Examiners Report

Exam Name and Code:	**Audit & Assurance (AA-B/2024)**
Paper performance overview, what worked well with candidates and areas that they were weak on, how they responded.	

Unfortunately, performance this sitting was only reasonable at best. The overall pass rate was 77%, with a very marginal average mark of 56%.

Again it was pleasing to see that the majority of 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.

The use of the Data Analytics Software, Inflo, was lacking, with many seemingly not evidencing accessing it at all, whilst others did not interrogate the relevant accounts in enough depth. As a result, the overall marks were a lot lower.

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

- Audit procedures
- Quality management considerations

The completion and reporting areas of the syllabus were overall better, however candidates in this sitting often assumed a lot and did not focus on the facts within the question.

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Question 1 performance

The syllabus areas covered were: 1f, 1l, 2j

Candidates performed well on Question 1.1, with most candidates securing two out of the three marks available. The requirement assessed candidate's knowledge of data analytics routines, however, there were marks lost where candidates either didn't explain data analytic routines or explain the objective for conducting the routine.

Several candidates explained procedures to test exchange rates, despite the scenario clearly stating that Willow had negotiated to pay all suppliers in Sterling. There were also many procedures suggested that were not related to data analytics, such as counting or inspecting inventory.
A few candidates also ignored the question required to describe THREE data analytics routines.

Question 1.2 tested factors to consider when selecting a team, specifically related to a scenario which contained a complex industry. This part was generally well answered with most securing enough marks to pass this question.
The highly regulated industry and need to have staff with this experience was commonly identified but the need to senior staff with strong personality to challenge the attitude of management was less well identified.

Question 1.3 was a 'current issues' requirement and asked candidates to outline the arguments for, and issues with, Joint Audits.
Candidates were good at explaining the arguments in favour of joint audits and the key issues for clients, however key issues for firms was less well answered.
Some students appeared to misinterpret the question requirement and failed to gain any marks.
This was the question which students most omitted to attempt.

Question 1.4 required candidates to describe the supervision and review responsibilities for an Audit Manager. Answers to this part were mixed, and there were several candidates who struggled to make many relevant points. There was a lot of confusion regarding the initial 'planning/direction' of the audit and the 'supervision' responsibilities. Many discussed assessing independence issues rather than focusing on the specific question requirement of describing responsibilities for supervising the team and

reviewing their work.

Question 1.5 asked candidates to outline the key considerations when planning to use, and assessing the results of, experts. This question was well answered with most securing three or four out of the five marks available.

Question 2 performance

The syllabus areas covered were: 1a, 2i, 2k, 2q

Question 2.1 required candidates to identify and explain the matters that should have been considered before acceptance of the client given in the scenario. Whilst this was generally answered fairly well, there were a significant number of points that could have been made by applying to the scenario. It appeared that many candidates were regurgitating rehearsed points and several of the key issues were omitted; the fact it was new client, specific issues for why the previous auditors may have resigned, specific reputational issues and the results of background checks in respect of money laundering.

Question 2.2 was a knowledge-based question about the benefits of using data analytics software. Most candidates were prepared for this and scored well.

Question 2.3 was a typical audit risk/procedures question which candidates should have been prepared for.

Despite there being a significant number of key risks available within the scenario and subsequent procedures that could be suggested, many candidates failed to make specific references. Points made were fairly vague and lacked focus.

A large number of candidates either did not use the Inflo software or made cursory references to it. It is imperative that candidates interrogate the data and identify specific transactions, referencing them and why they are a concern/risk. Credit cannot be awarded where it is not clear what the transaction is, or why it is considered an audit risk.

Overall, this question was fairly attempted, despite a number of irrelevant audit risks and procedures being detailed. Some candidates repeated specific audit risks under multiple sections; credit will only be awarded once.

Additionally, it is important that candidates focus on the question requirement and not make too many speculative risks; only use the detail in the scenario. Most candidates deviated into lengthy discussions surrounding going concern at the expense of focusing on the core elements asked for, as well as several discussed audit risks on inventory, rather the audit risks surrounding revenue recognition.

Audit procedures being suggested in this part of the question were very disappointing and were often weak and lacked enough information/purpose. e.g. reperform calculations, use analytical procedures.

There was often a general lack of audit risks/procedures suggested for the 33 marks available.

Question 3 performance

The syllabus area covered was: 1i

Question 3 was a question regarding ethical and quality management issues across several different clients and actions that should have been taken, or should now be taken.

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. It is important that ethical issues are identified, assessed and relevant safeguards/actions proposed, many candidates missed out on marks for not enhancing their answers and explaining the implications and actions.

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, 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.

Question 4 performance

The syllabus areas covered were: 3a, 3j

Question 4.1 asked candidates to describe FOUR substantive procedures that should have been undertaken in respect of an outstanding issue. This part was generally, well answered, with most securing two or three out of the four marks available. Weaker candidates however, failed to suggest substantive procedures which were relevant to the question scenario and/or were too generic.

Question 4.2 was a typical reporting question, requiring implications, with reasons, on the audit reports of three separate clients. This part was fairly well answered with a number of candidates scoring highly.

Common issues across the responses included;

- Confusion regarding auditor responsibilities for 'Other information'
- Incorrect use of 'Emphasis of matter paragraph'
- Incorrectly stating a modification needed to the Opinion
- Errors in materiality calculations
- Incorrectly focusing on going concern issues, when not relevant
- Failing to appreciate that a range of options could have existed, depending on the available evidence.

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 in 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, such as Quality Management.