

Examiners Report

Exam Name and Code: Audit and Assurance (AA B/2025)

Date of exam: 20th August 2025

Paper Performance Overview

A high-level overview of areas in which candidates performed well and areas in which their performance was weaker.

Performance this sitting was good with an overall pass rate of 84.9%. Again, there were a significant number of very marginal candidates, and the average mark was 61%.

Many candidates lacked depth in their discussion throughout and failed to apply the issues to the scenarios, often stating generic points.

The majority of candidates presented their answers well, with appropriate 'short' answers for Q1 'short form questions', however some weaker/marginal candidates did provide lengthy answers here, resulting in weaker responses to the later questions.

The use of the Data Analytics Software, Inflo, was lacking, with several candidates seemingly not evidencing accessing it at all, or making cursory points, which were unclear.

Most did not interrogate the relevant accounts in enough depth, with only a small minority identifying the key significant unusual transactions.

As a result, the overall marks were a lot lower.

Quality management was again tested in this exam diet, and it continues to be an area where there is lack of understanding.

The completion and reporting areas of the syllabus, overall, were answered well.

Question 1 Performance

The syllabus areas covered in this question were: 1b, 2a, 2b, 2f, 2l, 2o, 3d,

Question 1.1

- Generally, very well answered with most students clearly stating that a modified adverse opinion would be required for the assurance engagement and secured the maximum three marks available.
- However, a few students 'hedged their bets' and stated the differing opinions required depending on if the misstatement was material and not pervasive / material and pervasive or if insufficient information was obtained.

Question 1.2

- Generally, very well answered with most students securing three or four of the marks available.
- A lot of students listed significantly more than the four items requested to be included in an audit engagement letter.

Question 1.3

- Most students only managed to identify a maximum of three / four business risks.
- A number of students did not focus on the specific question requirement / scenario of single wood supplier and instead stated other business risks such as overtrading.

Question 1.4

- This question was the least well answered part of Question 1.
- Students correctly identify the elevated control risk, lack of reliance on internal controls and the heightened risk of fraud.
- The audit procedures part of the question was less well answered with often only the procedures to review journal entries, the scrutinisation of estimates for management bias explained and occasionally, the identification of transactions outside of the normal course of business correctly identified.
- Some students stated unrealistic audit procedures such as review Board minutes or enquire with management for discussion of override of controls, not acknowledging that if management are that way inclined, they are more likely to conceal this, and unlikely to document it.

Question 1.5

- The importance of understanding the business when planning the audit was required here, and overall, this question was reasonably well answered.
- Most candidates gained enough marks to pass the question, but it was rare for students to achieve four or five out of the marks available. The key point here was to consider why the auditor would need to know, considering risk and the impact on the audit.
- The actions part of the question achieved the most marks, but there was significant scope for candidates to suggest further actions.

Question 2 Performance

The syllabus areas covered in this question were: 2e, 2h, 2j, 2k

Question 2.1

- This requirement asked candidates to consider audit procedures both before and during an inventory count.
- This question was reasonably well answered with a few procedures being identified.
- Students were better at identifying procedures to conduct during the count than the ones detailed before the count, although there is certainly a knowledge gap in terms of who performs an inventory count and the procedures undertaken.
- Very few students considered procedures surrounding the consignment inventory at customers/suppliers either before or during the audit.

Question 2.2

- Candidates were asked to discuss the auditor responsibilities relating to ISA (UK) 250 Consideration of Laws and Regulations in an Audit of Financial Statements.
- This question was well answered, with several students obtaining maximum marks.
- However, a few students did not identify/explain the bribery.

Question 2.3

- This part of the question candidates should have been prepared for as it was a 'typical' risk and procedures requirement, utilising the data analytical software, Inflo.
- The majority of students scored under half of the marks available for this part of the question.

- Very few students considered the audit risks/procedures surrounding the consignment inventory at customers/suppliers.
- Few students also specifically mentioned the Bribery as an audit risk.
- Whilst there was evidence of accessing and using Inflow, it was clear that candidates mainly relied upon using 'elevated risk' in the Heat Map and not interrogating the actual relevant accounts. As a result, most of the significant unusual transactions were missed.
- Many appeared to have no appreciation of how inventory was accounted for by looking at the transactions and made comments that were not relevant, or all related to the opening inventory balance as opposed to the transactions undertaken during the year and the journals at the year end.
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Question 2.4

- It was pleasing to see that the 'Sustainability' element of this question was generally well answered. Candidates were good at explaining the ESG examples in Metalbay, and the dependencies.
- Several students gained five/six out of the six marks available.
- The impacts were less well discussed e.g. going concern, fines

Question 3 Performance

The syllabus areas covered in this question were: 1f, 1h

Question 3.1

- This requirement was knowledge based, distinguishing between an Engagement Quality Review (EQR) and Monitoring.
- Most were able to identify some of the key roles of the engagement quality review and that this was undertaken prior to the audit report being signed.
- Monitoring was often poorly answered, with candidates confusing this with general supervision and review during the audit as opposed to the 'cold' review being undertaken after the audit report is signed.

Question 3.2

- This element asked candidates to consider the ethical and quality management issues across a couple of clients and actions that should have been taken, or should now be taken.
- As with previous exam diets, ethical issues were identified by the majority of candidates and resulted in the bulk of the marks awarded, however they were often not discussed in enough detail.
- The quality management issues were not as well identified/discussed, with many not considering the key elements of ISQM1 or ISA 220 and tailoring them to the

scenario. It was clear that many had not either read the full detail of the scenario (the dates of the year-end), or misinterpreted it, as the reviews being undertaken were post-issuance reviews.

- Subsequently, the actions suggested were often irrelevant and/or impossible given the audit report had been signed.
- On the whole, answers to this question were often fairly brief and lacked depth, with actions that the firm should have/should take were very limited in candidates' responses.
- Some went into a lot of detail explaining how the audit opinion should be modified rather than focusing on the ethical/professional issues.
- Very few explained that the subsidiary was a non-adjusting event and required a disclosure but most identified that it was material for Toulouse Group audit.

Question 4 Performance

The syllabus areas covered in this question were: 3e, 3h, 3i

Question 4.1

- This reporting question required candidates to consider the deficiencies, consequences and recommendations as part of an internal audit assignment.
- This was generally very well answered– with the vast majority of candidates achieving a pass mark for this question and a number of excellent responses also, with maximum marks awarded commonly.
- Weaker candidates however, failed to identify the specific risk / consequence for some of the deficiencies and/or did not fully explain the impact of the consequence e.g. impact on profit.
- Very few students identified the consequence within observation 3 that the credit limit could also be too low for some customers resulting in potential loss of revenue.
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Question 4.2

- This was 'typical' Audit Report implications requirement. It very well answered with many generally securing a high level of the marks available.
- A key omission from many candidates' scripts was a mention of the basis for qualified opinion paragraph and that it should quantify the effect in the financial statements.
- A minority of students stated incorrectly that the misstatement was either immaterial or that an adverse opinion should be issued.

Summary and Helpful Hints

The use of Inflo data analytics will continue to feature in the Audit & Assurance exam and it is therefore imperative that candidates familiarise themselves with this and access it during the exam. It is important that candidates can interrogate the account balances given and understand the journal transactions they identify.

Overall the presentation of answers was strong, and whilst there is no specific set format, practicing past exam questions from the question bank is essential in order to build up knowledge of how to answer each type of question, and common presentation.

Candidates need to remember that they have a permitted text within the exam and should have a high familiarity of it, which can support them in answering Ethics questions and any other requirement that is focused on knowledge of the ISAs.