

## Examiners Report

**Exam Name and Code: Audit & Assurance (AA/A 2021)**

**Date of exam - 16 December 2021**

### **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 disappointing.

Particularly poorly answered questions again were those that were knowledge based demonstrating a lack of understanding of core Audit & Assurance issues.

Common issues spotted which contributed to the level of performance were:

- Too little use of the permitted text for knowledge based areas (such as ethics, reporting and requirements of the ISAs).

- Insufficient practice of questions from the bank, which contained very similar material/model answers to some of the scenario based questions examined here.

### **Question 1 performance (include each syllabus area covered)**

*The syllabus areas covered were: 1a, 1g, 1i, 1m, 1n, 3e*

Overall performance on question 1 was disappointing, especially as the majority related to knowledge based elements. Candidates performed well on Q1.1 which covered ethical issues on fee income and Q1.3 regarding internal control weaknesses.

Q1.2 asked candidates to state the rights and responsibilities of an auditor under the Companies Act 2006, answers to this part were worryingly poor.

Candidates struggled with question 1.4 regarding additional legislation UK companies would have to adhere to; a general awareness of business risk would have assisted here and credit was awarded for sensible legislation.

Awareness of current issues and knowledge of the ICAEW workbook would have assisted with Q1.5 regarding professional skepticism.

Q1.6 most candidates misread the scenario/requirement here and discussed this in the context of the current year audit. Those who did pick this up as a quality control issue scored well.

## **Question 2 performance (include each syllabus area covered)**

*The syllabus areas covered were: 1a, 2i, 2j, 2q, 3c*

This question was the best answered in the exam, which is encouraging as it is a

Performance on this question was good and overall had the best average mark for the paper, although there were marked differences across the four requirements within the question.

Performance on requirement 2.1 was mixed, with a disappointingly high number of candidates unsure of the requirements of the ISA in relation to analytical procedures. Candidates should be aware from past paper analysis that there will be 1 or 2 requirements in each exam that cover ISA knowledge, and a well prepared candidate would have been aware of the relevant sections of the ISAs to locate in the permitted text.

2.2 on the whole was well answered, however there were marked differences in the 'justify audit risk' and 'procedures' elements in this part. Candidates were able to clearly justify risks, however procedures listed by the majority were weak with many not actually writing a clear procedure that could be followed.

2.3 was an ethics part of the question. The first issue relating to a new acquisition clearly confused most candidates with many missing the point about use of component auditors and the additional risks this acquisition presents. The second issue regarding the recruitment of the audit manager was answered fairly well by most.

2.4 Answers here were mixed and again well prepared candidates were able to use the permitted text to support here.

## **Question 3 performance (include each syllabus area covered)**

*The syllabus areas covered were: 1c, 2k, 2q*

This question featured the data analytics software Inflo. This was the first time it had featured in the KPA Audit & Assurance exam, however candidates did have access to plenty of practice resources ahead of the exam.

Candidates were asked to identify key audit risks and also list audit procedures required for a sample of issues within the scenario, along with ethical issues arising.

Performance on this question was somewhat polarised. Those who took the time to access the Inflo software and navigate to the account codes provided in the scenario, scored well. Those who did not access the software adopted a scattergun approach of generic risks and did not score well.

The ethics part of the question was however answered well.

## **Question 4 performance (include each syllabus area covered)**

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

This question had the lowest average mark overall, which is unusual as completion and reporting questions tend to score well.

Answers were very brief and likely an indication of poor time management across the exam.

Q4.1 was a knowledge based element asking candidates which audited entities require a Key Audit Matters (KAM) section in the Auditor's report and to briefly explain the contents. Only a minority of candidates scored well on this area, with the majority misreading the question and unnecessarily discussing whether KAM's were needed for the companies listed in the scenario.

Q4.2 asked candidates to consider the implications on the audit/assurance report for a couple of different scenarios. Answers here were weak for two main reasons:

- many candidates miss a significant number of marks by jumping to a conclusion without fully discussing the considerations and implications.
- lack of awareness of the difference between statutory audit and other assurance assignments

### **Summary and helpful hints**

Candidates need to enter the Audit and Assurance exam with a high familiarity of the permitted text for use in Ethics questions and any other requirement that is focussed on knowledge of the ISAs.

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.

Practising past exam questions from the QB is essential in order to build up knowledge of how to answer each type of question.