NOVEMBER 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 broadly good. The questions were practical and within the syllabus in terms of structure and weightings. The paper was not overloaded and free from ambiguities, errors and typing mistakes. The standard for all the five questions were very high covering all the syllabus.

PERFORMANCE OF THE CANDIDATES
The overall performance was good. A total of One hundred and sixty-one (159) candidates who wrote the examination, one hundred and thirty-six (136) passed and twenty-three (23) failed. In terms of percentages, the pass rate increased by 6 percent to 86 percent from 80 percent recorded in July 2023 diet due to good preparation of most candidates.

STRENGTHS & WEAKNESSES OF CANDIDATES
Strengths
Candidates demonstrated strengths in questions 1, 2 and 4. Those who attempted questions 1, 2(b), 4(a) and 4(d) scored higher marks due to high quality of teaching and learning by the tuition providers and candidates respectively.

Weaknesses
However, most candidates attempted the following questions but were unable to answer them properly; 2 (a), 3(a) and (b),4(b) and 4(c) and 5. Some could not explain substantive testing to detect fraud and procedures for verification of assets, liabilities and equity. Also, the difference between qualified opinion and disclaimer of opinion, emphasis of matter paragraph and other matter paragraph (ISA 705 and ISA 706) posed much problems to some candidates.

QUESTION ONE

a) The external auditor's responsibility towards corporate governance is to provide an independent and objective assessment of the effectiveness and efficiency of the company's corporate governance practices. The auditor's role is to evaluate the company's internal controls and make recommendations for improvements to ensure the company is adhering to good corporate governance practices.

Required:
State **FIVE (5)** ways the External Auditor can fulfil his/her responsibility towards the company's corporate governance practices. (**5 marks)**

b) Your firm has been appointed as Auditor for Akanji Ltd for the year ended 31 December 2022. Akanji Ltd designs, manufactures and retails traditional fabrics. In trying to understand Akanji Ltd's business, you observed the following:

- Inventory is held at the warehouse and at retail shops in three different locations.
- Customers place orders on line and review the designs before sales are made.
- There was a sharp fall in revenue due to the influx of "pirated fabric" and the directors are uncertain whether this trend will stop.
- One retail shop was closed during the year and the premises still available for sale.
- The Internal Auditor was dismissed in the course of the year and is pursuing a claim for unfair dismissal. The Finance Director currently doubles as the Internal Auditor.
- The Managing Director is due to retire next year and is likely to request for the loans he has advanced to the business to be repaid. Negotiations with the bank in respect of a loan to repay the Managing Director have started.

Required:
Identify and explain **FIVE (5)** risks arising from the above that should be considered when planning the audit of Akanji Ltd. **(10 marks)**

c) ***ISA 300: Planning an audit of financial statements*** provides guidance to assist Auditors in planning an audit.

Required:
Explain **FIVE (5)** benefits of audit planning. **(5 marks)**

(Total: 20 marks)

QUESTION TWO

a) Auditors play an important role in providing assurance to stakeholders on the reliability and accuracy of financial statements. However, situations may arise where an auditor may need to resign, retire, or be dismissed or removed from the audit engagement. The Auditor need to consider regulatory, professional and ethical issues relevant to an audit or assurance engagement.

Required:
Identify and explain the regulatory and ethical issues relating to:

i) Resignation;
ii) Retirement; and
iii) Dismissal/Removal of an auditor.

(10 marks)

b) Afrak and Associates is an Audit Firm that has been providing audit and assurance services for over 20 years. The firm has recently received a request from a new client, XYZ Ltd., to provide audit services. The audit engagement will cover the financial statements for the year ended December 31, 2022.

Required:
Explain **FIVE (5)** factors Afrak and Associates must consider prior to accepting the audit engagement, paying attention to, risk areas that may give rise to liability, including fraud, error and non- compliance. **(10 marks)**

(Total: 20 marks)

QUESTION THREE

Automech Ltd is a manufacturer of automotive parts based in Ghana. The company's accountant has been manipulating the accounts payable balance by teeming and lading to misrepresent the financial position of the company. The accountant has been recording fictitious invoices and payments to suppliers to increase the accounts payable balance and misrepresent the company's expenses.

The external auditor, who was engaged to audit the financial statements of the company, performed substantive testing for transaction cycles and verification procedures for assets, liabilities, and equity items. However, the auditor failed to identify the risk of teeming and lading in the accounts payable balance.

During the audit, the auditor reviewed the accounts payable balance and performed confirmation procedures to verify the balance with the suppliers. However, the accountant had provided the auditor with fake confirmation responses, and the auditor failed to detect the fraud.

Although the financial statements of Automech Ltd were misstated, the Auditor issued an unqualified opinion, stating that the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
After the audit, the fraud was discovered by a whistle-blower, and the accountant was fired. The company's reputation was damaged, and the external auditor faced legal action for failing to detect the fraud.

Required:

a) State and explain **FOUR (4)** substantive testing that would have detected the fraud being perpetuated by the Accountant. **(10 marks)**

b) State and explain the procedures that should be followed for verification of assets, liabilities and equity items in Automech Ltd. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

a) ***ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***, distinguishes fraud from error and provides significant guidance on the auditor's responsibilities to consider fraud in an audit of financial statements.

Required:
Distinguish between fraud and error giving an example of each. **(4 marks)**

b) ***ISA 710: Comparative information-corresponding figures and comparative financial statement***, deals with audit work on corresponding amount and other comparative information for the preceding financial reporting period.

Required:
Explain **THREE (3)** circumstances under which the audit opinion should refer to the comparatives figures. **(3 marks)**

c) ***ISA 580: Written Representations*** guides the use of management representations as audit evidence, the procedures to be applied in evaluating and documenting management representations and the action to be taken if management refuses to provide appropriate representations.

Required:
Explain the action to be taken by the auditor if management refuses to provide representations. **(3 marks)**

d) The independence of an internal auditor can be challenging especially if he or she is a full-time employee as compared to the external auditor who is not an officer of the company. For that matter, companies try to ensure the independence of internal auditor through various methods.

Required:
Identify and explain **FIVE (5)** measures that can be put in place to ensure the independence of the internal auditor. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

a) International Standards on Auditing (ISAs) are developed and updated by the International Auditing and Assurance Standards Board (IAASB), which is an independent standard-setting body established by the International Federation of Accountants (IFAC). The Institute of Chartered Accountants, Ghana adopts the standards set by the International Auditing and Assurance Standards Board (IAASB).

Required:
Describe the process for developing and updating ISAs. **(7 marks)**

b) The sixth Market Scan from the IAASB's Disruptive Technology team explored Robotic Process Automation, a technology used for executing repetitive tasks that has applications across the audit process, from data transformation to work paper creation, as well as the potential for forming part of an audited entity's IT environment. Robotic Process Automation (RPA) is a technology that involves creating software robots or "bots" to perform repetitive, routine manual tasks, such as extracting data, filling out forms or moving files. By completing rules-based actions that emulate human processes, RPA tools can autonomously complete various activities across multiple unrelated software systems.

Required:
State **THREE (3)** areas of the audit process where RPA can be deployed. **(3 marks)**

c) ***ISA 705: Modifications to the opinion in the independent auditor's report*** and ***ISA 706: Emphasis of matter paragraphs and other matter paragraphs*** in the independent auditor's report provide modifying phrases for use when issuing modified reports.

Required:
Write brief notes on the following terms:

i) Qualified opinion
ii) Disclaimer of opinion
iii) Emphasis of Matter paragraph
iv) Other Matter paragraph **(10 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) Responsibilities of Auditors towards corporate governance practices:

- To fulfill this responsibility, the auditor should conduct a comprehensive audit of the company's corporate governance practices, including its internal controls, risk management framework, and compliance with applicable laws and regulations.

- The auditor should also review the company's policies and procedures to ensure they are appropriate and effective in achieving the company's corporate governance objectives.

- The procedures for assessing the effectiveness and efficiency of a company's corporate governance practices include reviewing the board's composition, independence, and effectiveness, assessing the company's risk management processes, evaluating the company's internal control system, and reviewing the company's compliance with applicable laws and regulations.

- The auditor should also evaluate the company's code of conduct and ethics policies and assess whether they are effectively communicated and implemented throughout the organization. The auditor may also review the company's sustainability reporting practices to ensure that they meet relevant reporting frameworks and standards.

- Overall, the external auditor plays a critical role in ensuring that companies adhere to good corporate governance practices. By providing an independent assessment of a company's internal controls, risk management, and compliance processes, the auditor can help to improve the transparency and accountability of the company's operations, enhance stakeholder confidence, and ultimately, protect the interests of the company's stakeholders.

(5 points @ 1 mark each = 5 marks)

b) Risks arising and why they need to be considered

Risk	**Why to be taken into consideration**
Inventory is moved about between the design warehouse and the shops and occasionally is sent out to customers for approval.	Because of the portable and valuable nature of the inventory, strong controls will be needed to ensure it is not stolen - both in general and to control these movements. Where customers hold goods on approval it may be difficult to determine when revenue should be recognised

Some items of inventory will be individually material	Counting and valuation procedures will need be carefully assessed
The entity operates from multiple locations.	Cut-off will need to be carefully controlled
The entity is likely to keep permanent inventory records	This may reduce the amount of work the permanent inventory auditor needs to carry out at the year-end physical inventory count
Significant inventory may be held by customers	Confirmation from customers as to inventory held at the year-end will be needed. In the case of individually material items, a visit to the customer by the auditor may be considered appropriate
Inventory is of a specialised nature	Evidence from an independent expert may be required (e.g. to certify that any gemstones or precious metals are real and not fake).
Because of the decline in sales, the closure of one shop and the imminent retirement of the managing director, the ability of the entity to continue in in business must be in doubt	The going concern basis of accounting may not be appropriate. The auditor will need to consider any future orders/projected sales, the progress of the negotiations with the bank and plans to replace key staff
The premises from the closed shop are still held for sale	The accounting treatment and disclosure of these premises in the year-end financial. Statements will need to be checked
The Internal Auditor has been dismissed and not replaced	The accounting systems and internal controls may not be operating reliably due to the loss. of a key member of staff
The Internal Auditor is suing for unfair dismissal	A provision may be needed in the financial statements if the claim is likely to succeed

(5 points @ 2 marks each = 10 marks)

c) **Benefits of planning**

In accordance with ISA 300 Planning an audit of financial statements the benefits of audit planning are as follows;

- It helps the auditor devote appropriate attention to important areas of the audit.
- It helps the auditor identify and resolve potential problems on a timely basis.
- It helps the auditor organise and manage the audit so that it is performed in an effective manner.

- It assists in the selection of appropriate team members and assignment of work to them
- It facilitates the direction, supervision and review of work
- It assists in the coordination of work done by auditors of components and experts

(5 points @ 1 mark each = 5 marks)
(Total: 20 marks)

QUESTION TWO

a) Auditors play an important role in providing assurance to stakeholders on the reliability and accuracy of financial statements. However, situations may arise where an auditor may need to resign, retire, or be dismissed or removed from the audit engagement. Here are the regulatory, professional, and ethical issues relevant to these scenarios:

i) **Resignation:**
Regulatory: The auditor must comply with the regulatory requirements related to resignation, which may include informing the appropriate authorities of the resignation and providing reasons for resignation as required by the Companies Act 2019, Act 992.

Ethical: The auditor must maintain confidentiality and avoid any actions that could damage the reputation of the profession, the entity being audited, or themselves. The auditor should not resign to avoid giving an unfavorable opinion or to protect their own interests.

ii) **Retirement:**
Regulatory: The auditor must comply with the regulatory requirements related to retirement, which may include informing the appropriate authorities of the retirement and ensuring that a successor auditor is appointed as required by the Companies Act 2019, Act 992.

Ethical: The auditor must act with integrity and avoid any actions that could compromise their independence or objectivity. They should not retire to avoid giving an unfavorable opinion or to protect their own interests.

Dismissal/Removal:
iii) **Regulatory**:
- In Ghana, a resolution to remove any auditor or to appoint any other person in their place is not effective unless:
  - ✓ It is passed at an annual general meeting of the company’

- ✓ Written notice has been given to the company of the intention to move it not less than 35 days before the annual general meeting at which it is to be moved and on its receipt the company shall have sent a copy to the auditor concerned; and
- ✓ The company shall have given its members notice of such resolution at the same time and in the same manner as its gives notice of the meeting or, if that is not practicable, shall have given them notice in the same manner as notices of meetings are required to be given not less than 21 days before the meeting

- The auditors concerned shall be entitled to be heard on the resolution at the meeting

Ethical:
The auditor must maintain confidentiality and avoid any actions that could damage the reputation of the profession, the entity being audited, or themselves. The auditor should not be dismissed or removed for refusing to modify their opinion, and they should not accept the dismissal or removal without adequate justification.

In conclusion, auditors must consider the regulatory, professional, and ethical issues when resigning, retiring, or being dismissed or removed from an audit engagement. They should ensure that they comply with the relevant regulations, professional standards, and ethical principles and act with integrity and objectivity.

(10 marks)

b) Factors to Consider:

- **Understanding the Client's Business and Industry:** Before accepting the engagement, the audit firm must have a good understanding of the client's business and industry. This includes understanding the nature of the client's operations, the industry in which it operates, and the risks associated with the industry.

- **Assessment of Fraud Risk:** The audit firm must assess the risk of fraud in the client's financial statements. This includes considering the risk of management override of controls, the presence of related party transactions, and the adequacy of the client's internal controls.

- **Assessment of Error Risk:** The audit firm must assess the risk of errors in the client's financial statements. This includes considering the complexity of the client's accounting policies, the level of judgment required in accounting estimates, and the adequacy of the client's internal controls.

- **Assessment of Non-Compliance Risk:** The audit firm must assess the risk of non-compliance with laws and regulations that could result in material misstatements in the financial statements. This includes considering the adequacy of the client's internal controls over compliance and the client's history of compliance with relevant laws and regulations.

- **Resource Allocation:** The audit firm must ensure that it has the necessary resources and expertise to perform the audit engagement effectively. This includes having staff with the appropriate skills and experience, as well as adequate time and budget to complete the engagement.

- **Compliance with Professional Standards:** The audit firm must ensure that it complies with the relevant professional standards, including auditing and assurance standards, ethical standards, and legal requirements.

  Conclusion:
  Based on the above factors, ABC Audit Firm has decided to accept the audit engagement with XYZ Ltd. The firm has conducted a thorough assessment of XYZ Ltd.'s financial position, industry, and management team. The firm has also assessed the risk of fraud, error, and non-compliance, and has ensured that it has the necessary resources and expertise to perform the engagement effectively. Finally, the firm will comply with professional standards and provide high-quality audit services in compliance with legal, professional, and ethical requirements.

(5 points @ 2 marks each = 10 marks)

(Total: 20 marks)

QUESTION THREE

a) Substantive testing for the transaction cycle is one of the procedures that external auditors perform during an audit to obtain evidence of the completeness, accuracy, and validity of transactions recorded in the financial statements. In the case of teeming and lading, substantive testing for the transaction cycle can help auditors to detect this type of fraud.

Teeming and lading involve the manipulation of accounts payable balances by recording fictitious invoices and payments to suppliers. These fictitious transactions are used to increase the accounts payable balance, misrepresent expenses and inflate profits. To detect teeming and lading, the following substantive testing procedures can be performed:

- **Analytical procedures:** Analytical procedures involve the evaluation of financial information through analysis of significant ratios and trends. In this case, auditors can compare the accounts payable balance with the previous year's balance, industry benchmarks, and the company's sales. Any significant fluctuations in the accounts payable balance can be investigated further to determine the reasons behind the change.

- **Testing of documentation:** Auditors can select a sample of invoices and payments from the accounts payable ledger and examine the supporting documentation such as purchase orders, receiving reports, and vendor invoices. This can help auditors to verify the existence and authenticity of the transactions.

- **Independent confirmation of accounts payable balances:** Auditors can send confirmation requests to the company's suppliers to confirm the accuracy and completeness of the accounts payable balance. Confirmation responses from suppliers can provide auditors with evidence that the accounts payable balance is complete and accurate.

- **Physical inspection of inventory:** Auditors can observe the physical inventory and compare to the inventory records, purchases and accounts payable ledger. Any discrepancies in the inventory records can indicate the existence of fictitious transactions.

In conclusion, substantive testing for the transaction cycle can be effective in detecting teeming and lading fraud in a company. Auditors must exercise professional skepticism and perform due diligence to detect any fraudulent activity in the financial statements.

(Any 4 points @ 2.5 marks each = 10 marks)

b) Verification procedures for assets, liabilities, and equity items are essential to ensure that these items are properly stated in the financial statements. In the case of teeming and lading fraud, verification procedures can help auditors to detect misstatements in assets, liabilities, and equity items resulting from fictitious transactions.

Assets:

- **Accounts Receivable:** Auditors can select a sample of accounts receivable balances and perform confirmations with customers to verify the existence and accuracy of the balances.
- **Inventory:** Auditors can perform a physical inventory count and compare the results to the inventory records in the company's accounting system. Any discrepancies can be investigated to determine the cause of the difference.
- **Property, Plant, and Equipment (PPE):** Auditors can perform a physical inspection of the PPE and compare the results to the PPE records in the company's accounting system. Any discrepancies can be investigated to determine the cause of the difference.

Liabilities:

- **Accounts Payable**: Auditors can select a sample of accounts payable balances and perform confirmations with suppliers to verify the existence and accuracy of the balances.
- **Accrued Expenses:** Auditors can review the company's documentation and agreements to verify the accuracy of accrued expenses.

Equity:

- **Share Capital**: Auditors can review the company's documentation and agreements to verify the accuracy of share capital.
- **Retained Earnings:** Auditors can review the company's documentation and agreements to verify the accuracy of retained earnings.

In the case of teeming and lading fraud, auditors must exercise professional skepticism and perform due diligence to detect any fraudulent activity in the financial statements. Auditors must also ensure that they have obtained sufficient and appropriate audit evidence to support their conclusions regarding the accuracy of assets, liabilities, and equity items.

(10 marks)

(Total: 20 marks)

QUESTION FOUR

a) **Fraud and Error**

Fraud is the intentional act of deception by one or more individuals to obtain an unjust or illegal advantage resulting in a material misstatement of the financial statements. An example would be the alteration, falsification or manipulation of accounting records or documents.

An error is an unintentional mistake in the financial statements, including the omission of an amount or disclosure. An example would be an incorrect accounting estimate arising from oversight or misunderstanding of facts

(2 mark each = 4 marks)

b) The audit opinion shall not refer to the corresponding figures, unless the following circumstances apply**:**

Circumstances	**ISA 710 requirement**
The auditor gave a qualified opinion for the previous financial period and the problem remains unresolved	Modify this year's auditor's report
The auditor finds a material misstatement in the prior period financial statements, on which an unmodified opinion was previously given and the corresponding figures have not been appropriately restated.	Given a qualified or adverse opinion on the current period financial statements, in respect of the corresponding figures included
The prior period financial statements were audited by another auditor	Use an 'other matter' paragraph to explain this fact and the type of opinion given.
The prior period financial statements were not audited.	Use an 'other matter' paragraph to state this fact. (However, the auditor remains responsible, per ISA 510, for obtaining sufficient appropriate evidence on opening balances)

(3 points @ 1 mark each = 3 marks)

c) **Management representations**

Refusal to provide a representation necessary for audit purposes is a scope limitation and the audit opinion should be qualified or disclaimed (as appropriate).

Before qualification, the auditor would normally discuss with management (and the audit committee) the reasons for refusing to sign the representation letter.

Consideration would be given to see if the matters the management disagrees with could be redrafted within the representation letter. ln doing so, it is critical to ensure that sufficient and appropriate audit evidence is still fully obtained. This may include revisiting the audit area concerned.

lnitially refusing to sign the representation letter, but then subsequently doing so, the auditor should consider the integrity of management and the impact this will have on their audit report.

(3 marks)

d) Measures that can ensure the independence of the Internal Auditor:

- **Reporting lines:** The chief internal auditor may report to the audit committee and not the finance director or the chief accountant

- **Deciding the scope of the internal audit work:** The scope of the work carried out by the internal auditor should not be decided by the finance director or the line management responsible for the operations that might be subjected to audit. This is to avoid the risk that the internal auditors might be assigned to investigations of non-contentious areas of the business. The scope of the audit should be decided by the chief internal auditor or the audit committee.

- **Rotation of internal audit staff:** Internal auditors should not be allowed to become too familiar with the operations that they audit or the management responsible for them. To reduce the familiarity threat, internal auditors should be rotated regularly, say every three to five years, and at the end of this time they should be assigned to other jobs within the entity.

- **Appointment of the chief internal auditor:** The chief internal auditor should not be appointed by the senior executive who may have some self- interest in wishing to appoint someone he/she could control easily. Instead, the audit committee should be responsible for the appointing new chief internal auditor, subject perhaps to approval by the board of directors

- **Designing internal controls:** The internal auditor should not be responsible for the design of internal controls within the entity. If they did, they would be required to audit their own work, which is unacceptable. Senior management in accounting and finance or line management should have the responsibility for the design and implementation of internal controls, taking advice where appropriate from the external auditors when control weaknesses are identified during the external audit.

(5 points @ 2 marks each = 10 marks)

(Total: 20 marks)

QUESTION FIVE

a) The process for developing and updating ISAs involves the following steps:

- **Identify and prioritize topics for standard-setting:** The IAASB identifies and prioritizes topics for standard-setting based on input from stakeholders, including the public, regulatory bodies, and professional organizations.

- **Establish a task force:** The IAASB establishes a task force to develop the proposed standard. The task force comprises experts in the field, including auditors, preparers of financial statements, regulators, and academics.

- **Develop an exposure draft:** The task force develops an exposure draft of the proposed standard, which is circulated for public comment. The exposure draft includes a description of the proposed standard, its objectives, and its key features.

- **Review and analyze public comments:** The IAASB reviews and analyzes the public comments received on the exposure draft. The comments are used to refine the proposed standard, and the IAASB considers the feedback when making its final decisions.

- **Issue the final standard:** The IAASB issues the final standard, which incorporates the changes made in response to public comments. The standard is published and distributed to stakeholders, including regulators, professional organizations, and accounting firms.

- **Update the standard:** The IAASB reviews and updates the standard periodically to ensure it remains relevant and effective. This process involves a similar set of steps as the initial development process, including stakeholder consultation, task force formation, and public comment.

Overall, the process for developing and updating ISAs is designed to ensure that the standards are developed in a transparent and rigorous manner, and that they are updated to reflect changes in the auditing profession and the broader business environment.

(7 marks)

b) Areas of the audit process where RPA can be deployed:

- **Data preparation** – combining data sets (e.g., general ledger transactions and trial balance information) and carrying out transformation actions to prepare data for use in automated tools.
- **Transaction matching and reconciliation** – automating the process of matching transactions to external datasets (e.g., bank statements)

- **Basic documentation** – completion of basic standardized documentation, such as work papers, checklists or templates based on prescribed inputs (e.g., trial balance information or information documented elsewhere in the audit file)

(3 points @ 1 mark each = 3 marks)

c) Briefing notes on the following

A 'qualified opinion' on the financial statements is expressed when the auditor concludes that an unmodified opinion cannot be expressed but that the effect of any material misstatement or inability to obtain sufficient appropriate audit evidence is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

A 'disclaimer of opinion' is expressed when the possible effect of a limitation on the scope of the audit (inability to obtain sufficient appropriate audit evidence) is so material and pervasive that the auditor is unable to express an opinion on the financial statements.

An 'Emphasis of Matter paragraph' is used in an auditor's report to highlight a matter affecting the financial statements which is appropriately presented or disclosed, for example in a note to the financial statements, that is of such importance that it is fundamental to users understanding of the financial statements. The addition of such an Emphasis of Matter paragraph(s) does not affect the auditor's opinion on the financial statements. The auditor may also modify the auditor's report by using an Emphasis of Matter paragraph(s) to report matters other than those affecting the financial statements.

An 'Other Matter paragraph' is a paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

(6 marks)

These four terms can be distinguished from each other as follows.

An Emphasis of Matter paragraph or an Other Matter paragraph does not affect the auditor's opinion on the financial statements, whereas a qualified opinion and disclaimer of opinion do. A qualified opinion can result from a limitation on scope leading to an inability to obtain sufficient appropriate audit evidence, or from a disagreement as a result of which the financial statements are materially misstated. A disclaimer of opinion results from a limitation on scope leading to an inability to obtain sufficient appropriate audit evidence that is so material and pervasive that the auditor cannot express an opinion on the financial statements.

(4 marks)

(Total: 20 marks)

CONCLUSION

Tuition providers are encouraged to keep up the good work. They should continue to encourage candidates to pay attention to above-mentioned weaknesses by organizing more mock examinations to assist them in their examination preparations in these areas. Candidates are encouraged to make good use of their study text as well as previous examinations questions to improve their performance in subsequent examinations.