



## Question 1

### 1. Corporate Governance

Individual	1.1 Yes/No	1.2 Reason
1. S Jobs	No ✓	He is an executive member and not independent non-executive member ✓
2. E Musk	Yes ✓	He is an independent non-executive member ✓ ✓
3. B Gates	No ✓	He is not an independent non-executive member ✓
4. S Pichai	No ✓	She is not an independent non-executive member since her husband supplies material to the company ✓ ✓

### 1.3 Factors that board should consider to determine the appropriate number of members of the board

1. The collective skills, knowledge and experience of the board ✓
2. The appropriate mix of executive, non-executive and independent non-executive members ✓
3. The need to secure a quorum at meetings ✓
4. Regulatory requirements for registered companies ✓
5. Diversity among the board members ✓
6. The need to have well qualified members to serve on board committees ✓

### 1.4 The composition of Payalot's board of directors in relation to the requirements of sound corporate governance in the King IV report

#### Compliance issues:

- E Musk, S Pichai, M Zuckerberg and K Reid are non-executive members and they are majority members ✓ ✓
- E Musk, M Zuckerberg and K Reid are independent and nonexecutive members ✓ ✓
- There are three executive members which are more than the minimum threshold of two. ✓ ✓ X
- The CEO and the finance director are members as required by the King IV report. ✓ ✓
- Diversity targets such as experience, age, race and gender seems to be in practice ✓ X

#### Non-Compliance issues:

- The CEO is also the chair of the board ✓ ✓
- The board does not have a charter setting out its role, responsibilities, membership requirements and procedural conducts X

### **Question 2**

<b>Risks</b>	<b>Risk Category</b>
1.2.1	Operating risk
1.2.2	Financial risk
1.2.3	Compliance risk
1.2.4	Strategic risk

### **Question 3**

<b>Function number</b>	<b>Should the function be performed? Yes/No</b>	<b>Brief reason</b>
1	Yes	It is an assurance service. Internal auditors will be reviewing the economy, efficiency and effectiveness of operating activities in the payment of suppliers as part of the purchase cycle
2	Yes	It is an assurance service. It enables an independent opinion to be given on whether the inventory count was done properly or not
3	Yes	It is an assurance service. It is financial audit which enables internal auditors to see the integrity and reliability of financial records and information
4	No	It is management function and internal auditors cannot do management work as they might be biased towards reviewing their own work

#### Question 4

Internal Control Observation	4.1. Control environ/control Control activity	4.2. Relation to charactetic
(a)	Control environment	(i)
(b)	Control environment ✓✓✓	(iii) ✓✓✓
(c)	Control activity ✓✓✓	(ii) ✓✓✓
(d)	Control activity ✓✓✓	(v) ✓✓✓
(e)	Control activity ✓✓✓	(iv) ✓✓✓

#### Question 5

Password controls as part of good, logical access control

1. Password should be unique for every individual
2. Password should have at least six random characters that consists of letters and numbers
3. Password should be changed regularly
4. The system should enforce the user to change passwords regularly and to have a recommended password length size
5. The system should allow users a limited number of attempts to enter the existing password
6. The first time a new employee accesses the system, he should be prompted to change his initial password
7. Passwords/user-IDs for terminated or transferred personnel should be removed/disabled at the time of termination or transfer.
8. Password should not be stored or displayed on the PCs , printer or reports at any time
9. Password files should be subject to strict access controls to protect them from unauthorized read and write access. Encryption of password files is essential
10. Personnel should be prohibited from disclosing their passwords to others and subjected to disciplinary measures should they do so.
11. Passwords should be changed if confidentiality has been violated, or violation is expected.
12. Passwords should not be obvious e.g. birthdays, names, name backwards, common words, and should not be the same as the user.

### **Question 6**

The physical access controls as a general IT-control that Payalot should implement to control unauthorized access to the inventory warehouse should include

1. **Entry and exit** : minimum entry and exit points
2. **Controlled entry and exit** : access cards, keypads, turnstiles, gate control, biometric readers, security guards,
3. **Restricted entry** : e.g. buying clerks not permitted to enter warehouse, unaccompanied area, only production employees allowed in production facility
4. **Secure buildings** : minimum number of windows, solid structure
5. **Surveillance**: cameras
6. Visitors from outside the company to the **IT building should be subject to the following controls**;
  - Be required to have an official appointment to visit IT personnel working in the IT department.
7. **Company personnel other than IT personnel** be subject to the following controls;
  - Should not have any need to enter the data center.
8. **There must be physical entry to the data centre** with the following procedures in place,
  - Only individuals who need access to the data centre should be able to gain entry
  - Access points should be limited to one
  - Access should be through a door which is locked other than when people are entering or exiting.
9. **There must be remote workstations/terminals** with the following characteristics,
  - Terminals can be locked and secured to the desk
  - Terminals placed where they are visible and not near a window
  - Terminals offices should be locked at night and at weekends

### **Question 7**

	<b>7.1 Program check</b>	<b>7.2. Description of program check</b>
1	Mandatory field or missing data check	Keying in will not continue in a particular field or fields have been entered
2	Validity / Verification check	The letters, digits or signs entered in a field are checked Against a valid characters or signs for that field for example a minus sign (-) could not be entered in a quantity order field.
3	Alpha-numeric check and size check	Prevent or detect numeric fields which have been entered as alphabetic and vice versa.
4	Range check	Identify amounts which fall outside a predetermined range after processing
5	Accuracy	Detect when the field does not conform to pre-set
6	Sequence checks	Detect gaps or duplications in a sequence of numbers as they are entered

### **Question 8**

**Record all masterfile amendments on a source document while applying the following controls:**

- All amendments to be recorded on hardcopy masterfile amendment forms MAFs
- MAFs to be pre-printed, sequenced and designed in terms of sound document design principles

**Authorise MAF by applying the following controls**

- The MAFs should be signed by two reasonably senior debtors' section personnel such as credit controller and senior assistant and should be cross referenced to the supporting documentation.

**Enter only authorized masterfile amendments onto the system accurately and completely by applying the following controls**

- Restrict write access to a specific member of the debtors section by the use of user ID and passwords.
- All masterfile amendments should be automatically logged by the computer on sequenced logs and there should be no write access to the logs (this allows subsequent checking of the MAFs entered for authority)
- Implement screen aids and programme checks to enhance the accuracy and completeness of the keying in of masterfile amendments and to detect invalid conditions

**Review masterfile amendments to ensure they occurred, were authorized and were accurately and completely processed by applying the following controls**

- The senior staff member such as the financial director /financial manager should review the logs regularly
- The sequence of the logs themselves should be checked (for any missing logs)
- Each logged amendment should be checked to confirm that it is supported by a properly authorized MAF and that the detail for example the debtor account number, amounts are correct.

### **Question 9**

The weaknesses in the stationery control for the year-end inventory count

#### **The Weakness:**

- Should the operator choose to continue without the starred fields being completed, they are unable to do so. A screen even pops up to let them know that there are empty fields. ✗
- When selecting inventory items, the operator uses a drop-down list and is unable to key in any details. ✗
- This can result in physical transfer of inventory in a warehouse ✗

#### **Explanation:**

- No movement of inventory should take place without an authorizing documents. ✗
- No movement of inventory should take place without the movement being recorded e.g. a delivery note and material issue note. ✗
- Whenever there is a transfer of inventory between sections, both the deliverer and the receiver should acknowledge the transfer. ✗
- Documents should be sequenced and filed numerically. ✓✓
- Documents must be sequenced checked and missing documents investigated ✗



