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**KARATINA UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**SECOND** YEAR **FIRST** SEMESTER EXAMINATION

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 304**

**COURSE TITLE: AUDITING & INTERNAL REVIEW**

**DATE: 18th FEBRUARY, 2022 TIME: 1400-1700HRS**

**INSTRUCTIONS**

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

QUESTION ONE

a) An auditor should be independent in attitude and appearance.

b) In your opinion, what are the important issues affecting auditor independence in a capital market economy? (9 mks)

c) Why is the inquiry into auditor independence becoming increasingly important? (6 mks)

d) How can the independence of auditors be improved. (4 mks)

e) Identify the six characteristics that determine the reliability of audit evidence (6 marks).

QUESTION TWO

Discuss in detail the following general principles of auditing

* 1. Professional ethics (5 mks)
  2. International standards on auditing (5 mks)
  3. Professional skepticism (5 mks)

QUESTION THREE

The scope of internal auditing is found in the Institute of Internal Auditors’ Implementation Standards.

a. Describe the scope of the internal audit function (5 mks)

b. 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 (3 mks)

QUESTION FOUR

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 (15 mks).

QUESTION FIVE

Discuss in detail the internal controls over wages and salaries, highlighting on the following specific areas

a. Approval and control of documents (5 mks)

b. Arithmetical accuracy (5 mks)

c. Control accounts (85mks)

**QUESTION FOUR**

“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 **FIVE** Information systems (IS) risk areas (15 mks)