

Open competition EPSO/AD/27/05

**Administrators (AD5)
in the field of Audit**

Written test d)

Test in your main language, on a subject related to the competition you have chosen, to assess your:

- specialist knowledge,**
- comprehension skills and ability to analyse and summarise, and**
- drafting skills.**

You must answer three questions from the five questions proposed.

Each question carries equal marks.

This test will be marked out of 50 (pass-mark: 25)

To ensure that written tests are marked in an impartial manner and in order to respect the principle of anonymity, you should not write your signature or your name on your test, nor any particular sign which could identify you (e.g. initials, information outside the context of the examination, telephone number, private or office address, symbol or any other mark) which could identify you to the examiner.

Time allowed: 2 hours and 30 minutes

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**You must answer three questions from the five questions proposed.
Each question carries equal marks.**

Question 1

What are the advantages and disadvantages of using a) accruals accounting and b) cash accounting in the public sector? What problems might arise in moving from cash accounting to accruals accounting in relation to a) historical information and b) new transactions?

Question 2

Discuss the role of a) internal audit, b) external audit, c) management, and d) whistleblowing policies in relation to the fight against fraud.

Question 3

Codes of best practice for corporate governance are increasingly common. Discuss key features of such codes and the likely benefits of their use. How do corporate governance standards impact on the work of auditors?

Question 4

Sound financial management audit (often known as value for money or performance audit) is most often performed in the public sector. Explain the main features of sound financial management audit.

Your answer should cover:

- a) the reasons why sound financial management audit is more often used in the public sector than in the private sector
- b) the objectives of a sound financial management audit compared with those of a financial audit and a compliance audit
- c) the likely differences between sound financial management audits conducted by internal and external auditors
- d) the report produced as a result of a sound financial management audit.

Question 5

The figures below are taken from the accounting system of Speedy Car Rentals. This is a publicly listed company accounting on an historic cost basis.

Speedy Car Rentals

	2005 (estimated year end figures based on actual figures for the first 9 months)	2004
<u>Profit and loss statement</u>		
Turnover	16 250 000	15 750 000
Net profit before taxes and dividend	1 925 000	1 113 000
<u>Balance sheet</u>		
<u>Fixed assets</u>	<u>13 186 000</u>	<u>18 547 000</u>
Land	1 000 000	1 800 000
Vehicles	9 569 000	13 588 000
Machinery and equipment	1 366 000	1 658 000
Long-term loan	1 250 000	1 500 000
Other financial investments	1 000	1 000
<u>Current assets</u>	<u>2 688 000</u>	<u>1 435 000</u>
<u>Total assets</u>	<u>15 874 000</u>	<u>19 982 000</u>

As Audit Manager:

- a) Taking into account the figures presented, consider your overall audit approach to this company.
- b) You need the approval of your audit supervisor before preparing the detailed audit programme. Provide him/her with an outline of the audit procedures that you would use to examine fixed assets, relating these procedures to the objectives of the audit.