



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR BACHELOR OF BACHELOR OF BUSINESS
ADMINISTRATION (With IT) 4TH YEAR SEMESTER I

MAIN Campus

COURSE CODE: ABA 442

COURSE TITLE: PROCUREMENT AUDIT AND INVESTIGATIONS EXAM

VENUE:

STREAM:

DATE:

EXAM SESSION:

TIME: 2 HOURS

INSTRUCTIONS:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

Answer **QUESTION ONE** and any other **TWO QUESTIONS**.

QUESTION ONE (30 MARKS)

- a) Assess five professional ethics that an auditor is expected to adhere to. **(10 marks)**
- b) Explain the auditor's planning process when planning for an audit of a new client. **(10 marks)**
- c) Describe five importance of procurement audit. **(5 marks)**
- d) Highlight five advantages of auditing procurement processes. **(5 marks)**

QUESTION TWO (20 MARKS)

- a) Discuss five key stakeholders and their role in procurement audit. **(10 marks)**
- b) Evaluate five common procurement audit evidence used by auditors. **(10 marks)**

QUESTION THREE (20 MARKS)

The directors of ABC Limited, a newly formed company, have written to you with a view to securing your services as an auditor. Within their letter you note the following comments.

"Your duties and rights as auditor will be determined by the board of our company. In the main these duties are in line with the requirements of the Companies Act but in the event of conflict or exclusion we will indemnify you against any legal action brought as a consequence of the position adopted. The board also retains the right to dismiss you at any time without necessarily disclosing the reasons for their action".

Required

- (a) Describe your duties as auditor of ABC Limited. **(3 marks)**
- (b) What is your relationship as the auditor to the directors of ABC Limited? **(2 marks)**
- (c) Outline your rights under the Companies Act as auditor of a limited company. **(4 marks)**
- (d) Would you agree with the directors that they have the authority to dismiss you? **(5 marks)**

(e)What steps would you take prior to accepting the appointment as auditor to the company? **(6 marks)**

QUESTION FOUR (20 MARKS)

- a) Examine five procurement and internal control systems. **(10 marks)**
- b) Suggest five procurement frauds that can committed when companies obtain goods and service. **(10 marks)**

QUESTION FIVE (20 MARKS)

- a) Describe any five basic elements of auditors report. **(10 marks)**
- b) Discuss the similarities between internal and external audit. **(10 marks)**

YEAR OF STUDY: YEAR 4 SEM II SEPT-DECEMBER 2018

UNIT CODE: ABA 442

UNIT NAME: PROCUREMENT AUDIT AND INVESTIGATIONS

INSTRUCTOR: DR. ARANI WYCLIFFE EMAIL aranimuel@gmail.com

Short description

This course provides students with the principles and practices of procurement audits and investigations. The course enables students to understand the essential tools needed to perform internal-control related services. Students are able to design or implement programs and controls to prevent, deter, and detect fraud. The course provides useful indicators and checklists. In addition, this unit provides students with information on the developments of fraudulent transactions being external or internal threats to the organization.

Learning Outcomes

At the end of the course the student should be able to;

- i. Make a classification of fraud for detection
- ii. Describe ethical conduct, fraud prevention and detection
- iii. Designing case studies for fraud detection and control.
- iv. Build a good foundation in knowledge of fraud prevention and detection.
- v. Acquire knowledge; skills and techniques needed to prevent, detect and deter fraud in organizations.

Course Content

Introduction to procurement audits and investigation; The nature and scope of procurement audits and investigations, Importance of procurement audits, Principles of procurement audits, Types of procurement audits and investigations, The process of procurement audits, Stakeholders and their roles in procurement audits. Professional and legal requirements for procurement auditing; Professional requirements, Responsibilities, Rules of professional conduct. Audit Management; Audit planning including audit programmes, Audit risk; Staffing the assignment, Controlling the audit work, Recording the work done (Using audit working papers and audit files); Audit evidence, Audit procedures. Detection of procurement fraud and misconduct; Procurement internal controls, Structure of procurement regulations, Causes and consequences of procurement fraud, Misconduct and procurement mismanagement, Recent procurement scandals on the local and international scene. Audit report and audit opinion; Reports to management, the nature and form of the audit report and Uses of the procurement audited information

Course Outline

1. Introduction to procurement audits and investigation

- The nature and scope of procurement audit and investigation
- Importance of procurement audits
- Procurement records/processes that require auditing
- Principles of procurement audits

2. Procurement audit process

- Planning of the audit of auditees
- Stakeholders roles in auditing
- Risk assessment to define audit objectives and scope
- Determining audit objectives and scope
- Audit execution

3. Professional and legal requirements for procurement auditing

- Professional requirements
- Responsibilities
- Rules of professional conduct

4. Audit Management

- Audit procedures
- Audit risk
- Audit evidence,
- Types of audit

5. Detection of procurement fraud and misconduct

- Procurement internal controls
- Structure of procurement regulations
- Causes and consequences of procurement fraud
- Misconduct and procurement mismanagement
- Recent procurement scandals on the local and international scene

6. Audit report and audit opinion

- Reports to management
- The nature and form of the audit report and
- Uses of the procurement audited information

Learning Methodologies/Approaches:

Lectures; interactive sessions; small group learning sets; preparation and presentation of class exercises.

Course Assessment:

Students registered for the unit are required to complete all continuous assessments which comprise 30% (15 % CAT 1 and 15 % CAT 2) of the final grade and end of semester examination which comprise 70%. A student is not allowed to take the final examination before completing the course work assessments. A Student must attend 70% of the lectures to be eligible to sit the end of semester/trimester examination. Pass mark is 40%.

Reference

1. Coenen, T., (2008) **Essentials of Corporate Fraud (Essentials Series)**
2. Davia, H.R ;Coggins, P.C; Wideman, J.C; and Kastantin, J.T (2000), Fraud detection and control. - Accountant's Guide to Fraud Detection and Control, Second Edition. John Wiley& Sons
3. Joseph, T. and Wells, J.T (2007)**Corporate Fraud Handbook: Prevention and Detection**
4. Zack, G.M., (2003).**Fraud and Abuse in Nonprofit Organizations: A Guide to Prevention and Detection**
5. Bologna, G. J. and R. J. Lindquist (1995). Fraud Auditing and Forensic Accounting (2 ed.). John Wiley & Sons.
6. Bolton, R. and D. Hand. Unsupervised profiling methods for fraud detection.
7. Bonchi, F., F. Giannotti, G. Mainetto, and D. Pedreschi (1999). A classification-based methodology for planning audit strategies in fraud detection
8. Cahill, M., D. Lambert, J. Pinheiro, and D. Sun (2000). Detecting fraud in the real world.
9. Cortes, C., D. Pregibon, and C. Volinsky (2002). Communities of interest. Intelligent Data Analysis 6, 211–219.
10. Deshmukh, A. and T. Tallur (1997). A rule based fuzzy reasoning system for assessing the risk of management fraud. Journal of Intelligent Systems in Accounting, Finance & Management 7(4), 669–673.

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SCHOOL OF BUSINESS AND ECONOMICS**

PROGRAM: BACHELOR OF BUSINESS ADMINISTRATION
YEAR OF STUDY: YEAR 4 SEM II SEPT-DECEMBER 2016
UNIT CODE: ABA 442
UNIT NAME: PROCUREMENT AUDIT AND INVESTIGATIONS
INSTRUCTOR: ARANI WYCLIFFE EMAIL aranimuel@gmail.com

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- viii. Designing case studies for fraud detection and control.
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Course Outline

7. Introduction to procurement audits and investigation

- The nature and scope of procurement audit and investigation
- Importance of procurement audits
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- 8. Procurement audit process**
 - Planning of the audit of auditees
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 - 10. Audit Management**
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