

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN CERTIFICATE IN ACCOUNTING AND FINANCE (CAF) EXAMINATIONS EXAMINERS' COMMENTS	
SUBJECT Audit and Assurance	SESSION Spring 2019

Passing %

Question-wise										Overall
1	2	3	4	5	6	7	8	9	10	
50%	34%	5%	57%	13%	44%	50%	63%	27%	23%	21%

General comments

The overall performance in this attempt was average. However, students showed poor skills in attempting scenario based questions such as Q.3 and Q.5 which required application of knowledge. It has been observed that students have a tendency to write what they knew rather than what was being asked. Students are therefore advised to carefully read the question and its requirements before answering it.

Question-wise common mistakes observed

Question 1(a)

Students wasted time in explaining the difference between the debtor account balance and the balance confirmed by the debtor. In fact, these were provided in the question.

Question 1(b)

- In case of refusal, the impact on the risk of material misstatement and the nature, timing and extent of other audit procedures was not mentioned.
- Communication with those charged with governance was ignored.

Question 2(a)

- Significant transactions and events affecting the audit were missed out.
- Students failed to realize that all significant risks or matters communicated to those charged with governance are not considered as key audit matters.
- It was concluded that if there is a misstatement in revenue then it should be included in key audit matter section. In fact, in such a case the audit report should be qualified instead of including it in key audit matter section.

Question 2(b)

Candidates did not mention that if there are no key audit matters to communicate in the report, this fact should be reported.

Question 2(c)

- It was incorrectly concluded that since a qualified opinion has been expressed, it needs to be included in the key audit matter section.
- Reference to the basis for qualified opinion which should be included in the key audit matter section, was not mentioned.

Question 3

- Students did not analyse the financial statements in the light of other information provided in the question and consequently failed to identify the areas in which there were no unexplained fluctuation or inconsistency.
- The audit procedures mentioned by the students were not related to the inconsistency identified.
- Increase in provision against litigation was not discussed.

Question 4(a)

Obtaining consent of the proposed auditor and circulating the notice to the members was not mentioned.

Question 4(b)

Providing the opportunity to the retiring auditor to make a representation in writing to the company and ensuring that it is read out in the meeting was not mentioned.

Question 5

- Procedures related to disposal of fixed assets, valuation of fixed assets and impairment of assets were mentioned. In fact, it was specifically mentioned in the requirement that assets were carried at cost, no disposal was made during the year and no impairment testing was required.
- Instead of suggesting changes or additional audit procedures, students reproduced the same procedures that were mentioned in the question.
- Verification of the date from which the asset was available for use was generally not mentioned.
- The fact that physical verification of the assets did not address the assertion of ownership was not mentioned.
- Use of bank confirmation for checking the charge on assets was not mentioned.
- Audit procedures for analytical review of depreciation, review of depreciation rates, consistent depreciation methods and ensuring that fully depreciated assets were not subject to depreciation were not mentioned.

Question 6(a)

- General points were mentioned without any justification.
- Audit procedures for valuation of property, plant and equipment and their reporting implications were mentioned which was not required.

- Timely availability of the draft financial statements, relevant information and communication of the planning and performance of the audit due to the strict deadline was ignored.

Question 6(b)

Good performance was observed in this part.

Question 7(a)

The fact that performance materiality is for class of transaction, account balance or disclosures, was not mentioned.

Question 7(b)

Good performance was observed in this part.

Question 8

Students failed to mention that if the financial statements are not amended auditor needs to take appropriate action to prevent reliance on the audit report and in the longer term, the auditor should consider resigning from the engagement.

Question 9(a)

- Logical access control was not properly defined. Some of the key characteristics such as authorization, accountability and audit trail were ignored.
- Only logical access control mentioned was password protection. All other controls such as user access rights, implementing firewall to restrict unauthorized users, log-out in case of certain period of inactivity, etc. were ignored.

Question 9(b)

General IT controls which are not related to ensure continuity of operations, such as, program development, testing of program, login IDs and password management were mentioned.

Question 10(a)

Threat due to the audit team member offering business advice to the CFO and its related safeguard was not discussed.

Question 10(b)

Instead of mentioning the guidelines while issuing public notices and advertisements, students listed and explained the fundamental principles of code of ethics.

The End