The Southern African Institute of Government Auditors

Qualifying Examination for Registered Government Auditors

Paper 3: Auditing

November 2017

INSTRUCTIONS TO CANDIDATES

1 Maximum marks: **160**.
2 Q1=60 marks, Q2=25 marks, Q3= 25 marks, Q4= 30 marks, Q5 20 marks
3 Total time available: **four hours**.
4 The marks allocated to each question are an indication of the expected length and required depth of the answer.
5 Ensure proper planning and avoid exceeding the time you have allocated for each question as suggested by the number of marks allocated to the question.
6 Present your arguments clearly, using well structured, clear and precise language and appropriate professional terms.
7 Only Specified Authoritative Text for the Paper is allowed (if any)
8 Total number of pages for this paper is 23
9 All working papers must be handed in together with all paper provided for the examination (including unused answer sheets).
10 Answers written in pencil will not be marked.
11 You are reminded that this examination will be held under the rules as set out in the document “RGA-QE Examination Matters & Examination Policy 2017”.
12 You are required to comply with all Examination Instructions on the separate sheet of paper handed to you before commencement of this examination.

SAIGA
ADVANCING AUDITING AND ACCOUNTABILITY

ISA STATEMENTS

Question 1 (60 marks)

Introduction

You have just joined the AOSA as a trainee auditor and you were allocated to the audit of the Tshokolo Local Municipality.
Tshokolo Local Municipality (TLM) is a municipality in the North West based in the Tshekong town with a 31 August year end. The Municipality receives allocations annually in the form of grants based on the Division of Revenue Act 3 of 2017 (DoRA) that provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. The grants normally have conditions attached to them and the funds are supposed to be used for their prescribed purposes. TLM also derives revenue from service charges; property rates and other subsidies.
Grants are allocated annually and if the allocation is not used up at the end of the financial year, the municipality has to return the funds to the National Treasury or request to keep the funds and roll-over the funds to the subsequent year from the National Treasury.

GRANTS SYSTEM DESCRIPTION

At the beginning of each financial year, the TLM receives the DoRA and the chief financial officer (CFO) identifies all the grants that TLM will receive and uses the allocation in the budgeting process for the relevant year. The funds are received in instalments and are deposited into the primary bank account of the TLM. The accountant prints the bank statements on a daily basis to monitor direct deposits into the bank account. Once the funds have been picked up on the bank statement, they are recorded as unused grants. The entity maintains a general ledger (GL) account for each of the expenditure for which the grants are supposed to be used for. As and when a need arises, the officials from specific departments prepares a pre-numbered requisition for goods and services. The requisition is approved and signed by the head of the department and is sent to the procurement function. Normal procurement processes are followed until the goods are received with an accompanying invoice. The purchased goods are inspected for the quantity and quality thereof and the invoice is signed as acknowledgement of performing this. Invoices are settled within 30 days of receipt. Upon the receipt of the invoice, the accounting clerk creates a pre-numbered payment vouchers which are used to update the GL account. The accounting clerk identifies the grant from which the expense is supposed to be defrayed as per the DoRA. Access to the different modules on the TLM's accounting system is restricted through the use of passwords.
At the end of each month, the expenditure clerks prepare a schedule per grant type to determine the expenditure that has been defrayed so far. The total amount is then transferred to revenue from the unspent grant. At the end of the year, the accounting clerk prepares the final reconciliation of the opening balance of the grant to the closing balance of the unspent grant using allocations received throughout the year as well as the expenditure defrayed. Once the reconciliation is completed, the finance manager reviews and signs the reconciliation and CFO approves the reconciliation after his final review. The balance of the unspent grant is then transferred from the primary bank account to the specific account for the grant

pending the approval of the request of retention of funds. The application for the roll-over is prepared by the CFO and approved by the municipal manager as well as the municipal counc

LANDFILL SITES

Municipalities have landfill sites where waste is dumped. TLM has 4 different landfill sites located in Britz, Ditsobotla, Majaneng and Destiny which they hold licences for. When the sites have reached their full capacity, as per the licence, they have to be closed and rehabilitated. The landfill sites are considered assets and the municipality has correctly accounted for them as such. When the municipality obtains a licence for the landfill site, they contract a civil engineer through the competitive bidding process to estimate the costs that will be incurred to close and rehabilitate the site at the end of its useful life.

For the valuation in the current year, management has engaged Local Civil Engineers (LCE) to value the provision for landfill site and a service level agreement was concluded between the two parties. Neither the firm nor its employees have personal and financial interests in the municipality except for this valuation contract. The firm has also made a formal declaration that they have no further interest in the municipality and they have a practice of peer-reviewing reports internally before they are submitted to their clients. The firm has valued landfill sites of other municipalities before and hence they do have vast experience in the valuation of the landfill sites. The municipality did brief the firm on what the valuation will be used for and on a high level explained the requirements of the accounting standards relating to the valuation. A finance manager of the municipality also works very closely with the valuators to ensure that the information used in the valuation is relevant to accounting standards.

The firm employs qualified environmental scientists and civil engineers Southern African Institute of Ecologists and Environmental Scientists who apply the standards of the professional body in performing their work and are bound by the Code of conduct of the professional bodies. The municipality has given the auditors the permission to contact the expert in the course of the audit.

CLOSURE OF A LANDFILL SITE

On the 13th of September 2017, the court ordered the municipality to immediately stop dumping at the Tokollo landfill site and rehabilitate the site within a year. The residents had complained about the location of the landfill site and the smell it creates as it is located close to the residential property and decreases the value of the houses. The complaint was lodged with the court on the 20th of May 2017 and the court case had been going on since the 15th of June 2017 and the municipality lawyer was of the opinion that the court ruling will be in the municipality's favour hence the provision for landfill site for the year ended was determined based on the original useful life of 10 years.

Materiality

The following materiality figures for the 31 August 2017 year-end audit applies:

Planning material:	R8 780 000
Performance materiality:	R10 540 000
Final materiality:	R9 600 000

WORKING PAPERS AND CORRESPONDENCE – 2017 AUDIT OF TSHOKOLO LOCAL MUNICIPALITY

You were provided with, *inter alia*, the following audit working paper and correspondence:

Working paper D1	Allowance for credit losses
Working paper F1	Repairs and maintenance

Client: Tshokolo Local Municipality	Year-end: 31 August 2017	D1
Prepared by: A Trainee		
Reviewed by: A Reviewer		
Subject: Allowance for credit losses		**1 of 2**

A Information regarding the data and assumptions used in calculating the allowance for credit losses

The following three groups of debtors were identified for the purpose of calculating the allowance for credit losses:

- Other municipalities,
- Outstanding property rates, and
- Sundry debtors.

The debtors were grouped together on the basis of each group of debtors' payment history, and the debtors, as indicated above, were also grouped on the basis of the age analysis.

The allowance for credit losses for the current year for each group of debtors was calculated as follows:

Other municipalities – 1% of all debtors in this group outstanding for more than 180 days,
Outstanding property rates – 5% of all debtors in this group outstanding for more than 90 days,
Sundry debtors – none, as all debtors in this group are within their payment terms of 60 days.
The allowance for credit losses was approved on the municipal council meeting held on 28 August 2017.

Client: Tshokolo Local Municipality	Year-end: 31 August 2017	D1
Prepared by: A Trainee		
Reviewed by: A Reviewer		
Subject: Allowance for credit losses		**2 of 2**

B Schedule prepared by management for the allowance of credit losses

Tshokolo Local Municipality Year-end: 31 August 2017 Allowance for credit losses				
Group	**Days outstanding**	**Balance outstanding for days indicated in previous column as obtained from age analysis**	**%**	**Total**
Other municipalities	180 +	R3 500 000	1%	R35 000
Outstanding property rates	90 +	R8 500 000	5%	R425 000
TOTAL – Allowance for credit losses				**R460 000**

Client: Tshokolo Local Municipality	**Year-end:** 31 August 2017	**F1**
Prepared by: A Trainee		
Reviewed by: A Reviewer		
Subject: Repairs and maintenance		**1 of 1**

Amount included for repairs and maintenance under other expenses in the Statement of Profit and Loss and Other Comprehensive Income

	2017	**2016**
	R	**R**
Repairs and maintenance	6 434 111	5 132 750

All repairs and maintenance expenses are recorded in the cash payments journal.
For the maintenance of vehicles TLM has an agreement with Service Centre to service all their vehicles. Service Centre has branches across South Africa and is able to service the vehicles at the local municipal offices. TLM pays a fixed service fee of R90 000 per month to Service Centre.
Repairs and maintenance on buildings are done on an adhoc basis at TLM. These expenses are approved by the finance manager (small expenses), but expenses above R75 000 (medium expenses) must be approved by the CFO and expenses above R200 000 (large expenses) must be approved by the municipal council.
For all small and medium expenses a pre-numbered maintenance request form (MRF) and a written quotation should be attached to the MRF before approval is granted.

REQUIRED:

1. Formulate the test of controls that should be performed on the grants received from the DoRA, in order to obtain sufficient appropriate evidence about the operating effectiveness of the internal controls relating to the grants received by Tshokolo Local Municipality for the financial year ended 31 August 2017. (8)

   Communication skills: Clarity of expression (1)

2. Evaluate whether the auditors can place reliance on the work done by Local Civil Engineers, the experts contracted by Tshokolo Local Municipality for the provision of landfill site for the year ended 31 August 2017. (12)

   Communication skills: Layout and structure (1)

3. Refer to the information included in **Working paper D1, Allowance for credit losses** and describe the substantive procedures that you should perform to obtain reasonable assurance about the allowance for credit losses. (15)

   PLEASE NOTE: You do **NOT** have to indicate the assertion relevant to each procedure.

4. Refer to the information included in **Working paper F1, Repairs and maintenance** and formu

   PLEASE NOTE: Ignore the **cut-off** and **presentation** assertions.

   Communication skills: Clarity of expression (1)

5. Refer to the information under the heading **Closure of landfill site** and discuss the effect of the misstatement noted on the audit opinion. (6)

ICT AUDIT

Question 2 **(25 marks)**

You are the **auditor** to the Wild Coast District Municipality (WCDM) for the financial year ended June 2017.

WCDM collects water from five different catchment areas which includes Table Mountain catchment area, Theewaterskloof dam and Wemmershoek DAM. WCDM sells the water to Municipalities and direct to the public (mainly farmers).

Each business customer is given different credit terms with retail customers being offered no credit.

The revenue cycle includes all the administrative functions that contribute to the capture, management, collection and reporting of revenue. Here is what's involved in the revenue cycle:

- Capture: Rendering services into billable charges. Billing / Income Journals are used for this.
- Management: Ensuring that charges are correctly accounted for in the accounting records. This involves reconciliation of water billed and water used.
- Collections: Determining client balances and collecting payments. This involves ensuring that a proper debtors ledger with controlling accounts are kept
- Reporting: Analysing revenue collected and following up on outstanding debt. This involves ensuring debtors age analysis are generated timeously.

The sales are 93% to businesses and 7% to private consumers.

They have a trade receivables balance for the year ended 30 June 2017 of R 54 000 000.

All the data is stored on their computer system. The computer software used has not been updated since 2003. WCDM plans to sell online from January 2018 and will update its operating systems then.

Copy files will be provided to the auditors, as the WCDM Chief Financial Officer (CFO) do not want any internet threats to be introduced to the current files stored on the computer systems.

Required:

1. Explain five substantive procedures, using CAATS, - including a reason for each procedure that should be carried out by the auditors on the trade receivables balance for the year ended 30 June 2017. **(15 marks)**

   Prepare your answer using a table format as follows:

-

Procedure	- Reason for procedure
	-

-

2. Write a short memorandum to the WCDM CFO identifying and discussing at least four problems that the specification for the new accounting software for the on-line sales accounting system should address. **(8 marks)**

Marks for Letter / Memo (2 marks)

AUDITING OF PERFORAMNCE INFORMATION (AoPI)

Question 3 **(25 marks)**

Question 3.1 (3 marks)

Your audit team has just commenced with the planning for the audit of Public Entity: Free for all that is a schedule 2 public entity. You are in the process of assessing the planned performance information contained in the Shareholder's Compact and Corporate Plan against the qualitative and quantitative considerations to determine the scope for the audit of performance information. However, you find that the objectives identified in the Shareholder's Compact and Corporate Plan cannot be linked to a budget.

Required: Explain and motivate if it is possible to still make proper scoping decisions for the audit of performance information.

Question 3.2 (3 marks)

You and your team are currently busy with the audit on the reported performance information for Department XYZ. The audit team has identified a large number of errors as part of the work done on testing the controls against the validity audit criterion for a material indicator of selected Programme 2.

In addition, a large number of errors have been found testing a sample for validity of the same material indicator as part of the substantive procedures performed. The entire sample selected for testing the validity of the reported performance information for this material indicator was not tested as the audit team are of the view that it is not necessary to continue testing the complete sample substantively as the number of errors identified in the sample is already above materiality.

Required: Discuss with the audit team if it is appropriate to stop the substantive testing of the sample of the material indicator for validity.

Question 3.3 (6 marks)

At Department X, 4 indicators out of a total of 54 indicators of selected Programme 3 were changed and all 4 changes are not approved by the Executive Authority. As a result, the audit team have raised a finding that there is a 100% material misstatement on Consistency for Programme 3 and have submitted the finding to you for review before communicating the finding to the management of Department X.

Required: You are required to assess the finding raised by the audit team and clearly indicate your considerations. Also advise the team on whether the audit finding can be issued to management as is.

Question 3.4 (13 marks)

You have completed the audit of the reliability of 5 indicators of the selected development priority 4. The materiality for reliability is set at 10%. The table below details the results of the work performed for each of the 5 indicators.

Column A = Refers to the indicator that was tested

Column B = Refers to the assessment of whether the indicator is material or not material

Column C = Refers to the reported performance against the planned target for each indicator

Column D = Refers to the audited results of the reported performance contained in column C

Column E = Refers to the misstatements identified per indicator

A	B	C	D	E
Indicator	Material/Not material	Reported performance	Audited performance	Misstatement rate
Indicator 1	Material	450	290	36%
Indicator 2	Not material	60%	55%	8%
Indicator 3	Not material	4 quarterly reports	3 quarterly reports	25%
Indicator 4	Material	40000	27 500	31%
Indicator 5	Material	12	12	0%

Required:

(a) Evaluate the results of each indictor tested for reliability and explain what will be the impact of the audit results for each indicator on the opinion expressed on the reliability of selected development priority 4. (9)

Based on (a) above, material misstatements were identified when testing the reliability of selected development priority 4. No material misstatements were identified on the usefulness of the indicators tested in selected development priority 4. Explain what the overall audit opinion on the usefulness and reliability of selected development priority 4 should be and explain how the audit opinion on usefulness and reliability will be reported in the management report and auditor's report.

FORENSIC AUDITING

Question 4 **(30 Marks)**

This case study is consistent with that used for the distance learning and the assessment, with minor additions.

Mr Adam Brown has served as Headmaster to a well-known and prestigious Model C school since 2005. He is well-known and respected for his strong stance on leadership and integrity and is generally recognised for the "wonderful things" he did for the school.

He maintained a very visible public profile, always appearing impeccably dressed and maintaining a very professional stance. He is married to Noelene, who comes from a very wealthy family, well known in the local community. His brother is a very successful businessman, who operates a chain of stores. His parents, however, have very humble origins.

In November 2015 Mr Brown announced to the School Governing Body that, as he is reaching 55 years of age, he will take early retirement and travel abroad. The School Governing Body agrees that he will officially retire at the end of the second term of 2016. As he has a lot of accumulated leave, it is agreed that his last official duties will be at the end of the first term, with him taking leave for the remainder of his employment.

The Deputy Principal is appointed as acting Headmaster, effective from 20 March 2016.

You are a practicing forensic accountant. You receive a call from the newly appointed Chairman of the School Governing Body during the first week of April, seeking an urgent meeting. It seems that the Headmaster, Mr Brown, has not been entirely honest and has misappropriated large sums of money from the school by submitting fraudulent claims to reimburse him for school expenses he allegedly incurred on behalf of the school.

You are appointed by the School Governing Body to investigate and to report on the matter.

After a detailed investigation, covering a period of six years, you submit your report where you identified more than 1 000 transactions where Mr Brown allegedly defrauded the school for almost R2 million.

Mr Brown is arrested by the police and released on R50 000 bail. The court case is remanded for 6 months pending further investigation.

The entire school community is shocked. Parents, scholars and teachers alike talk about their disbelief of these revelations. The school's Facebook page get hundreds of hits, where people speculate on how this could have happened and go undetected for so many years. Many ask why the school has not been audited before.

During your investigation you interviewed all members of the finance department. The Bursar, Mr Charles, is a retired school inspector, aged 70, who quickly admits that "he is not really a numbers person" and that he placed complete reliance on the Headmaster. He says he will work at the school up to mid-year and then officially retire.

His assistant, Mrs Delphine, is also well past normal retirement age (at 65) and she admits that she is very pleased to have the opportunity to work at the school as her government pension is only R8 000 per month. She said she only has a Standard 8 (tenth grade) school qualification, but claims that "in those days it was enough". She has no accounting qualifications. She is, however, well versed in an antiquated

accounting system which only she knows how to operate. She expresses her displeasure that the School Governing Body "forced her" to start using Pastel accounting from the beginning of this year.
The outgoing chairman of the School Governing Body, Mr Elroy, stated that his job was easy, as the Headmaster, Mr Brown, was a workaholic who was always at school and hardly ever took leave. He stated that there was very little for him to do as Mr Brown took care of most tasks.
You are also told that Mr Brown would dominate the weekly finance meetings and was prone to ridicule and bully those who disagreed with him. Many committee members claimed later that they were not aware of many of the transactions you identified during your investigation. They also say that Mr Brown was a master at juggling budgets.
No monthly management accounts are prepared. The school does not have any internal auditors.
The method applied by Mr Brown was to submit claims to pay himself either in cash or by electronic transfer, which he would approve himself. He attached falsified supporting documentation (invoices etc.) which he had assigned to various cost centres.
In the investigation you find that the majority of Mr Brown's claims were either not approved by any other party, or signatures of the bursar were forged. Mrs Delphine, who is the only signatory on the bank account, claims that she is a "processor" and not an "authoriser".
You interview the external auditor. The engagement partner, Mr Fitzgerald, advises you that he has been the auditor of the school for the last 15 years and that he knows the school environment so well that he can perform his audit cheaply (which he was pressurised to do anyway) and that most of the audit work was done by the ladies in the finance office, at the instruction of the Headmaster. He says he has the greatest respect for, and relies heavily on, the integrity of Mr Brown.
Towards the end of your investigation, the Chairman of the School Governing Body asks you to identify internal control shortcomings which might have contributed to the alleged fraud, alternatively, prevented it from being discovered early. He asks you to "grade" your findings and to make appropriate recommendations to improve these controls.

You are required to:

Using a style similar to an audit management letter, identify 5 internal control weaknesses from the case study. For each of these, document the weakness (under the heading "Observation"), identify the risk it exposes the school to (under the heading "Risk") i.e. what can go wrong if the control is not corrected, grade the severity of the risk (under the heading "Grading") and provide a short motivation why you chose this grading, and finally, make your recommendation on how the school could improve the control, to mitigate the risk and prevent recurrence of a similar concern.

The marks will be allocated as follows:

Each identified weakness – 6 marks:

- Identify and document the weakness – 1 mark
- Document the risk factor – 1 mark
- Grading – 1 mark
- Explanation on why that grading is used – 1 mark
- Recommendation to improve controls – 2 marks

Use the following Risk Grading indicators:

RISK INDICATOR	***DEFINITION***
Catastrophic	*Indicates a catastrophic level of residual risk exposure due to extreme inefficient and ineffective operation of control which needs excessive effort and urgent and immediate attention for improvement.*
High	*Indicates a high level of residual risk exposure due to inefficient and ineffective operation of control which needs major effort and urgent attention for improvement.*
Medium	*Indicates a medium level of residual risk exposure due to satisfactory controls to provide management with reasonable assurance that risks will not materialise but there is room for improvement.*
Low	*Indicates a low level of residual risk exposure due to effective and efficient operation of controls which provides management with reasonable assurance that risks will not materialise and that the process objectives will be achieved.*
Insignificant	*Indicates an insignificant level of residual risk exposure due to extremely effective and efficient controls which provides management with reasonable assurance that risks will not materialise and that the process objectives will be achieved.*

PRACTICAL AUDIT QUESTIONS

Question 5 **(20 marks)**

You are the auditor at the Department of Settling Human Health (SHH) and you have been allocated the Commitments component to audit for the 31 March 2017 financial year.

Extracted from the 2016/2017 Annual Financial Statements (AFS)
Accounting policy

14.4	**Commitments** Commitments (other than for transfers and subsidies) are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.

Disclosure notes

21. Commitments

	Note	2016/17 R'000	2015/16 (Restated) R'000
Current expenditure		**518 511**	**161 505**
Approved and contracted		465 942	160 959
Approved but not yet contracted		52 569	546
Capital expenditure		**3 769 228**	**2 592 633**
Approved and contracted		1 717 677	1 769 427
Approved but not yet contracted		2 051 551	823 206
Total Commitments		**4 287 739**	**2 754 138**

For the 2015/2016 financial year the department received a qualification on commitments. The basis for the qualification area was based on completeness of the commitments listing submitted for audit (i.e. on both capital and current)

Background information of the department process

SHH has annual budget of approximately R25 billion per annum and which 70% is cost of employment. The remaining R.7.5 billion is spend on the following:

- Transfer payments to 300 clinics across the province amounting to R1.8 billion. The departments achievement against planned indicators and targets in this regard is per Programme 2 – Clinics
- Infrastructure budget amounting to R 2.8 billion to build low cost housing and clinics in the province. The departments achievement against planned indicators and targets in this regard is per Programme 3 – Infrastructure Projects
- The remainder of the budget amounting to R2.9 billion is allocated to Programme 1 Administration. The remaining operating expenditure of the department is spend out of this programme. See below a extract from the performance statement:

EXPENDITURE			
Current expenditure			
Compensation of employees	4	xxx	xxx
Goods and services	5	2 465 917	2 144 334
Interest and rent on land	6	3 125	-
Total current expenditure		**xxx**	**xxx**
Transfers and subsidies			
Transfers and subsidies	9	1 561 550	1 574 920
Total transfers and subsidies		**1 561 550**	**1 574 920**
Expenditure for capital assets			
Tangible assets	9	2 762 628	2 012 060
Intangible assets	9	1 958	-
Total expenditure for capital assets		**xxx**	**xxx**
Payments for financial assets	7	-	59 420
TOTAL EXPENDITURE		**xxx**	**xxx**

SHH has an infrastructure budget of approximately R2.8 billion to build clinics and low cost housing throughout the province. SHH makes use of 6 agents to implement these projects on their behalf. The procurement and appointment of contractors and managing projects are done by these agents. Once the budget for a particular year is approved the Head of Department issues an allocation letter to each of the implementing agents with the projects to be implemented and the approved budget per project. The implementing agents use the allocation letters as a starting point to the procurement process. The department has no representation during the procurement and contract management process implemented by these agents. They just issue monthly invoices to the department for payment. In the prior year the auditors raised concerns around contract management process from the departments side. Past practice also indicated that the department relies on the year end commitment registers submitted by the agents to calculate the remaining commitments for both "approved and contracted" and 'approved not yet contracted" to be included and disclosed in the AFS. The implementing agents also struggles to present a procurement register at the end of each financial year when requested by the auditors. With regards to calculating the net commitment at year end the department relies on the contract value less expenditure paid to date (per the implementing agents registers). The expenditure incurred to date also has a professional fee component calculated at 18% of the contract value. The nett commitment takes into consideration this professional fee and the remaining net commitment on the professional fee is based on an estimate provided by the agents.

A further note, the Department of Public Works is the custodian of all immovable assets for the province.

The commitments relating to current expenditure refers to the expenditure uncured per programme one. The procurement process for this expenditure is internal to the department and all orders are done via LOGIS. Orders are also not timeously loaded on LOGIS nor are they de-committed automatically. The department in many instances pay a goods and services against a sundry account and as a result a specific order raised for this is never cleared. It is also a struggle to obtain procurement plans that speaks to the department's budget. At year end the department had huge amounts of shiftings and virements done in an attempt to avoid unauthorised expenditure.

For the 2016/2017 AFS submitted for audit the department restated the corresponding figures in an attempt to clear the qualification on commitments.

Required:

(a) Based on the information provided, list the risk of material misstatement for commitments and the appropriate procures to be designed to test the risk.

(20 marks)

Provide your response using the following headings. A mark will only be allocated where the correct risk is identified and associated with the correct assertion (only 1 mark, for the both risk and assertion). A further mark will be awarded for the procedure in response to the risk. Also note your response should cover all four stratums making up this balance. A maximum amount of marks is allocated per stratum is allocated. Also note that the audit procedure listed should address the specific risk identified. No marks will be allocated to an audit procedure that does not address the specific risk identified.

Component	***Risk***	***Assertion***	***Audit procedures***
Current – Approved & contracted ***(maximum 6 marks)***	• • •	• • •	• • •
Current – Approved & not yet contracted ***(maximum 4 marks)***	• •	• •	• •
Capital – Approved & contracted ***(maximum 6 marks)***	• • •	• • •	• • •
Capital – Approved & contracted ***(maximum 4 marks)***	• •	• •	• •

END OF PAPER