

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Audit and Assurance	SESSION Certificate in Accounting and Finance (CAF) Spring 2025

Passing %

Question-wise								
1	2	3	4	5	6	7	8	Overall
30%	16%	32%	75%	54%	39%	32%	54%	38%

General

Overall, the performance of examinees in this session was satisfactory, with a slight improvement compared to the previous attempt.

It was commonly noted that examinees often failed to distinguish between substantive audit procedures and audit procedures, particularly in Questions 2 and 3. Additionally, several responses indicated a lack of attention to the specific requirements of the questions, resulting in irrelevant or incomplete answers. This issue was particularly evident in Questions 1, 4, and 6.

Several responses reflected rote learning rather than applied understanding, especially where examinees cited generic threats or control deficiencies without tailoring their answers to the scenario. Moreover, incorrect assumptions were made in audit reporting questions despite the availability of sufficient information in the question to reach a clear conclusion.

Examinees are strongly encouraged to carefully read and interpret the requirements of each question before attempting an answer.

Question-wise common mistakes observed

Question 1

Examinees generally failed to identify and discuss the following key audit risks:

- Risk of derecognizing previously recorded grant revenue due to non-compliance with grant conditions and failure to submit required reports.
- Weak internal controls, such as mismatched fee records and handwritten corrections on receipts, increase the risk of a material misstatement.
- Significant reliance on government grants for 80% of funding, creating a potential going-concern issue.

Question 2(a)

This part required examinees to list substantive audit procedures. However, many responses incorrectly included tests of controls or other non-substantive procedures. The following substantive audit procedures were commonly omitted:

- Reviewing shipping documents and delivery confirmations to ensure revenue is recognized upon transfer of control.
- Verifying whether year-end sales were dispatched before the reporting date.
- Analyzing billing schedules and milestone completion reports for appropriate revenue recognition.
- Matching outstanding invoices with accounts receivable balances and checking for subsequent clearance.

Question 2(b)

Examinees generally did not mention the following audit procedures:

- Obtaining prior months' bank reconciliations to determine if discrepancies are recurring.
- Requesting supplier confirmations to verify whether payments were received and if replacement payments were issued.
- Reviewing petty cash vouchers and authorization records to confirm the legitimacy of withdrawals.
- Assessing any reconciliation statements prepared to resolve the discrepancy.

Question 3

Again, many examinees listed inappropriate procedures, such as control testing or team communication steps, rather than the required substantive audit procedures. Commonly missed procedures included:

- Verifying legal documents and corporate records to confirm whether the customer is related to the director who introduced them.
- Performing background checks on those charged with governance and their family members for potential undisclosed relationships.
- Obtaining confirmations for transactions with the customer during the year.
- Investigating whether other customers were denied extended credit terms, which may indicate preferential treatment.

Question 4

Many examinees repeatedly cited segregation of duties as the control solution to every deficiency, without explaining how segregation should be established for each specific issue.

Regarding the control deficiency around invoice modification, numerous responses incorrectly suggested that modifications should be allowed only with appropriate authority. Examinees failed to mention the key control: once an invoice is issued, no modifications should be permitted.

Question 5

The following fraud risk factors were generally not identified by examinees:

- A major shareholder selling shares just before year-end due to a dispute may indicate unethical behavior or internal governance issues within FTL.
- Expansion into three new regions heightens pressure to achieve aggressive growth targets, increasing fraud risk.

Question 6(a)

Most examinees failed to recognize that management's refusal to provide information or documentation related to going concern constitutes a scope limitation, whose effect was pervasive. Therefore, the examinees arrived at the wrong conclusion and the reporting implications.

Question 6(b)

A significant number of examinees incorrectly used the entire inventory balance of Rs. 150 million to determine materiality. The correct approach was to consider only 30% of Rs. 150 million. This led to incorrect audit opinions.

Additionally, many examinees mistakenly treated the matter as a material uncertainty related to going concern, resulting in irrelevant reporting conclusions.

Question 7(a)

The majority of the examinees failed to identify and evaluate the self-review threat and the fundamental principle of confidentiality. Consequently, examinees also failed to evaluate this threat.

Question 7(b)

The majority of the examinees failed to identify and evaluate the intimidation threat and the fundamental principle of objectivity. Furthermore, although the question did not require an evaluation of the threat, several examinees inappropriately included it in their responses.

Question 8(a)

The majority of examinees incorrectly stated that the Emphasis of Matter paragraph should only follow the Key Audit Matters section. They failed to mention that it can be placed either before or after the KAM section, depending on the auditor's judgment.

Question 8(b)

Examinees often omitted key documentation requirements such as:

- Evaluation of the internal audit function's organizational status, policies, and procedures to support objectivity.

- Assessment of whether the internal audit function applies a systematic and disciplined approach, including proper quality controls.

Question 8(c)

Examinees performed well in this part of the question.

Question 8(d)

The majority of the examinees only mentioned that examples, rather than explaining with the help of examples that what potential issues could arise if written representations are obtained early.

(THE END)