

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Audit and Assurance	Certificate in Accounting and Finance (CAF) Examination - Autumn 2021

Passing %

1	2	3	4	5	6	7	8	9	Overall
60%	36%	19%	81%	8%	16%	12%	41%	68%	35%

General

The overall passing percentage in this attempt was 35% as compared to 41% in the previous attempt. It was commonly observed that whenever a question on analytical reasoning (such as Q5) is examined, examinees fail to secure good marks in such questions. Examinees are advised to give much attention to this area of the syllabus which is not only important from the exam perspective, but also relevant in the context of their practical training in the audit firm.

Question-wise common mistakes observed

Question 1

Following risks were not identified by most of the examinees:

- Proper withholding of taxes may not be done leading to ineligibility of tax credit.
- Khyber Foundation may have over spent on administrative expenses and is not eligible for tax exemption.
- Transactions are not recorded on a timely basis.
- Withholding taxes are not timely deposited with the taxation authorities.

Question 2(a)

Examinees performed well in this part of the question.

Question 2(b)

- Examinees only discussed one aspect of the question i.e. the threats related to publicity of the services or the audit client offering significant discounts.
- While discussing the threat related to advertisement, examinees did not mention that appropriate newspapers or magazines may be used to inform the public of the establishment of a new practice and what needs to be complied with when placing such an advertisement.

Question 2(c)

Examinees did not mention the following safeguards:

- Not giving the loaned personnel audit responsibility for any function or activity that the personnel had performed.
- Providing the assistance only for a short period of time.
- Not assuming management responsibilities and ensuring that the audit client is responsible for directing and supervising the activities of the personnel.

Question 3(a)

For the audit of Elrond (Private) Limited, examinees failed to mention the following audit procedures:

- Inquire from management when the asset was available for use.
- Obtain the engineer's certificate / documentation to assess when the asset was completely built.
- Read the management meeting minutes to find out whether any discussion has been made related to the project completion.
- Obtain management representation regarding when the asset was available for use.

For the audit of Café Elixiar (Private) Limited, examinees failed to mention the following audit procedures:

- Review the legal expense account for any further claims or proceedings against the company.
- Consider the possibility of any legal proceedings including any proceedings that may be instigated by the public health authorities as such authorities might impose significant fines.

Question 3(b)

Following shortcomings were observed while discussing reporting implication for the audit of Elrond (Private) Limited:

- Examinees used the entire amount of capital work in progress for calculating materiality rather than the depreciation.
- Examinees concluded that a qualified opinion needs to be expressed.
- Examinees also did not mention that the potential adjustment amount would need to be added to the list of uncorrected misstatements and assess that whether they are material in aggregate.
- Examinees did not mention about obtaining a written representation that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Following shortcomings observed while discussing reporting implication for the audit of Café Elixiar (Private) Limited:

- Communicating the non-disclosure with those charged with governance.
- Describing in the basis for opinion section the nature of the omitted information.
- Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information.

Question 4

Examinees performed well in this question.

Question 5

- Examinees did not identify the unexplained fluctuations and inconsistencies in the following account heads:
 - Long term loan
 - Trade payables
 - Prepayments
 - Expenses
- The audit procedures mentioned by the examinees were general in nature and did not address the unexplained fluctuations and inconsistencies.

Question 6

- Generally, the response of the examinees was only restricted to the fact that whether the event is adjusting or non-adjusting. No further discussion on course of action was made by the examinees.
- Examinees answered the entire scenario in the context that the said event took place after issuance of the financial statements, and consequently produced an incorrect answer.

Question 7

Following shortcomings were not identified by the examinees:

- The year-end date at which the balance needs to be confirmed was not mentioned.
- An addressed and stamped envelope is always attached with the confirmation request.
- Balance reconciliation in case of difference has not been asked.

Question 8(a)

- Generally, the following controls were not mentioned by the examinees:
 - Programmed checking of the data validity in accordance with predetermined criteria/format.
 - A field should always contain data and not zeros or blanks.
 - Data input should be kept at minimum.
- Some examinees mentioned the relevant control but failed to mention any example.

Question 8(b)

Examinees performed well in this part of the question.

Question 9(a)

Examinees performed well in this part of the question.

Question 9(b)

Examinees did not mention that if the auditor is unable to agree to a change of terms, he should withdraw from the engagement and consider whether there is any obligation to report the circumstances to those charged with governance, owners or regulators.

Question 9(c)

- Examinees mentioned that the auditor has no responsibility relating to identifying, detecting and responding to fraudulent activities.
- Those examinees who discussed the auditors' responsibilities did not mention the following:
 - Identify and assess the risks of material misstatement
 - Auditor should communicate to those charged with governance concerning the detection or possibility of fraud.

Question 9(d)

Examinees did not mention the following factors for assessing the competence of internal auditors:

- Are there established policies for hiring and training internal auditors?
- Do the internal auditors possess the required knowledge of financial reporting?
- Whether the internal audit function is adequately and appropriately resourced?

Question 9(e)

Examinees performed well in this part of the question.

(THE END)