

4.18

(12 marks 15 minutes)

UK2010 (Pty) Ltd is a manufacturing company with a large labour force. Each of the procedures or actions listed below (1 to 10) relates to one (or more) of the components of internal control, as identified by ISA 315 (Revised), namely:

1. control environment
2. risk assessment
3. information system (relevant to financial reporting)
4. control activities
5. monitoring of controls.

1. UK2010 (Pty) Ltd engages an independent labour consultancy to conduct a review of the company's payroll activities on an annual basis. This includes a report to the directors on employee satisfaction, the company's adherence to fair labour practice, legality of employees, etc.

2. Access to hardcopy employee records is restricted to the human resource manager and her senior administration clerk.

3. When the factory administration clerk has batched the wage period's clockcards he takes control totals, including the total number of clock cards in the batch. When the data capture clerk in the payroll section receives the clock cards, he counts them before signing a batch control sheet to acknowledge receipt.