**EGERTON UNIVERSITY**

**Attempt Question ONE and choose TWO other questions**

1. a. Define the term **ETHICS** as applied in auditing (3.5 mks)

b. Discuss the **FOUR** Principles and **SIX** rules of conduct that constitute ETHICS that are relevant to the profession and practice of auditing (20 mks)

1. The scope of internal auditing is found in the Institute of Internal Auditors’ Implementation Standards.
   1. Describe the scope of the internal audit function (12 mks)
   2. What are the implications of the wide scope of internal audit function with specific reference to
      1. Expertise required (2 mks)
      2. Value for money (3 mks)
      3. Information systems (2 mks)
      4. Compliance (2.5 mks)
      5. Management needs (2 mks)
2. Discuss the composition and the role of the audit committee, and explain the linkage between the audit committee and the internal and external audit functions (23.5 mks)
3. “The risk of poor information systems and unreliable security and back-up arrangements leads to possible fraud, error, non-compliance with data protection rules, customer dissatisfaction and security breaches. Poor information systems can undermine an organization and its entire reputation may be at stake.”

Discuss in detail **SEVEN** Information systems (IS) risk areas (23.5 mks)

1. Discuss FOUR verification methods you would apply in regard to EACH of the following liabilities and expenses
   1. Bank balances (6 mks).
   2. Equity capital (6 mks)
   3. Directors fees (3.5 mks)
   4. Interest on long term loan denominated in foreign currency (4 mks).
   5. Creditors (4 mks)