**Please answer all four questions**

**Question 1:**

The external auditor can rely on the work of the internal auditor subject to certain conditions being met. One of this relates to the internal auditor reporting to the audit committee rather than to management.

Required:

(i) Please explain as to why this is an important condition to be met

(ii) Provide three benefitsof the audit committee in enhancing governance

**Question 2:**

In your preliminary assessment of control risk, you have assessed it as low. In undertaking your tests of control you note that the results fail to confirm your preliminary assessed level of control risk.

Required:

Explain the impact this would have on your audit plan.

**Question 3:**

The sales system of John limited is as follows. John Ltd is a wholesaler of office supplies and sells them to a number of retail outlets (customers) in the Perth region on credit. Its prices are competitive and it offers a same day delivery service for orders telephoned before noon. The sales cycle relative to the phone ordering, despatch of goods and update of ledger are as follows:

i. The customer phones through an order to the sales department which raises a sales order and two invoice copies which are priced and totalled. This is forwarded to the despatch department.

ii.The despatch department makes up the orders and gives the goods to the driver with thetwo invoice copies of the order.

iii. The driver delivers the goods, provides the customer with one copy of the invoice and returns with the other copy of the invoice.

iv. The driver returns and hands the second copy of the invoice to the sales clerk who uses it to update the ledger.

Required:

(i) State five major control weaknesses in the sales system of John Ltd and provide your reasons for each of them.

**Question 4:**

In carrying out the audit of audit of Tom Ltd, you have evaluated the controls risks as high and that the existence of both inventory and accounts receivable is at risk.

Required;

Identify two audit procedures you could use to test:

(a) the existence assertion for inventory

(b) the existence assertion for accounts receivable.