QUESTION ONE

a) Outline four contents of a letter of representation (4 marks)
b) Explain six circumstances where the manager might be reluctant to sign the letter of representation (6 marks)
c) Describe ten preventive and detective measures that might be implemented to avoid possible irregularities and fraud in the areas of purchases and creditors (10 marks)

(Total: 20 marks)

QUESTION TWO

a) Explain six problems an auditor might encounter when auditing a computerized accounting system (6 marks)
b) Highlight six steps that an auditor should take to counteract the problems identified in (a) above (6 marks)
c) Discuss four system security controls which must be instituted by management in a computerized environment (8 marks)

(Total: 20 marks)

QUESTION THREE

a) Define the following terms as used in audit sampling:
   i. Multi-stage sampling (2 marks)
   ii. Random systematic sampling (2 marks)
   iii. Haphazard sampling (2 marks)
   iv. Test-checking (2 marks)
   v. Anomalous error (2 marks)
   b) Explain five inherent limitations of an internal control system (10 marks)

(Total: 20 marks)

QUESTION FOUR

a) In relation to enterprise risk management, explain the following:
   i. Four roles of risk management committee (4 marks)
   ii. Three factors necessary for the effective implementation of an enterprise risk management programme (6 marks)
b) Outline four factors that are considered when determining the professional fees in an audit (4 marks)
c) Citing relevant examples, explain three ways in which the following threats might impact an auditor's objectivity:
   i. Familiarity threat (3 marks)
   ii. Self review threat (3 marks)

(Total: 20 marks)
QUESTION FIVE

a) The engagement partner performs an overall review of the audit work before the draft report is prepared and discussed with the client:

Required:
Discuss five matters that should be considered by the engagement partner during such review (10 marks)

b) Natalie Wahito is the auditor of JR Ltd. She has discovered that she issued an audit report that contained misleading statement regarding the purchase of shares in a company, whose prospectus she reported on.

The audit report will generally be circulated to many people who may rely on it to make important investment decisions.

Required:
Advise Natalie Wahito on three steps she should take upon discovering the misleading statement in the audit report (6 marks)

c) Outline four specific inquiries an auditor should make to those charged with governance to determine whether any subsequent events have occurred that might affect the financial statements (4 marks)

(Total: 20 marks)

QUESTION SIX

a) An auditor might use an expect to obtain audit evidence as stipulated in ISA 620 (using the work of an Expert)

Required:

i. Identify four circumstances where the auditor might require expert advice (4 marks)

ii. Highlight four factors that the auditor should consider before relying on the work of an expert (4 marks)

iii. Outline four issues to consider when choosing an expert (4 marks)

b) Describe the auditor’s responsibility, the audit procedure and actions that should be carried out in respect of subsequent events (8 marks)

(Total: 20 marks)

QUESTION SEVEN

a) Explain five distinctions between "auditing" and "accounting" (10 marks)

b) During client acceptance procedures, auditor should consider relevant matters before and after nomination

With reference to the above statement, describe the following:

i. Five matters that should be considered before nomination (5 marks)

ii. Five matters that should be considered after nomination (5 marks)

(Total: 20 marks)