

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
EXAMINERS' COMMENTS

SUBJECT Audit, Assurance and Related Services	SESSION Certified Finance and Accounting Professional (CFAP) Examination Winter 2022
---	--

Passing %

Question-wise						Overall
1	2	3	4	5	6	26%
48%	8%	37%	28%	32%	3%	

General comments

Better performance was observed in this session as compared to the previous session. However, below-average performance was observed in questions that were examined in a different way as compared to past attempts e.g., Q.2 and Q.6. Further, apart from technical mistakes, it was commonly noted that examinees commenced responding to a question without proper reading the requirements of the question. This caused a loss of easily achievable marks which might be obtained if they had studied the requirement properly. For example, many examinees mentioned one-liner statements where the requirement of the question was to “discuss” the reporting implication/opinion.

Question-wise common mistakes observed

Question 1

- Examinees mentioned general procedures instead of specific procedures for addressing the identified risk.
- Examinees did not identify the risk related to the going concern.
- Examinees did not realize that the audit client would have a large inventory at year-end on the expectation that a large order from the government would be received. In case the audit client does not get the order, a provision for slow-moving inventories needs to be made. Further, this risk was also present due to rapid technological obsolescence, and this aspect was not discussed by the examinees.

Question 2

- Examinees did not discuss that there might be non-compliance with laws and regulations, particularly those related to anti-money laundering. Consequently, the related course of action was not discussed.

- Examinees only mentioned that the audit opinion would be disclaimed but they did not discuss its reasons and the changes which were needed to be made in the audit report. Similarly, while mentioning withdrawing from the audit engagement, examinees did not mention the reason.
- A majority of the examinees mentioned including it in the key audit matter section of the audit report. They were unaware of the fact that being a private limited company, the key audit matter section was not relevant.

Question 3

- Examinees did not evaluate the threats identified by them.
- Examinees mentioned substantive audit procedures and reporting implications which were not required.
- Examinees failed to mention the following course of action:
 - Communicating the matter to the group engagement partner.
 - Inquiring about steps taken to reduce the risk of re-occurrence.
 - Considering the possibility of an imminent breach.

Question 4

- Instead of stating the audit procedures, examinees mentioned the possible issue(s). For example, many examinees mentioned whether a buyer has been identified but did not mention any procedure to ascertain it.
- Examinees failed to mention the following audit procedures:
 - Obtain correspondence with the prospective buyer.
 - Obtain management working and the basis of allocation of assets and liabilities and corroborate with subsidiary records and reports.
 - Ensure that the cost of relocation from the provision has been excluded.

Question 5(a)

- Examinees did not mention that the other information section shall also refer to the qualified opinion in the auditor's report as the qualification matter is also relevant to the figures included in the directors' report.
- Some of the examinees mentioned that other information section will be qualified, which was incorrect.

Question 5(b)

Examinees did not mention the following:

- Auditor should include an emphasis of matter paragraph in the audit report, explaining that the financial statements are prepared in accordance with a special purpose framework and therefore may not be suitable for another purpose.
- Auditor shall describe in his report management's responsibility and the auditor's responsibilities related to going concern assessment in accordance with the circumstances of the engagement.

Question 5(c)

Many examinees did not mention that the auditor should not express an unmodified opinion on a separate element of financial statements when an adverse opinion has been issued on the entity's complete set of financial statements.

Question 5(d)

- Examinees failed to comprehend that this scenario was related to ISAE-3402 - Assurance Reports on Controls at a Service Organization. Those examinees produced an irrelevant answer.
- Examinees produced a one-liner answer only that reference cannot be made without discussing the reasons and in which section of the report this reference is required.

Question 6

- Examinees mentioned those issues which were not part of the given extract. For example, the name of the partner, signature, etc.
- Examinees identified the shortcomings but did not explain them.
- Examinees failed to mention the following:
 - The wording of the audit report as given under a fair presentation framework.
 - The effect of misstatement was not completely discussed in the audit report.
 - Placement of emphasis of matter paragraph.
 - Inclusion of the acquisition of a subsidiary before year-end as a key audit matter.

(THE END)