

**MARCH 2023 PROFESSIONAL EXAMINATIONS  
AUDIT & ASSURANCE (PAPER 2.3)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**STANDARD OF THE PAPER**

The standard of the paper was good. The questions were practical and within the syllabus in terms of structure and weightings. The paper was free from errors. The rubrics of the paper were very clear without any ambiguities.

**PERFORMANCE OF CANDIDATES**

The March 2023 diet recorded a pass rate of 82% as compared to 94% in the December 2022 diet. Question 4 b) was a high scoring question because it is popular with candidates. Question 4 a) i) and ii), were mixed up because candidates confused them with respect to the timing of the subsequent events. Question 3 a) was not well handled by most candidates.

Candidates are encouraged to pay attention to the provisions of the new ICAG Act and other governance acts, such as, IAA Act and PFM Act.

**NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES**

The strength of most candidates was demonstrated in question 1, question 2 a), c), as well as, question 4 b) and question 5.

Areas of weakness identified with candidates were question 2 b) and 3 a), as well as question 4 a). Some candidates could not demonstrate adequate understanding of analytical procedures. Hence, their inability to answer question 3 a).

## QUESTION ONE

- a) Kosobi Insurance Company Ltd (KICL) prepares its annual financial statements to 31 December each year. Due to the magnitude of transactions, interim financial statements are prepared each year and subjected to an interim audit. This is done to facilitate early completion of final audit of the annual financial statements. The finance and accounts team of KICL consider this to be more work and unwarranted.

You are the Audit Senior and head of the audit team carrying out the audit field work on KICL. As part of your exit meeting with management of KICL, you intend to justify the need for an interim audit.

**Required:**

In justifying your position:

- i) State **THREE (3)** advantages in conducting Interim Audit. **(3 marks)**
  - ii) Identify **TWO (2)** audit procedures in conducting Interim Audit. **(2 marks)**
- b) You are the Audit manager of Golden Beach Hotels Ltd (GBHL) which has been making losses in its operations owing to many factors including competition, renovation and improvement of some of its non-current assets as well as problems of non-complying with many laws and regulations governing the operations of hospitality industry. These factors are not so obvious from the draft financial statements submitted by GBHL for auditing.

**Required:**

Explain what is meant by *professional skepticism*, and why this is necessary to understand the financial performance and position of GBHL. **(6 marks)**

- c) Preparing an audit plan is the first stage in the conduct of an audit engagement. It has become necessary that Audit firms plan their audit engagements and activities well to avoid risk and other litigation issues. *ISA 300: planning an audit of financial statements* states that the auditor must plan the audit. Planning is also considered an effective quality factor in conducting individual audit engagement. As an Audit Manager, you have been approached by a recently appointed Audit Junior to explain the need for planning an audit.

**Required:**

- i) Explain *audit planning*. **(3 marks)**
- ii) Enumerate **FOUR (4)** benefits or importance of audit planning. **(6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) M&G Chartered Accountants has been presented with two potential clients. They have written to the firm to appoint them as their external auditors.

**Required:**

State **FIVE (5)** factors you will take into consideration before taking this client acceptance decision. **(5 marks)**

- b) The independence of a practicing accounting firm needs to be critically assessed whether it is performing an Audit or other Assurance engagements. The independence requirement for audit and review engagements apply to the firm, network firms and members of the audit review team. The IESBA code for professional Accountants has outlined key conceptual framework approach to be applied by accountants in practice.

**Required:**

Discuss this key conceptual framework approach. **(5 marks)**

- c) *ISA 240: The Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements*, recognises that financial statements misrepresentation can occur as a result of either fraud or error. The distinction is whether the underlying activity that caused the misrepresentation was deliberate or unintentional. An auditor's job is not to determine whether or not fraud has happened. The external auditor, on the other hand, is concerned with getting reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error.

**Required:**

- i) Describe **TWO (2)** ways by which the external auditor may report fraud in an engagement. **(2marks)**
- ii) Discuss **TWO (2)** types of fraud in relation to the financial statements. **(2marks)**
- iii) State **SIX (6)** audit procedures that the auditor is required to perform in light of risk of fraud.

**(6marks)**

**(Total: 20 marks)**

### QUESTION THREE

Maggie Manufacturing is a long-established manufacturing company. The audit manager has been provided with the following extracts from the draft financial statements for 2021 prior to the final audit planning meeting with the financial controller.

#### Draft statement of financial position (extracts)

	<b>Draft 2021</b>	<b>Actual 2020</b>
	GH¢'000	GH¢'000
Property, plant and equipment	32,560	31,850
<b>Receivables</b>		
Trade	3,600	2,150
Other	250	200
<b>Inventory</b>		
Raw materials	1,200	870
Work-in-progress	350	450
Finished goods	1,860	1,610
<b>Current liabilities</b>		
Trade	2,060	1,470
Other	500	450

#### Draft statement of comprehensive income (extracts)

	<b>Draft 2021</b>	<b>Actual 2020</b>
	GH¢'000	GH¢'000
Revenue	43,150	40,750
Cost of sales	<u>(29,180)</u>	<u>(29,040)</u>
Gross profit	13,970	11,710
Depreciation and loss on sales of property, plant and equipment	(3,450)	(2,010)
Other expenses	<u>(2,340)</u>	<u>(2,280)</u>
<b>Profit before tax</b>	<b><u>8,180</u></b>	<b><u>7,420</u></b>

The manager has reviewed these extracts and has identified three financial statement headings which he believes require further investigation. These are property, plant and equipment, trade receivables and inventory. He has also calculated the following accounting ratios:

	<b>Draft 2021</b>	<b>Actual 2020</b>
Trade receivables collection period	30 days	19 days
Inventory turnover	8.6 times	9.9 times
Gross profit percentage	32%	29%

**Required:**

- a) Explain why the manager has selected these three headings for further investigation. **(10 marks)**
- b) Detail and explain the further information that the manager should request from the financial controller at the final audit planning meeting in order to clarify the situation with regards to the three financial statement headings. **(10 marks)**

**(Total: 20 marks)**

**QUESTION FOUR**

- a) You are an audit assistant for an audit client with a year end of 31 December, 2021. A major customer has instituted a legal action against the company for faulty goods supplied after the year end. A recently recruited intern who was part of your team was of the opinion that because of the cut-off assertion, any event after 31 December, 2021 should not have any effect on the financial statements and therefore an auditor should have no responsibility on the issues occurring after the end of the reporting year.

Following your audit of the client, you have concluded that there is a possibility, but not a probability, that the claim will be successful. However, management have decided not to make a provision or disclosure in the financial statements in respect of this matter.

**Required:**

In reference to the preamble, describe the auditor's responsibility for subsequent events occurring between:

- i) The year-end date and the date the auditor's report is signed; and
- ii) The date the auditor's report is signed and the date the financial statements are issued. **(6 marks)**
- iii) Explain how the matter should be reported in the financial statements. **(4 marks)**

- b) Internal Audit Agency (IAA) of Ghana was established by the Internal Audit Agency Act 2003 (Act 658) to act as an apex oversight body for Internal Audit units working with MDAs and MMDAs. Although the Internal Audit Agency plays an important role in the economy of the country, very little is known about their operations.

**Required:**

As an Internal Auditor who wants to bridge this knowledge gap;

- i) Explain the functions of IAA. **(7 marks)**
- ii) Explain how the IAA facilitates the work of Internal Auditors of the MDAs and MMDAs. **(3 marks)**

**(Total: 20 marks)**

## QUESTION FIVE

- a) *ISA 315 (Revised): Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* requires auditors to understand the entity's internal control. An entity's internal control is made up of several components.

**Required:**

In reference to the statement above, state the **FIVE (5)** components of an entity's internal control and give a brief explanation of each component. **(5 marks)**

- b) Your manager is presenting to the Engagement Partner the draft opinion on the financial statements of a recently audited client. Your manager has tasked you to research into the responsibilities of an external auditor for auditing a historical financial statements in line with *ISA 700 (Revised) Forming an Opinion and Reporting on Financial Statements*.

**Required:**

State **FIVE (5)** responsibilities of an auditor in line with the above standard. **(5 marks)**

- c) In addition to the Auditor's Report, the auditor communicates with charged with governance and audit committees of their clients.

**Required:**

- i) What are the objectives of an auditor communicating with those charged with governance or audit committees? **(3 marks)**
- ii) State **SEVEN (7)** matters to be communicated with those charge with governance or audit committees of a non-listed company by an auditor. **(7 marks)**

**(Total: 20 marks)**

## SUGGESTED SOLUTION

### QUESTION ONE

a)

i) Three advantages of an Interim Audit include;

- It is best suited for large entities
- Material misstatement could be identified and corrected early enough before the final audit.
- It is also use especially for listed companies.
- Financial statement is hereby to be available on time especially those that are required by law.

(Any 3 points @ 1 mark each = 3 marks)

ii) Audit procedures for Interim Audit

- Discussion with staff and management designed to enhance the auditors understanding of the entity and the environment.
- Recording information about the internal controls systems that are relevant to the audit.
- Performing some preliminary controls testing or substantive procedures

(2 marks)

b) **Professional Skepticism** is an attitude that includes having a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and subjecting audit evidence to a critical assessment rather than just taking it at face value.

It is important that professional Skepticism is maintained throughout the audit to reduce the risks of overlooking unusual transactions, of over generalizing when drawing conclusions and of using inappropriate assumptions in determining the nature, timing, and extent of procedures and evaluating the results of them.

Professional skepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses from management and those charged with governance.

(6 marks)

c)

i) **Audit planning** is primarily conducted at the beginning of an audit so as to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. In planning an audit, detailed instructions are spelt out as to how each area of the audit is to be conducted. ISA 300 Planning an audit of financial statements is to ensure that the audit will be performed in an effective manner.

(3 marks)

ii) Adequate planning benefits the audit by:

- Helping the auditor to devote appropriate attention to important areas of the audit.
- Helping the auditor identify and resolve potential problems

- Helping the auditor organize and manage the audit engagement so that it is performed in an effective and efficient manner.
- Assisting in the selection of staff with appropriate experience and the proper assignment of work to them.
- Allowing for the direction and supervision of staff and review of their work.

(Any 4 points @ 1.5 marks = 6 marks)

(Total: 20 marks)

### EXAMINER'S COMMENTS

Performance by the candidates was satisfactory, because the question is popular and practical.

### QUESTION TWO

- a) Factors that are relevant in evaluating the level of such a threat include:
- Statutory conditions: whether you are qualified under the provisions of the Company Act 2019 (Act 992) and you are not disqualified under any provision of the act.
  - Professionally whether the appointment will not conflict with any of the ethical requirements of independence and objectivity.
  - You have the competence to perform the assignment.
  - You have the capabilities and resources to perform the assignment.
  - Your firm has the time to service the client satisfactorily.
  - The acceptance will not bring about any reputational risk issues

(Any 5 points @ 1 mark each = 5 marks)

- b) It is in the public interest and required by the Code that professional accountants in public practice be independent when performing audit or review engagements. ISQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel), maintain independence where required by relevant ethics requirements. ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an audit team), in accordance with ISQC 1. In addition, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships. Independence is linked to the principles of objectivity and integrity. It comprises:
- **Independence of mind** - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional



judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

- **Independence in appearance** - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit team member's, integrity, objectivity or professional skepticism has been compromised.

**(5 marks)**

c) Auditors must be aware of the impact of both fraud and error on the accuracy of the financial statements and obtain reasonable assurance that the financial statements are free from material misstatement.

i) Ways by which the External Auditor may report fraud in an engagement:

- If the auditor identifies a fraud they should communicate the matter on a timely basis to the appropriate level of management (i.e. those with the primary responsibility for prevention and detection of fraud).
- If the suspected fraud involves management the auditor shall communicate such matters to those charged with governance.
- If the auditor has doubts about the integrity of those charged with governance, they should seek legal advice regarding an appropriate course of action.
- In addition to these responsibilities the auditor must also consider whether they have a responsibility to report the occurrence of a suspicion to a party outside the entity.

**(2 marks)**

ii) Fraud can be split into two types:

- fraudulent financial reporting - deliberately misstating the accounts to make the company look better/worse than it actually is
- misappropriation of assets - the theft of the company's assets such as cash or inventory.

**(2 marks)**

iii) As well as adopting an attitude of professional scepticism the auditor is required to perform the following procedures in light of the risk of fraud:

- Discussion amongst the engagement team regarding the susceptibility of the client to fraud;
- Consider the risk of fraud when documenting and testing internal controls;
- Enquiring of management how they: assess the risk of fraud; and identify and respond to the risks of fraud;
- Enquiring of management whether they have any knowledge of actual or suspected frauds;
- Enquiring of internal audit whether they have any knowledge of actual or suspected frauds;
- Enquiring of those charged with governance how they exercise oversight of management's process for identifying and responding to the risk of fraud; and

- Enquiring of those charged with governance whether they have any knowledge of actual or suspected frauds;

(Any 6 points @ 1 mark each = 6 marks)

(Total: 20 marks)

### EXAMINER'S COMMENTS

Question 2 a) was well answered by most candidates because the question was practical. Question 2 b), quite a straightforward question but was not well answered by most candidates. Performance for question 2 c) was very good.

### QUESTION THREE

#### a) Explanation

##### **Property, plant and equipment**

Property, plant and equipment is material at 87% of net assets. Substantial amounts of property, plant and equipment would be expected in a manufacturing company.

However, property, plant and equipment has increased by 2% this year yet depreciation/loss on sale has increased by 72%.

Although this is usually a low risk area (except for the judgement needed to assess useful lives) the balance here may be overstated. Additions and disposals during the year need further investigation to ensure that they have been properly accounted for.

##### **Trade receivables**

Trade receivables have increased by 67% although revenue has increased by only 6%. This may indicate a recoverability problem – which is backed up by the increase in the collection period from 19 days to 30 days.

Although judgement is needed to decide on the extent of allowances for receivables, it would seem that credit control is slipping and that allowances may need to be increased.

More extensive testing than last year may be needed on the recoverability of debts and on the accuracy of cut-off.

##### **Inventory**

Inventory has increased overall by 16% due to increases in raw materials and finished goods of 38% and 16% respectively. This is in spite of a 22% reduction in work-in-progress. Inventory turnover has fallen from 9.9 times to 8.6 times. All of these facts may indicate that inventories are building up with insufficient orders being available, or could indicate the existence of obsolete/slow-moving inventories.

Also, there has been no real increase in cost of sales, despite the 6% increase in revenue. This might indicate an error in cut-off or an over-valuation of closing inventory.

Inventory is typically a high risk area, particularly in a manufacturing entity with its three stages of inventory. Valuation will need to take into account the stage of completion and net realisable values.

(10 marks)

**b) Further information**

**Property, plant and equipment**

- An explanation for the increases in net book value and depreciation/loss on disposals.
- Confirmation of the accounting policy for depreciation to ensure it is consistent with the previous year.
- The company's policy for reviewing useful lives to ensure they are reasonable (especially where assets have been sold at a loss).
- A detailed analysis of movements on property, plant and equipment during the year, including details of additions and disposals and depreciation charges.
- Whether any assets are recorded at a valuation as opposed to cost.
- The split of the expense between depreciation and loss on sales.
- Any own work capitalised.

**Trade receivables**

- An explanation for the increase in the trade receivables collection period.
- Details of any significant new customers during the year and information on their credit ratings.
- An analysis of bad debts written off and the allowance for receivables.
- An aged receivables analysis.
- Details of post year end cash receipts.

**Inventory**

- Explanations for the movements in raw materials, work in progress and finished goods and for the overall increase in inventory.
- Details of any adjustment required to physical inventory records as a result of the year end count.
- Details of post year-end sales and next year's order book.
- An analysis of the allowance for obsolete inventory.
- Details of the increase in revenue and whether it has come from a different sales mix, price increases or volume increases.
- Confirmation that inventory has been valued at the lower of cost and net realisable value.

(10 marks)

(Total: 20 marks)

**EXAMINER'S COMMENTS**

Most candidates did not do well in this question because they confused the analytical review with verification of non-current assets. Question 3 b) had a very good performance because most candidates were able to do the verification requirement of

the question. Question 3 a) was straightforward but most candidates deviated leading to poor scores by majority of the candidates.

## QUESTION FOUR

### a) ISA 560 Subsequent Events responsibilities

#### i) Period between the year-end date and the date the auditor's report is signed

The auditor has an active duty to design and perform audit procedures to obtain sufficient and appropriate evidence of all events up to date of the auditor's report that require adjustment or disclosure in the financial statements are identified and are suitably reported in the financial statements

These procedures should be performed as close as possible to the date of the auditor's report and in addition representation regarding subsequent events should be sought on the date the report was signed. The auditor should ensure that management has accounted for or disclosed subsequent events properly if not the implication on the audit report.

If there are material subsequent events requiring adjustment are properly adjusted or properly disclosed, the auditor may issue unmodified opinion.

However, if material subsequent events requiring adjustment are not properly adjusted or disclosure are properly disclosed the auditor may issue modified type of opinion.

(3 marks)

#### ii) After the auditor's report is signed and the date the financial statements are issued

Even after the date on which the audit report is signed, the auditor retains some degree of responsibility for events of which he becomes aware, up to the time that the financial statements are issued. He is not required, during this period, to actively look for subsequent events. His level of responsibility is therefore much reduced compared with the period before the signing of the audit report.

Therefore, the auditor does not have any responsibility to perform audit procedures or make any enquiry regarding the financial statements or subsequent events after the date of the auditor's report. In this period, it is the responsibility of management to inform the auditor of facts which may affect the financial statements.

If the auditor becomes aware of a fact that, had it been known to him at the date of the report, may have caused him to amend his report then he must:

- discuss the matter with management,
- determine whether the financial statements need amending, and

- inquire how management intend to address the matter in the financial statements.

If the financial statements are amended, the auditor is required to:

- carry out the necessary audit procedures on the amendment(s), and
  - extend his review of subsequent events up to the date of the new audit report.
- (3 marks)**

- iii) As the audit concluded that the likelihood of the claim being successful is only possible, it would be appropriate for the company to explain the contingent liability by way of note as required by IAS 37, giving a description of the nature of the contingent liability, an estimate of its financial effect, an indication of the uncertainties relating to the amount and timing and the possibility of any reimbursement.
- (4 marks)**

b)

**i) Functions of IAA**

- Setting standards and procedures for the conduct of internal audit activities of MDAs and MMDAs
- Monitoring, undertaking inspections and evaluating the internal auditing of the MDAs and MMDAs
- Financial, managerial and operating information reported internally and externally is accurate, reliable and timely
- The financial activities of MDAs and MMDAs are in compliance with law, policies, plan, standards and procedures;
- National resources are adequately safeguarded
- National resources are used economically, efficiently and effectively
- Plans goals and objectives of MDAs and MMDAs are achieved; and
- Risks are adequately managed in the MDAs and MMDAs
- Promote economy, efficiency and effectiveness in the administration of government programmes and operations
- Prepare plans, to be approved by the Board for the development and maintenance of an efficient internal audit for the MDAs and MMDAs;
- Facilitate the prevention and detection of fraud; and
- Provide a means for keeping the MDAs and MMDAs fully and currently informed about problems and deficiencies related to the administration of their programmes and operations and the necessity for appropriate corrective action.

**(Any 7 points @ 1 mark each = 7 marks)**

- ii) Internal Audit Agency does a lot to ensure that the internal audit function of MDAs and MMDAs function appropriately, performing the following:

- They establish Internal Audit Units (IAUs) of MDAs and MMDAs where internal audit units do not exist.
- They establish audit committees for MDAs and MMDAs to ensure that internal audits are given functional direction

- They sign audit charters between executives of MDAs, MMDAs and Internal Audit units that clearly defines the internal audit functions and expectations from management.
- They review internal audit work plan and reports to facilitate their work.
- They offer training to internal auditors.

(Any 3 points @ 1 mark each = 3 marks)

(Total: 20 marks)

### EXAMINER'S COMMENTS

Question 4 b), many candidates did quite well here, because it is popular and practical with candidates.

There was a mix up for question 4 a) because, many candidates could not explain the differences in timing of subsequent events. Hence, a mix-up between questions 4 a), i) and ii).

### QUESTION FIVE

#### a) Internal control components

ISA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment considers the components of an entity's internal control. It identifies the following components:

#### **Control environment**

The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its people.

The control environment has many elements such as communication and enforcement of integrity and ethical values, commitment to competence, participation of those charged with governance, management's philosophy and operating style, organisational structure, assignment of authority and responsibility and human resource policies and practices.

#### **Entity's risk assessment process**

For financial reporting purposes, the entity's risk assessment process includes how management identifies business risks relevant to the preparation of financial statements in accordance with the entity's applicable financial reporting framework. It estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to respond to and manage them and the results thereof.

### **Information system, including the related business processes, relevant to financial reporting, and communication**

The information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to initiate, record, process, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity.

### **Control activities relevant to the audit**

Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities, whether within information technology or manual systems, have various objectives and are applied at various organisational and functional levels.

### **Monitoring of controls**

Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis and taking necessary remedial actions. Management accomplishes the monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities.

**(Any 5 point @ 1 mark each = 5 marks)**

- b) Responsibilities of an Auditor in forming an opinion and reporting on financial statements.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
  - obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls;
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
  - conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- obtain sufficient appropriate audit evidence regarding the financial information of the entity and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

**(Any 5 points @ 1 mark each = 5 marks)**

c)

i) The objectives of the auditor are:

- To communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit.
- To communicate the overview of the planned scope and timing of the audit;
- To obtain from those charged with governance information relevant to the audit;
- To provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and
- To promote effective two-way communication between the auditor and those charged with governance.

**(Any 3 points @ 1 mark each = 3 marks)**

ii) Matters to Be Communicated

The auditor shall communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that:

- The auditor is responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance; and
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
- Planned Scope and Timing of the Audit. The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor.
- Significant Findings from the Audit.
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, the auditor shall explain to those charged with governance why the auditor considers a significant accounting practice that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity;
- Significant difficulties, if any, encountered during the audit. Unless all of those charged with governance are involved in managing the entity.



- Significant matters arising during the audit that were discussed, or subject to correspondence, with management.
- Written representations the auditor is requesting.
- Circumstances that affect the form and content of the auditor's report, if any.
- Any other significant matters arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.
- Auditor Independence.

(Any 7 points @ 1 mark each = 7 marks)

(Total: 20 marks)

## EXAMINER'S COMMENTS

### CHIEF EXAMINER'S COMMENTS

Performance of question 5 was satisfactory because most candidates found it to be popular and practical.

### CONCLUSION

Some candidates showed excellent performance with scores of 80% and above in this paper. The under listed points can be used to strengthen the examination:

- Tuition providers should guide candidates to appreciate the provisions in the Institute of Chartered Accountants Ghana Act, 2020 (Act 1058) and other governance acts like IAA act (Act 658) etc as they are now examinable materials.
- More and intensified teaching and learning by Tuition Providers and candidates should be continued.
- A lot of mock tasks should be conducted prior to the examinations so that candidates will be exposed to the approach of ICAG's professional examination questions for improved performance.
- Candidates must be encouraged to make good use of their study text as well as previous examinations questions so that performance in subsequent examinations will continue to improve.
- Candidates must be encouraged by Tuition Providers to improve on their English language writing skills so that they can express their thoughts well on paper in future examinations.