

Examiners Report

Exam Name and Code: **Audit & Assurance (AA-A/2023) June 2023**

Paper performance overview, what worked well with candidates and areas that they were weak on, how they responded.

As with previous sittings, overall performance on the paper was a little disappointing.

The overall pass rate was 80% and the average mark was 57%.

It was pleasing to see that candidates presented their answers well, with appropriate 'short' answers for Q1 'short form questions', and many adopted columnar approaches for areas where risks/procedures were asked for.

Some of the more poorly answered questions again were those that were knowledge based, demonstrating a lack of understanding of core Audit & Assurance issues:

- Auditor responsibilities regarding laws & regulations
- Quality management considerations

Another area where candidate performance was particularly weak was in the use of the data analytics software, Inflo. It was clear that many candidates were not overly familiar with the functionality and did not understand what the data was telling them.

Given this area accounts for 10-12% of the exam, it is important that candidates familiarise themselves with the software ahead of the exam.

Answers to the completion and reporting areas of the syllabus were overall strong, which was pleasing.

Question 1 performance

The syllabus areas covered were: 1a, 1c, 1n, 2f, 2j

Candidates performed well on Question 1.1, which assessed candidate's knowledge of risk on an initial audit.

Question 1.2 tested ethics and almost all candidates clearly identified the ethical threats of self-interest and familiarity to objectivity and independence. However only a few went on to discuss the significance of the threats.

Question 1.3 asked candidates to state the rights and responsibilities of an auditor under the Companies Act 2006, answers to this part were worryingly poor.

Question 1.4 was a 'current issues' requirement regarding climate change. Answers to this part were mixed, and there were a number of candidates who did not appear to have knowledge of the FRC report and therefore struggled to make many relevant points.

Question 1.5 asked candidates to consider 'Business risk' and implications for the financial statements'. Most candidates mis-interpreted the question and did not focus on business risks but instead discussed areas such as risk of material misstatements to Seeding because they are experiencing high growth, going concern risk, stating potential audit opinions, lack of related party disclosure.

Question 2 performance

The syllabus areas covered were: 1h, 1m, 2j, 2q

Question 2.1 was assessing candidates' knowledge of ISA 250 Laws & Regulations, however a significant number of candidates either misread or misinterpreted the question requirement and applied the GDPR regulations to the audit firm in relation to conducting the audit rather than explaining the impact of the client holding customer's personal details. Almost all candidates correctly identified the issue as GDPR regulations.

Question 2.2 was a typical audit risk/procedures question which and candidates' appeared to be prepared for this.

Common issues here however were:

- Often procedures were too generic e.g. reperform calculations, use analytical procedures.

- Some candidates spent time making recommendations for improvements to controls rather than suggesting specific audit procedures which whilst valid, were not requested and therefore did not secure marks.
- Some audit procedures suggested were outside the role of the auditor e.g. auditor should conduct full inventory count at year end.
- A large number of candidates failed to include any calculations for the change in revenue / inventory days / inventory returns.
- Audit risks and procedures were repeated under the different headings (e.g. general, revenue and inventory).

Question 2.3 required core knowledge of quality management procedures and whilst some scored well / full marks on this question some appeared to not fully understand the focus of the question requirement and wrote generic comments about governance, client acceptance requirements & ethical requirements for example.

Question 3 performance

The syllabus areas covered were: 1a, 2k

Question 3.1 was a typical 'acceptance' requirement with candidates' considering the implications of the scenario on the firm's decision whether to accept appointment. This was generally answered very well with the majority achieving over half of the marks available. It is important that candidates apply their knowledge to the specifics of the scenario and not state generic points.

Question 3.2. This was the least well answered question in this paper – with a disappointing number making no, or little attempt.

This part of the question required interrogation of the data analytics software, Inflo and using that to consider key audit risks around 'Intangibles' and 'Payroll costs'.

A large number of candidates did not make reference to any analytical figures, with few making use of the numerical analytics which would have been shown by Inflo in the 'metrics' module.

Some candidates did highlight some specific transactions, which obtained credit, however failed to discuss the overall picture that all payroll balances had increased and that there was a weak control environment and potential for management override.

Question 4 performance

The syllabus areas covered were: 3b, 3h, 3i

Question 4.1 required candidates' to consider the factors that indicated the uncertainty of going concern for the client, along with audit procedures.

This question was generally answered very well – especially identification of the going concern factors, however the audit procedures were often weak and did not focus on going concern. Many candidates stated 'generic' audit procedures, not those that were specific to reach a conclusion on the going concern status.

Question 4.2 was very well answered with a number securing full marks. This part of the question assessed knowledge of reporting and the impact of going concern uncertainty has on the audit report.

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.

Overall the presentation of answers was strong, and whilst there is no specific set format, practising 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 focussed on knowledge of the ISAs.