properly inspecting the new carts received. Mr Craig explained that all new carts should be inspected within 24 hours. Due to the fact that the carts have not been inspected there is a backlog and the process of delivering the carts has been delayed. This delay can lead to capacity shortages and can leave some commuters waiting longer for trains.

<b>REQUIRED</b>	<b>Marks</b>
<b>3.1</b> Formulate six (6) questions to put to the management of the procurement department to gain background information on the efficiency of the procurement department.	<b>(6)</b>
<b>3.2</b> Develop a complete audit finding based on the information obtained from Mr. Craig in which you specifically mention and illustrate in a practical way all the different elements of an audit finding.	<b>(5)</b>
<b>3.3</b> Describe the difference between the economy and the efficiency of a process, and indicate for each of the observations made in 1 to 5 above, whether it relate to a lack of economy, efficiency or effectiveness.	<b>(10)</b>

### 6.5.3 Assignment 03 (Semester 1)

## ASSIGNMENT 03: PORTFOLIO

### Semester 1

#### QUESTION 1

12 marks

#### REQUIRED

For each sub-question of this question, choose **one** only option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

1.1 Which one of the following statements is true?

- A Effectiveness is the relationship between planned outputs and planned inputs.
- B Economy is the relationship between actual inputs and planned outputs.
- C Effectiveness is the relationship between actual outputs and planned outputs.
- D Economy is the relationship between actual outputs and planned outputs.

1.2 Which one of the following alternatives refers to the “effect” section of an audit finding?

- A What is the significance?
- B Why did it happen?
- C What should the position be?
- D What is the standard of comparison?

1.3 Internal auditors perform both assurance engagements and consulting engagements. Which one of the following alternatives would be classified as an assurance engagement?

- A Examining whether control procedures are mitigating the risks identified.

- B Conducting control self-assessment training.
- C Assisting in developing and drafting policies.
- D Providing advice to management on risk management, control and governance issues.

**1.4** System development and implementation controls are an example of ...

- A Application controls.
- B Key controls.
- C General controls.
- D Secondary controls.

**1.5** Which one of the following is not mandatory guidance as prescribed by the International Professional Practices Framework (IPPF)?

- A Definition of internal audit.
- B The international standards.
- C Code of ethics.
- D Practice advisories.

**1.6** You are the internal auditor for Plantland. Plantland specialises in distributing various plants to different nurseries. You are conducting an operational audit on the distribution process of Plantland. You believe that the process can be improved, but the management team is resistant to change. Indicate the technique which would overcome the manager's resistance to change.

- A Involving the managers in the operational audit and subsequent decision making.
- B Interviewing each manager individually to discuss their concerns.
- C Reporting the problem to the board of directors and the audit committee.
- D Coercing the managers through threats.

**1.7** In reporting there are three different stages of importance: insignificant, significant and material. Which one of the following alternatives relates to the material stage of importance?

- A Indicates that a control has a more than remote likelihood of failing and that the impact of its failure is more than trivial.
- B Indicates that a control has a more than remote likelihood of failing and that the impact of its failure exceeds the materiality threshold.
- C Indicates that a control has a remote likelihood of failing or that the impact of its failure is trivial.
- D Indicates that a control has a poor likelihood of failing or that the failure is insignificant.

**1.8** Audit risk is the risk that audit coverage will not address significant business exposures. Which one of the following components does not form part of audit risk?

- A Inherent risk.
- B Control risk.
- C Detection risk.
- D Business risk.

(Questions taken from Reding et al.)

## **QUESTION 2**

**63 marks**

Do the following activities listed in the study guide:

Study Unit 4 – Activities: 10 (15 marks); 11 (10 marks), 12 (10 marks)

Study unit 5 – Activities: 13 (5 marks); 14 (9 marks)

Study unit 6 – Activity 15 (4 marks)

Study unit 7 – Activities 16 (5 marks); 17 (5 marks)

## **QUESTION 3**

**25 marks**

You are the internal audit manager of Seafront (Pty) Ltd. Seafront is a tourism company that consists of four holiday resorts situated in Cape Town and in Durban. Seafront's head office is based in Cape Town and consists of various departments which provide different kinds of services to their customers.

With the holiday season approaching, bookings will increase with 60% and the day visitors to the resort will increase by more than 100%.



Management requested you to perform a performance audit on the reservations process of Seafrent.

Initial discussions with the manager of the reservations department revealed the following:

1. A call centre in Cape Town handles the reservations for all four resorts.
2. Once a customer phones, the call centre agent will confirm the availability. Once availability is confirmed a booking will be completed on the system.
3. Once the booking form has been completed, a copy of the booking will be emailed to the customer. The customer will sign the booking form and will email it back to the agent with a copy of the proof of payment. A 50% deposit is required to secure the booking.
4. Once the agent receives the signed form and proof of payment the status will be changed from pending to complete.
5. Once the outstanding 50% has been received the status will be changed to finalised.

The following initial observations were made:

A1 – During the past six months there was various “double bookings” made, especially bookings relating to the Durban resort. The manager of the call centre admitted that a system problem currently exists and that double bookings are not identified, thus allowing the agents to process more than one person to a room. You noted that the problem is due to outdated software.

## REQUIRED

## Marks

- |            |   |             |
|------------|---|-------------|
| <b>3.1</b> | Formulate <b>six (6)</b> audit procedures that could be used to provide assurance with regards to the <i>efficiency</i> of the call centre’s reservations process.  | <b>(9)</b>  |
| <b>3.2</b> | Based on the observations made in A1, complete an audit finding practically illustrating the different elements of an audit finding, <b>and list five (5)</b> characteristics of good internal audit reporting. | <b>(10)</b> |
| <b>3.3</b> | Formulate <b>four (4)</b> audit objectives that could be used in order to determine the effectiveness of Seafrent’s call centre operations.   | <b>(6)</b>  |

### 6.5.4 Assignment 02 (Semester 2)

## ASSIGNMENT 02: PORTFOLIO

### Semester 2

#### QUESTION 1

15 marks

#### REQUIRED

For each sub-question of this question, choose only **one** option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

- 1.1 You are the internal auditor performing an audit on the distributions activities of a big mining company. As the internal auditor you are determining management's objectives and then establishing whether the management controls that exist lead to effectiveness, efficiency and economy. You are busy performing an ...
- A compliance audit.
  - B financial audit.
  - C performance audit.
  - D environmental audit.
- 1.2 Recommendations in audit reports may or may not actually be implemented. Which one of the following alternatives best describes the role of the internal auditor when he or she follows up on the implementation of audit recommendations?
- A The internal auditor should follow up to ensure that appropriate action is taken in the areas for which recommendations have been made.
  - B The internal auditor has no role and follow up is solely the responsibility of management.
  - C The internal auditor is responsible for the implementation of recommendations.

- D To ensure that external auditors maintain their independence, the internal auditor should ask external audit to follow up on the implementation of their recommendations.

**1.3** Information Systems (IS) auditing professionalism is normally indicated by ...

- A employing professional IS auditors.
- B outsourcing the IS audit function.
- C employing professional internal auditors.
- D compliance with internationally recognised standards.

**1.4** An internal auditor is assigned to investigate the economy of operations in a certain section. She is likely to focus her audit procedures on determining the relationship between ...

- A actual inputs and planned inputs.
- B planned inputs and planned outputs.
- C actual inputs and actual outputs.
- D actual outputs and planned outputs.

**1.5** Computer assisted audit techniques (CAATS) can be used in the execution of various types of audit procedures. Which one of the following alternatives is not a benefit of CAATS?

- A Consistent application of audit procedures and techniques.
- B Client systems and data may be compromised.
- C Greater opportunities to develop new approaches.
- D Better management of audit data and working papers.

**1.6** Which one of the following audit procedures is more likely to provide significant information when testing for possible fraud in accounts receivable?

- A Performing analytical review procedures on accounts receivable by comparing outstanding debtors balances over time.

- B Tracing a sample of inventory requisitions from inventory, through billing to the sales journal.
- C Confirming debtor balance by performing a positive debtors' circulation.
- D Vouching entries in the sales journal back to the original orders and delivery notes.

**1.7** The purpose of the Attribute Standards (the 1000 series) is to ...

- A describe the nature of internal audit activities.
- B describe the characteristics needed for the effective administration of the internal audit activity.
- C describe the criteria against which the performance of the internal audit activities can be measured.
- D describe the actual execution of internal audit activities.

**1.8** The responsibility to identify, assess and manage risk lies primarily with ...

- A internal audit activity.
- B the external auditors.
- C management of the organisation.
- D the audit committee.

**1.9** Specific forms of fraud are identified both in literature and in practice. Which one of the following alternatives is an example of misappropriation?

- A Creating false purchase invoices or destroying supplier credit notes.
- B Creating fictitious employees on the organisation's database.
- C False claims against suppliers for shortfalls on deliveries and poor quality products.
- D The irregular transfer of goods or money to a fictitious third party.

**1.10** As part of a performance audit, you as the internal auditor are required to evaluate the company's mission statement. Which one of the following steps would you take when evaluating the mission statement?

- A Find out whether the mission statement is verbally defined.

- B Gain an understanding of the business purpose and ensure that the mission statement does not translate into the reason for the existence of the company.
- C Evaluate the performance objectives to ensure that there is no direct link between the performance objectives and the mission statement.
- D Discuss with management whether they are keeping their mission statement in line with the changing needs of their customers.

(Questions taken from Reding et al.)

## QUESTION 2

**64 marks**

Do the following activities listed in the study guide:

Study Unit 1 - Activity 1, 2, 3, 4 (12 marks)

Study Unit 2 – Activities 5 (7 marks)

Study Unit 3 – Activities 6 (18 marks), 7 (10 marks), 8 (5 marks), 9 (12 marks)

(Questions taken from Reding et al.)

## QUESTION 3

**9 marks**

Management of Seafront (Pty) Ltd is hosting their annual teambuilding event at the Durban resort. All the employees of Seafront will attend the event and the resorts will be managed by skeleton staff.

The chief executive officer (CEO) approached you and requested that you do a short presentation at the teambuilding weekend. The CEO explained that this will provide you with an opportunity to “sell or promote” the internal audit activity.

The CEO suggested that the following points should be covered in your presentation as these are the main concerns raised by the different departments:

- Explain to the employees the nature and scope of internal auditing.
- An organisation cannot achieve its objectives without effective risk management, control and governance processes. You need to explain terms such as governance, control and risk management.

## REQUIRED

**Marks**

**3.1** Briefly describe the nature and scope of internal audit services.

**(4)**

**3.2** Briefly explain the terms governance, risk management and control.

**(5)**

**QUESTION 4**

**12 marks**

Music24 is a radio station, broadcasting throughout South Africa on a daily basis.

You are responsible for performing an operational audit on the different departments within Music24. The two departments that will be included in the operational audit will be:

- Technical department – responsible for procuring all the required electronic equipment.
- Marketing department – mainly responsible for all the advertising rights.

The management team of Music24 recently decided that all the electronic equipment should either be upgraded or replaced, to ensure that Music24 is equipped with the latest technology available.

The technical manager explained that the technical department was only recently established. Previously the procurement of equipment was the responsibility of the finance department, but due to the tremendous growth experienced by Music24, management decided to create a technical department. All new equipment are purchased and approved by the technical department.

You and a team of three auditors will perform the first operational audit on the technical department. You will be responsible for finalising and maintaining the operational audit budget for the project and should determine whether the department is functioning economical, effectively and efficiently.

The chief audit executive (CAE) has requested you to investigate the economical procurement and efficient utilisation of the technical equipment within the department. You are in the process of obtaining additional information on the procedures followed and the processes employed. During this exercise you discover the following:

- All equipment procured are not being used to capacity.
- Two new staff members were appointed to operate the new equipment and there is still two vacant positions.
- Quite a few tasks are being duplicated within the process.

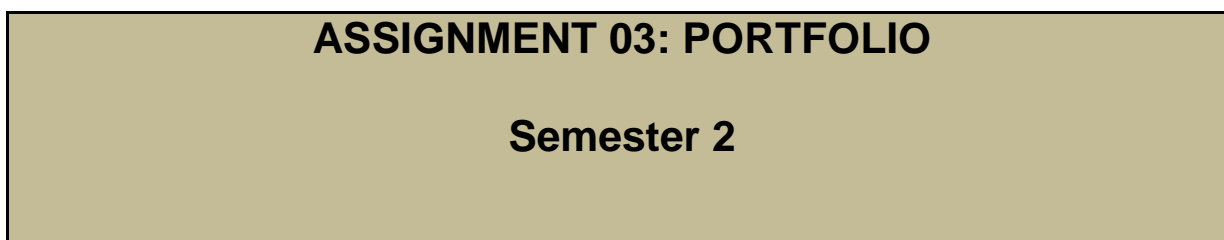
The CAE further requested that after the completion of the performance audit, if you as the internal auditor can assist with the assessment that management's policies and procedures are adhered to. You explained to the CAE that this will not form part of the performance audit but will be classified as assurance services.

**REQUIRED****Marks**

- 4.1 Identify **four (4)** audit objectives **and** for each objective describe an audit procedure that may be carried out to determine the **effectiveness** of the technical department. Please answer in table format.

**(12)**

Audit objective (1½ mark each)	Audit procedure (1½ marks each)

**6.5.3 Assignment 03 (Semester 2)****QUESTION 1****12 marks****REQUIRED**

For each sub-question of this question, choose **one** only option that you consider the most correct answer. In your answer book, write down the number of the sub-question, and next to it the letter representing the option you have chosen. Answer the sub-questions in numerical sequence, for example:

1.1 A

1.2 C

Each question is worth 1½ marks.

1.1 Which one of the following statements is true?

- A Effectiveness is the relationship between planned outputs and planned inputs.
- B Economy is the relationship between actual inputs and planned outputs.
- C Effectiveness is the relationship between actual outputs and planned outputs.
- D Economy is the relationship between actual outputs and planned outputs.

- 1.2** Which one of the following alternatives refers to the “effect” section of an audit finding?
- A What is the significance?
  - B Why did it happen?
  - C What should the position be?
  - D What is the standard of comparison?
- 1.3** Internal auditors perform both assurance engagements and consulting engagements. Which one of the following alternatives would be classified as an assurance engagement?
- A Examining whether control procedures are mitigating the risks identified.
  - B Conducting control self-assessment training.
  - C Assisting in developing and drafting policies.
  - D Providing advice to management on risk management, control and governance issues.
- 1.4** System development and implementation controls are an example of ...
- A Application controls.
  - B Key controls.
  - C General controls.
  - D Secondary controls.
- 1.5** Which one of the following is not mandatory guidance as prescribed by the International Professional Practices Framework (IPPF)?
- A Definition of internal audit.
  - B The international standards.
  - C Code of ethics.
  - D Practice advisories.



- 1.6** You are the internal auditor for Plantland. Plantland specialises in distributing various plants to different nurseries. You are conducting an operational audit on the distribution process of Plantland. You believe that the process can be improved, but the management team is resistant to change. Indicate the technique which would overcome the manager's resistance to change.
- A Involving the managers in the operational audit and subsequent decision making.
  - B Interviewing each manager individually to discuss their concerns.
  - C Reporting the problem to the board of directors and the audit committee.
  - D Coercing the managers through threats.
- 1.7** In reporting there are three different stages of importance: insignificant, significant and material. Which one of the following alternatives relates to the material stage of importance?
- A Indicates that a control has a more than remote likelihood of failing and that the impact of its failure is more than trivial.
  - B Indicates that a control has a more than remote likelihood of failing and that the impact of its failure exceeds the materiality threshold.
  - C Indicates that a control has a remote likelihood of failing or that the impact of its failure is trivial.
  - D Indicates that a control has a poor likelihood of failing or that the failure is insignificant.
- 1.8** Audit risk is the risk that audit coverage will not address significant business exposures. Which one of the following components does not form part of audit risk?
- A Inherent risk.
  - B Control risk.
  - C Detection risk.
  - D Business risk.

(Questions taken from Reding et al.)

## QUESTION 2

**63 marks**

Do the following activities listed in the study guide:

Study Unit 4 – Activities: 10 (15 marks); 11 (10 marks), 12 (10 marks)

Study unit 5 – Activities: 13 (5 marks); 14 (9 marks)

Study unit 6 – Activity 15 (4 marks)

Study unit 7 – Activities 16 (5 marks), 17 (5 marks)

### QUESTION 3

**25 marks**

The internal audit department was recently requested to complete an audit on the reception and processes followed when receiving customers at the Cape Town resort of Seafront (Pty) Ltd.

During the opening meeting with the management team it became clear that fraud is suspected with regard to the process when customers are arriving and settling their accounts. Management requested you to be extra vigilant when conducting the audit.

Management further explained that the following information was received through the fraud hotline and from interviews with staff at the front desk:

- Jane works the front desk at reception from 9 am to 5 pm on a daily basis. One of her colleagues noted that she would indicate to customers, wanting to settle their account in cash that the system was down. Jane would then take the cash and write a manual cash slip for the customer.
- Jane refuses to take lunch, claiming she is on a diet. She also takes full control of all cash transactions. Jane volunteers to work extra shifts and weekends.
- The colleague further noticed that Jane used two different manual cash books, which look similar. The cash book Jane has been using is not the official cash book of Seafront (Pty). A recon was performed recently and it was noted that the money received did not match the deposits for the day.
- Jane also had dramatic lifestyle changes during the past few months, she bought a new and expensive car, new clothes and shoes. She boasted that she paid for everything in cash. When questioned about her lifestyle changes she explained that her husband is working more overtime.
- Management admitted that recons are not performed on a regular basis as they fully trust all their employees and they don't want to impose too many rules. No policies or procedures regarding the receiving of cash are available.

Upon completion of the audit you recommended to management that a fraud risk assessment should be conducted and that a fraud risk management programme should be implemented.

You further explained that fraud risk management emphasises the importance of a corporate culture that includes the board obtaining assurance about the ethical conduct of management and employees.

REQUIRED	Marks
3.1 List the warning signs given in the information in the scenario that could have aroused suspicion that Jane was involved in fraudulent activities.	(8)
3.2 Briefly discuss <b>seven (7)</b> practical recommendations to improve internal controls related to the cash transactions.	(7)
3.3 Briefly discuss the key components of a fraud risk management program that Seafront should take into account when implementing their own fraud risk management program.	(10)

## 7 EXAMINATION

### Requirements for admission to the examination

Submission of the **compulsory Assignment 01 AND Assignment 02 OR 03** by its due date will give you *admission* to the examination in this module. Admission will be obtained by submitting this assignment **in time** and not the marks you obtain for it. Please ensure that this assignment reaches the University **before or on the due date**. **Late submission of a compulsory assignment will result in you not being admitted to the examination. No extension will be given for the late submission of Assignments.**

### The examination period

This module is offered in both semesters. This means that if you are registered for the first semester, you will write the examination in May/June 2016 and the supplementary examination will be written in October/November 2016. If you are registered for the second semester you will write the examination in October/November 2016 and the supplementary examination will be written in May/June 2017.

During the semester, the examination section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

### Previous examination papers

Previous examination papers are available to students on **myUnisa**. **Suggested solutions are not provided**. Please do not request these from us, as it is a departmental policy that we are not allowed to supply you with the memorandums. You may, however, accept that the type of questions that will be asked in the examination will be similar to those found in your study material.

Use the **my Studies @ Unisa** brochure for general guidance for the examination as well as for your preparation for the examination.

## 8 FREQUENTLY ASKED QUESTIONS

The *my Studies @ Unisa* brochure contains an A–Z guide of the most relevant study information. We also posted a number of frequently asked questions on *myUnisa*.

## 9 CONCLUSION

Wishing you every success with your Auditing studies! We are here to assist you with the content of the module. Please make the most of your opportunity to learn about this module.

## 10 ADDENDUM

There are no addendums to this tutorial letter.