UNIVERSITI POLY-TECH MALAYSIA UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**INTERNAL AUDITING**
COURSE CODE	:	**AUD4083**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FIVE (5)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet
4. Do not bring any material into the examination hall.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO. : ____________________

ID. NO. : ____________________

LECTURER : ____________________

SECTION : ____________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 7 printed pages including the front page.

QUESTION 1

The Internal Audit Department (IAD) of Raudhah Nova Berhad reports administratively to the Chief Financial Officer and has limited interaction with the Audit Committee, which weakens its independence and oversight. The Chief Audit Executive prepares the annual audit plan based mainly on management's requests without conducting a documented risk assessment, resulting in high-risk areas such as cybersecurity being excluded. An internal auditor was assigned to audit a department where she previously worked without declaring a conflict of interest, affecting objectivity. Due to budget constraints, auditors receive minimal training but continue performing specialized audits, raising concerns about competency. In addition, audit findings are not consistently followed up, indicating weaknesses in quality assurance and performance monitoring in line with the Global Internal Audit Standards 2024.

Required:

a. Discuss **THREE (3)** requirements to demonstrate competency based on Global Internal Audit Standards 2024.

(6 marks)

b. Explain **THREE (3)** measures to develop competency among internal auditors.

(6 marks)

c. For each of the following independent situation, determine the ethical issue related to the ethics and professionalism of internal auditors:

i. Nadia obtains sensitive information about a planned company merger during an audit. She shares the news with her friend outside the organization before the announcement.

ii. Rina, an internal auditor, discovers that a department manager has manipulated expense claims. The manager is her close friend and asks her to ignore the issue to "avoid trouble." Rina agrees and omits the finding from her audit report.

iii. Liyana is assigned to audit the Human Resources (HR) department where her sister works as the HR manager. She proceeds with the audit without disclosing the relationship and gives a favorable assessment despite weak controls.

iv. During an audit of procurement activities, Hafiz finds evidence of unauthorized purchases made by a senior executive. Despite pressure from management to downplay the issue, he reports the findings accurately and supports them with sufficient evidence project.

(8 marks)

(Total: 20 marks)

QUESTION 2

The Internal Audit Department (IAD) of Barakah Berhad is responsible for reviewing internal controls and risk management. Recently, management noticed that audit reports are often late and some recommendations are repeated every year. Some findings do not clearly explain the root cause of problems, and follow-up on past issues is weak.

The department also does not have a proper Quality Assurance and Improvement Program (QAIP). Internal quality reviews are not properly documented, and no external quality assessment has been conducted for more than five years. Supervisory review of working papers is inconsistent, and there is no clear system to evaluate audit performance or stakeholder satisfaction.

In addition, due to limited budget and training, the competency level among internal auditors is inconsistent. Audit approaches differ between teams, and some audits do not fully comply with professional standards. The Audit Committee is concerned about the effectiveness and quality of the internal audit function.

Required:

a. Explain **THREE (3)** important of QAIP to the internal auditors.

(6 marks)

b. Analyse **THREE (3)** weaknesses in IAD of Barakah Berhad along with **THREE (3)** improvements to strengthen the IAD and its QAIP.

(9 marks)

(Total: 15 marks)

QUESTION 3

Global Supplies Berhad manages all sales and inventory data through an integrated electronic system, with no paper-based documentation. As part of its assurance role, the internal audit function plans to use computer-assisted audit techniques (CAATs) to review the entire population of transactions, rather than relying only on traditional sampling methods.

The internal auditors have identified unusual sales trends and instances of duplicate invoices, which indicate potential system errors or fraudulent activities. By obtaining authorised access to the company's database, the internal auditors are able to perform detailed data analysis using audit software to assess the integrity and accuracy of transactions.

Required:

a. Explain **TWO (2)** reasons why the internal auditor of Global Supplies Berhad should use CAATs in auditing sales and inventory transactions.

(4 marks)

b. Describe **TWO (2)** risks of out outsourcing IT systems.

(4 marks)

c. Analyse **THREE (3)** challenges faced by internal auditors in using CAATs and **THREE (3)** strategies for internal auditor to face with those challenges.

(12 marks)

(Total: 20 marks)

QUESTION 4

Hashim Jalil, a senior account executive at a construction company, appears to be living beyond his financial means. He has authority to sign cheques on behalf of the company and has been issuing payments to himself, related parties, and personal creditors. There is no independent review of supporting documents, nor are bank reconciliations performed. In addition, Hashim has unrestricted access to and control over the company's computerized accounting system. Due to the absence of supervision and oversight, he does not attempt to hide these irregular transactions within the accounting records.

Hashim is assisted by an accounts clerk whose responsibilities are limited to routine administrative tasks such as filing documents, answering telephone calls, and performing errands. The clerk's role does not require involvement in accounting processes or the use of the accounting system. Hashim does not provide guidance or training to the clerk and retains all key accounting duties himself. Rather than delegating tasks, Hashim prefers to work long hours and appears comfortable maintaining exclusive control over the accounting function.

Required:

a. Identify **THREE (3)** possible types of fraud in the above situation. (3 marks)

b. Analyse the perpetration of fraud in a context of fraud diamond along with **TWO (2)** control mechanisms that can be implemented by the company to reduce fraud risk. (12 marks)

(Total: 15 marks)

QUESTION 5

A. Siddiq Transport Berhad is a public transportation company operating rail networks across several regions. Following rapid expansion and increased regulatory scrutiny, the Board has requested the Internal Audit Function (IAF) to strengthen its audit process in accordance with the Global Internal Audit Standards 2024.

The Chief Audit Executive (CAE) is reviewing whether the internal audit activity:

i. Maintains organisational independence and reports functionally to the Audit Committee.
ii. Develops a risk-based audit plan aligned with organisational objectives.
iii. Establishes clear engagement objectives and scope before each audit.
iv. Ensures auditors possess adequate competency in technical and operational areas.
v. Performs ongoing monitoring and periodic quality assessments.

The Audit Committee is particularly concerned about whether the audit process sufficiently evaluates governance, risk management, and internal control effectiveness.

Required:

a. Identify **THREE (3)** benefits of risk-based audit plan.

(3 marks)

b. Determine **THREE (3)** stages in the internal audit engagement process.

(6 marks)

c. Examine **THREE (3)** positive outcomes of implementing a systematic audit planning approach.

(6 marks)

B. Al-Amin Education Sdn. Bhd., a private education provider offering diploma and professional courses, recently underwent an internal review. The Head of Internal Audit identified the following weaknesses:

i. Student admission procedures were inconsistently applied. Some applications were approved without complete supporting documents or proper verification of entry requirements.

ii. Fee collection controls were weak. There was no segregation of duties between staff receiving payments and those updating the accounting records.

Required:

a. State **THREE (3)** quality characteristics of an effective internal audit report. (3 marks)

b. Analyse **THREE (3)** possible implications for the above condition with an appropriate recommendation to improve the process. (12 marks)

(Total: 30 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER