

Part (d) Describe the general controls that MasterBus should have implemented to ensure the company's data stored by the third-party service provider in the cloud are secure.	Marks
<p>MasterBus should have good IT governance within the company, which should support taking responsibility for IT within the company; this will include setting up a security policy which addresses the security standards that management need to achieve to maintain the integrity of its data.</p> <p>Staff from MasterBus / Service provider should be trained regularly on the IT Risk management and the related controls in the system.</p>	<p>1</p> <p>1</p>
<p>MasterBus should have selected a service provider, based on the security needs of MasterBus. This evaluation by the management of MasterBus should have included whether the service provider has a strong track record of storing data for clients.</p>	<p>1</p>
<p>MasterBus should enter into a formal and legal Service level agreement (SLA) with the third-party service provider who provides the cloud services. This agreement should clearly stipulate the following and must be legally binding:</p> <ul style="list-style-type: none"> • Each party's responsibility with regard to storing the data on the third-party (ownership of data) and the retention of the data / files; • Agreement on assurance needed from the service provider's auditors with regard to security controls agreed on and the effective functioning thereof throughout the period of reliance; • <u>Security controls</u> which MasterBus would expect, will include: <ul style="list-style-type: none"> ○ Physical access controls at the premises where the cloud is hosted (lockable building with access control / restricted access); ○ Data should be encrypted. ○ Firewalls/SSL should be implemented and regularly tested to protect the system from external access; ○ Anti-virus software should be installed to prevent loss of information due to viruses infecting the data and regularly updated; ○ General controls must be updated regularly and tested for operating effectiveness, which could include ethical hacking; ○ Backups should be made to ensure that if there is a compromise of the data, it can be accurately and completely restored, which will assist in protecting our data if any control is compromised; and ○ Emergency disaster and recovery plans should be in place to ensure that data are still being processed / accessible and not lost if there is downtime (load shedding). 	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>
<p>Arrangements w.r.t logical access controls to access data by customers and staff (see below) and the security measures that need to be in place; this may include security controls/arrangements to amend standing data (Masterfile amendments).</p>	<p>1</p>
<p>Logical Access controls agreed/implemented around the identification of staff/customers of MasterBus:</p> <ul style="list-style-type: none"> • User log-on IDs linked to passwords/pin in order to obtain access; • Password controls such a length, characters, regular changes, not obvious and the system to force regular change etc.; • ID and passwords structured to limit access to authorised users on a least privilege basis according to the staff members' job description (segregation of duties); • Access must be disconnected after a few minutes of inactivity / three unsuccessful attempts to gain entry; • Verification of users' internet IP (internet protocol) addresses / authentic digital certificate by the system; • Logs and activity registers of unauthorised access / use of access control software, to report; 	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>

<ul style="list-style-type: none"> These logs and activity registers should be regularly reviewed and issues followed up; 	1
Available	21
Maximum	12
Total for part (d)	12

Part (e) Describe the application controls, with regard to workpaper WP03, that MasterBus should implement to ensure the completeness and accuracy of the app users' data stored on the 'registered commuter database'.	Marks
The MasterBus app's layout and design for user information to create accounts must be simple / user-friendly with a help function for assistance and indicate with a symbol any fields which are mandatory.	1
The app should be the absolute minimum keying in of data by users of the app, the app should use dropdown lists and allow clicking on information as far as possible to avoid errors in input, <u>for example</u> : <ul style="list-style-type: none"> the destination of travel should be on a dropdown list; the user's current location is automatically retrieved; or bank name / branch code / type of account includes dropdown lists. 	1
A screen check/screen prompts should be in place for the users to confirm the accuracy and completeness of the data captured (are you sure?).	1
The app does not allow the user to continue / register if all mandatory fields have not been completed / errors are detected in fields.	1
The system must allocate a unique sequential customer number (apart from the user ID) to users that register on the app.	1
The following <u>programmed checks</u> should be performed <ul style="list-style-type: none"> A field presence check linked to mandatory fields to ensure that all fields that are required for a user to complete a profile, are completed. Alphanumeric checks on names, identity numbers, cell phone numbers, bank account numbers; Field size checks on characters that users must input such as 10 digits for a cell phone number and 13 digits for the user's ID number; 3 digits for the CVV for credit card payments; Matching test: Request for the email address / password / pin to be confirmed for accuracy of input / The system match the total fair against the Masterfile; Check digit on the ID number of the user; Validity / existence checks regarding invalid card numbers, expiration date on cards (i.e Future dates). / Email address verification for validity (i.e. that there is an @ in the email). 	1 1 1 1 1 1
Exception reports: <ul style="list-style-type: none"> The system must generate an exception report for missing numbers (sequence check) on user accounts' sequence. The system must generate an exception report for all incomplete client accounts/fields. The system must generate an exception report for instances where the total fare does not agree with the standing data; Computer/system should generate logs / report for interruption of input / processing / transmission that could result in information not captured / not processed / information that gets lost. The exception report / log should be regularly reviewed and followed up by the IT department. 	1 1 1 1 1
Other controls	
The app should facilitate the encryption of the data that are sent to the cloud – to prevent it from becoming corrupted.	1

Send / receipt acknowledgements are performed on all data sent from the app to the server / database containing all the data.	1
Control totals / checksums should be calculated and sent before any data is sent to the database. Once all data is received, the system independently calculates the total and compares.	1
Echo tests must be performed on data sent to identify errors in sending and receiving the data. Retransmission of data from the app until the server acknowledges receipt.	1
Available	20
Maximum	10
Total for part (e)	10

Part (f) Draft the substantive audit procedures that EZEE should use when performing the 30 September 2020 audit to verify the accuracy of the loyalty programme liability. Procedures should be determined with reference to the information in Memorandum A regarding the customer loyalty programme Exclude analytical procedures and the general audit procedures listed in the extract from EXEE's audit manual.	
Inspect the minutes of director's meeting to verify that the loyalty program (including the policy for estimation of the 85% and the terms and conditions) has been authorised for implementation.	1
Through enquiry/inspection of relevant documentation consider the management's competence to apply and account the IFRS15 revenue policy.	1
Inspect the actual marketing material/other of MasterBus used to advertise the loyalty programme and inspect and verify that the following terms and conditions .	1
Inspect the signed contract with the various transport providers and confirm that the agreed-upon percentages for all providers is 7,5% .	1
Using the GAS of the firm perform CAATs and recalculate: <ul style="list-style-type: none"> • The number of loyalty points earned by commuters each month based the total value of transit fares sold and the 1 point to R8 ratio; • Recalculate the stand-alone value of the points earned (Total loyalty points divided by 10 and multiplying with 85%) • the stand-alone transaction price of the commission earned (by multiplying the total value of trips with 92.5% / deduct 7.5%) 	1 1 1
Recalculate through using CAATS the transaction prices of the contract liability earned in proportion of the Stand-alone selling prices and inspect that this amount have been accounted for as a liability.	1
To calculate the value of the points used : <ul style="list-style-type: none"> • Recalculate the number of points redeemed each month as per the transaction reports using the 10 loyalty points being equal to R1; (divide by 10) 	1
As the 85% is an estimate, perform the following on the methods/assumptions used by management to test reasonableness: <ul style="list-style-type: none"> • Through enquiry/discussion with management obtain an understanding of the reasoning of an 85% rate of loyalty points being used before their expiry in six months' time to assess the reasonableness; and • Inspect the independent market research report to verify the 85% utilisation of loyalty points taking into account the objectivity/competence of the researchers; and • Perform the following CAATS by using the GAS of the firm: <ul style="list-style-type: none"> ○ Calculate an average of the % loyalty points used over a rolling six-month period and ○ Compare this to the 85% and follow-up with supporting calculation if this differ. 	1 1 1 1
Inspect the detailed breakdown of the loyalty liability and ensure that <i>no liability</i> is reflected for any loyalty points which were awarded that are more than six months old .	1

Select a sample of payments where loyalty points were used for payment, and through inspection ensure that no additional loyalty points were earned on that transaction.	1
Available	15
Maximum	10
<i>Communication skills – appropriate style</i>	1
Total for part (f)	11

Part (g) Discuss any concerns you may have about the ethical behaviour and governance practices of Nosisa and the other directors, based on the information contained in the ‘corporate governance structure’ section and the Zin24 article.	Marks
Governance practices	
The following indicates non-compliance with good corporate governance practices in terms of KING IV (the company stated in the Integrated report that they do comply):	
<ul style="list-style-type: none"> Nosisa was recruited as the company’s CFO by George – based on their friendship since childhood. This points to the fact that formal and transparent nomination, election and appointment processes for such positions, as recommended by King IV, were not followed. 	1
<ul style="list-style-type: none"> Mr Duduzani Moyo is the Chairman and the CEO / not an independent non-executive director as recommended; 	1
<ul style="list-style-type: none"> There are no independent, non-executive directors on the board because all directors are executive and part of the day-to-day management of the company; and 	1
<ul style="list-style-type: none"> As there are <u>no independent, non-executive directors</u> most of the recommended practices of KING IV will not be able to be applied, i.e. Board composition, the required committees, the composition of the committees and appointing a Lead independent director as the chairman is not an independent non-executive director. 	1
The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibility <u>objectively and effectively</u> :	
<ul style="list-style-type: none"> Having directors on the board who have been friends since childhood may compromise the balance of independence on the board. 	1
Although the company is not required by law to appoint auditors (voluntary audit), the practice of 2 out of 5 directors (not a majority vote) selecting the registered auditors without the involvement of the other 3 directors do not comply with the Companies Act.	1
In terms of Principle 12 of the KING IV code, the governing body should oversee the protection of privacy of personal information , which is not adhered if the directors are allowing to sell private information .	1
King IV also requires the company to act in compliance with applicable laws and regulations . These actions are possibly in breach of legislation (POPI / Companies Act e.g. sec 22) and thus the company is not complying with laws and regulations.	1
Ethical behaviour of Nosisa and MasterBus’s other directors	
In terms of KING IV Members of the governing body should lead ethically and effectively . This principle is supported by the characteristic of integrity and transparency ;	
<ul style="list-style-type: none"> They were aware / took part in the action of selling customer information to external parties under T&Cs that are not clear and which has been “hidden” cannot be seen as honest and true or transparent. 	1
In terms of KING IV Glossary of terms ethics is considering what is good and right for the self (MasterBus) and the other (the customers) and can be expressed in terms of the golden rule to treat others as you would like to be treated yourself.	
<ul style="list-style-type: none"> It is financially beneficial (and good) for MasterBus to sell customers’ information to external parties as they will derive additional revenue for the company 	1
<ul style="list-style-type: none"> However, this is a breach of customers’ right to confidentiality and thus not good for the customers. 	1

<ul style="list-style-type: none"> Although there is financial beneficial to the company, MasterBus and its directors will feel that it is not fair (good) if someone else sold their personal information. 	1
<p>The directors should lead ethical and in the best interest / good faith of the company (KING IV / Companies Act), balancing the interests of all stakeholders of the company:</p> <ul style="list-style-type: none"> By selling a large group of stakeholders' information to external parties, the company is not acting in the best interest / good faith of these stakeholders (<i>corporate citizen</i>) because the focus is now on the financial profits and not the rights of our stakeholders; Due to the non-compliance to laws and regulations, the company may incur penalties/claims which will damage the companies' reputation / impact going concern and therefore over the long-term will not be in the best interest of the company. 	1
Due to various non-compliances identified, the competence of the directors will need to be questioned. This will include taking responsibility to obtain professional and independent guidance on corporate governance and other legal duties.	1
Ms Nosisa Mantashe CA(SA)'s ethical behaviour i.t.o. CPC	
Nosisa is a CA(SA) in business as she is MasterBus's CFO and therefore parts 1 and 2 of the SAICA CPC are applicable to her.	1
Integrity	0.5
<ul style="list-style-type: none"> Nosisa has not displayed integrity in her actions as she has not made it clear in the T&Cs of MasterBus with intent – so that a layperson would be able to understand them – a condition which is to the advantage of the company. Nosisa is issuing false statements in the integrated report that she is preparing for MasterBus. She stated that the company subscribes to all the recommended practices and principles of KING IV. This statement is not true due to various non-compliances identified and in terms of ET220 she should not present information which is misleading. 	1
Objectivity	0.5
<ul style="list-style-type: none"> While Nosisa initially identified the problem and raised concerns about the sale of the data, she appears to have changed her mind because of the 'lucrative income'. As such, she is in breach of the CPC which states that the professional accountant shall not allow a conflict of interest to compromise her professional judgement. 	1
Professional competence and due care	0.5
<ul style="list-style-type: none"> As Nosisa drafted the wording for these terms and conditions herself, without having the necessary skills or without any reference to legal advice, there is a distinct possibility that these will not hold up in a court of law. 	1
Confidentiality	0.5
<ul style="list-style-type: none"> Nosisa breached the confidentiality of the customers' information under her control, by allowing the information being sold to other companies. It may be argued that she did have authorisation, but the way she obtained the information is questioned and it does not seem that she had specific authorisation (customers are not aware) to disclose the information. 	1
Professional behaviour	0.5
<ul style="list-style-type: none"> Nosisa is knowingly not complying with laws and regulations and her behaviour shall bring the profession in disrepute / discredit the profession, seeing that she is purposefully not in compliance with laws and regulations as she had concerns about 'hiding' the sale of data and subsequently changed her mind based on the lucrative additional income. 	1
NOCLAR	
<ul style="list-style-type: none"> Nosisa is a senior CA(SA) in business (ET260.11) because she is the CFO and able to exert significant influence over decision making and consequently a responsibility falls upon her to take appropriate actions; When the customer information is sold to external parties, Nosisa took part in the non-compliance and consequently she failed to report and respond 	1

appropriately / appropriate action to the NOCLAR, ET260 of the CPC. Due to not identifying, evaluating and responding she contravened the fundamental principles of integrity and professional behaviour.	1
Available	26.5
Maximum	16
<i>Communication skills – logical argument</i>	1
Total for part (g)	17

Part (h) Discuss, with regard to the Board of Directors' planned strategic breakaway weekend – (i) the threats; they should consider to take MasterBus into the future.	Marks
Threats	
Disruption	
<ul style="list-style-type: none"> There are currently no competitors in the market, but there is the risk that new competitors will enter into and disrupt this market space. There seem to be limited barriers to entry into this market due to only having to develop software and the new competitors could imitate features or ideas of MasterBus's app and improve on the product and service provided, reducing its relevance and brand value. 	1
<ul style="list-style-type: none"> If there is a perception in the market that this service will result in income and job losses to incumbent providers, it could result in disruption and threats to service providers and users (as happened for example with the Uber drivers). 	1
<ul style="list-style-type: none"> Any disruption that occurs may impact MasterBus's employees with job losses and the possible requirements for the reskill of our existing employees. 	1
Publicity & brand	
<ul style="list-style-type: none"> Negative media/press about MasterBus, specifically in relation to the allegations of a class action suit, could result in MasterBus losing customers and in MasterBus being unable to grow its customer base due to damage to its reputation. 	1
<ul style="list-style-type: none"> Customers demand the latest and fastest service regarding technology-related services and if MasterBus does not keep up to date with technological changes, it will lose customers. 	1
<ul style="list-style-type: none"> Reliance of third parties for delivery of services and if the service is not delivered / accident / high-jacking occurs, MasterBus could be sued for the damages, which damages the reputation in the long-term. 	1
Laws and regulations	
<ul style="list-style-type: none"> New laws or regulations (which includes POPI and GDPR) coming into effect regarding customer privacy and rights increase compliance costs and put pressure on margins. 	1
<ul style="list-style-type: none"> The operating system is outsourced to a third party – which could make their loss of confidentiality/breach in data more risky, if the appropriate security controls are not in place. 	1
Technology	
<ul style="list-style-type: none"> Constant upgrading of technology, software and hardware require capital investment and this may put pressure the financial position of the company; 	1
<ul style="list-style-type: none"> MasterBus's business is particularly susceptible to cybercrime; a cyberattack could compromise its data, potentially resulting in business disruption, reputational damage and financial loss. 	1
Available	10
Maximum	6
Total for part (h)(i)	6

Part (h) Discuss, with regard to the Board of Directors' planned strategic breakaway weekend – (ii) the opportunities they should consider to take MasterBus into the future.	Marks
Opportunities	
Market share	
<ul style="list-style-type: none"> There are currently no competitors in this space, allowing MasterBus to dominate the market and maintain higher than developed market margins in the short term. 	1
<ul style="list-style-type: none"> As the price of data falls and the internet becomes more easily accessible by even more users in South Africa with access to smartphones too lower and middle income South Africans, MasterBus will be able to take advantage of growth in this section of the market. 	1
<ul style="list-style-type: none"> The skills and experience of MasterBus app can be used to create other apps in other areas / industries / similar markets like for e.g. Gautrain schedules and Greyhound bus services between cities; 	1
<ul style="list-style-type: none"> They could promote the use of the app to other countries / African countries and economies. (Global expansion) 	1
Access to funding	
<ul style="list-style-type: none"> At present technology companies are able to raise significant funding to support rapid growth, and given the opportunity available, MasterBus could take advantage of this trend to access needed growth and/or development capital and secure its position as market leader. 	1
Publicity & brand	
<ul style="list-style-type: none"> Within the South African context, there is an emerging need for better and safer transport solutions, which MasterBus is offering and that could establish its brand as both socially minded and technologically advanced. 	1
<ul style="list-style-type: none"> Press/media coverage about the service being provided will spread the word and help grow the customer base (evidence in the scenario of that). 	1
<ul style="list-style-type: none"> MasterBus is able to use big data analytics / interrogation of accumulating data to understand its app users better and is thus able to improve its application without incurring significant investment into external market research that would need to be incurred by new market participants. 	1
Revenue diversification	
<ul style="list-style-type: none"> The provision of digital services and access to large amounts of data and frequent user engagements would offer several future revenue streams that could be explored, to diversify and expand the company's value proposition for shareholders. This could include having <u>advertisements</u> within the app which may generate additional revenue. 	1
<ul style="list-style-type: none"> The app could have a premium membership option in which users pay a fixed fee every month if they wish <u>not to see</u> this advertisements / additional options and services available if you select the premium options. 	1
<ul style="list-style-type: none"> The company could purchase and use its own vehicles as part of the transport network and benefit from receipt of the full transport revenue. 	1
Available	11
Maximum	3
Total for part (h)(ii)	3
<i>Communication skills – clarity of expression</i>	1
Total for part (h)	10
TOTAL FOR PART II	60