

**MARCH 2026 PROFESSIONAL EXAMINATIONS
ADVANCED AUDIT AND ASSURANCE (PAPER 3.2)
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.

General performance of this diet was quite good comparative to the November 2025 diet.

NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES

Candidates had shown strengths in areas that regularly feature in the examinations and straight forward questions.

Candidates, however, showed weaknesses in the following:

- Inability of candidates to relate answers to relevant information in the scenarios.
- The application of relevant standards to answers were inadequate.
- A good number of candidates over elaborated on answers without considering marks allotted to the question.
- Some candidates wrote across the margins.
- Some candidates wrote wrong question numbers for answers provided. Some did not write the question numbers at all.
- Some candidates' handwriting was so bad that it took one a lot of time to make up what had been written.
- There were signs of inadequate preparation on the part of some candidates.

QUESTION ONE

- a) You are a Senior Partner at Dentaa & Kakum Associates, a firm of Chartered Accountants licensed in Ghana and regulated by Institute of Chartered Accountants, Ghana (ICAG). Your firm has recently been approached by Mahogany Financial Services LTD (Mahogany), a licensed microfinance institution regulated by the Bank of Ghana (BoG), to act as their external auditors following the unexpected resignation of the previous audit firm.

Mahogany has operated for over eight years, focusing on SME lending and recently expanding operations into rural areas. The company's Board has expressed its desire to engage your firm for the current year's statutory audit.

As part of your internal client acceptance procedures, the following matters have emerged:

- Dentaa & Kakum Associates previously provided non-assurance advisory services to Mahogany over a two-year period, supporting their loan portfolio digitisation strategy. These services accounted for over 55% of the total professional fees of Dentaa & Kakum Associates.
- A new Engagement Partner has been proposed for the statutory audit. The proposed Engagement Partner's sister-in-law currently serves as a Non-Executive Director on Mahogany's Board and he is professionally well known to the board members.
- The Audit Committee comprises only executive management, with no independent oversight or framework for reviewing auditor independence or audit quality.

Under the IESBA Code of Ethics and ISQM 1, the firm must evaluate whether these factors could impair or be perceived to impair independence and objectivity.

Required:

- i) Evaluate **FOUR** issues regarding the eligibility and independence of Dentaa & Kakum Associates to accept the audit engagement in light of the IESBA Code of Ethics and ISQM1. **(6 marks)**
- ii) Recommend **FOUR** safeguards or actions to address any identified threats. **(4 marks)**

- b) You are an Audit Manager at Nimo & Associates, a firm of Chartered Accountants based in Cantonments, Ghana. Your responsibilities include performing post-issuance quality reviews of completed audits within your firm. On 1 July 2025 you were asked to review the audit file for Agidi Ghana PLC (Agidi) for the year ended 31 January 2025. The auditor's report was signed on 31 May 2025.

Agidi is a technology and logistics company that provides digital platforms for transport and delivery services across Ghana. The company was listed on the Ghana Stock Exchange in September 2024 and is a new audit client of Nimo & Associates. You have identified the following matters in your post-issuance review of the audit of Agidi for the year ended 31 January 2025.

Use of Data Analytics Software

Agidi's Management encouraged the use of Nimo & Associates' new audit analytics tool, called "NSmart", during the audit, especially for testing its revenue recognition and customer payment cycles. According to the audit plan, NSmart was to be used to test the

completeness and accuracy of revenue using sales data extracted from Agidi's cloud-based system.

However, on reviewing the audit file, you find that most of the evidence consists of screenshots from the software's dashboard, with a comment handwritten by the Audit Assistant stating, "no issues noted - seems accurate". When questioned, the Audit Supervisor and Assistant admitted they did not fully understand how the tool worked but followed the instructions from the firm's IT guide and relied on Agidi's finance team to extract and format the data.

Engagement Quality Review

As Agidi is a listed company, an Engagement Quality Review (EQR) was required. The Head of EQR, Mr. Boadi, raised concerns about the lack of sufficient and appropriate audit evidence regarding opening balances and comparatives, especially given that the company had transitioned from a private to a listed entity.

He advised the Engagement Partner not to sign the Auditor's report until further work was done on verifying the opening balances. Despite this, no additional procedures were performed. The audit team relied on Agidi's prior year management accounts and the assumption that the former Auditors had done a good job.

Mr. Boadi also pointed out that per the audit strategy, a member of the IT audit team was to review the output of NSmart before conclusions were drawn. However, there is no documentation to show that this review occurred.

You have since reviewed the file and are reasonably confident that the financial statements are not materially misstated, but the documentation and audit process remain a concern.

Required:

- i) Evaluate **THREE** quality management and professional issues raised by your review of the audit, and recommend **THREE** appropriate actions to be taken by Nimo & Associates. **(6 marks)**
- ii) Discuss **FOUR** challenges associated with the use of data analytics in performing external audits. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

Ntatia Ghana LTD (Ntatia) is a major telecommunications service provider with a broad network of stores operating across Ghana and parts of West Africa. The company's financial year ends on 30 June 2024. You are the Audit Manager of Asiamama & Associates and this is the first year your firm is auditing Ntatia. You are currently at the planning stage of the audit.

You have received the following planning notes from the Engagement Partner based on a meeting held with Ntatia's Finance Director:

- i) Ntatia imports smartphones and electronic accessories from manufacturers in China and South Korea. These goods are shipped to their central distribution warehouse in Tema. Shipments are in transit for an average of two weeks. Inventory is recognised only upon receipt in the warehouse. The company does not perform a physical inventory count at year-end. Instead, they use a monthly continuous inventory system, with any discrepancies adjusted in the monthly stock records.
- ii) This year, the company introduced a commission-based incentive scheme for retail sales employees, which rewards staff for signing customers up for 24-month prepaid bundle contracts. This policy has resulted in a 20% increase in revenue, particularly in the last quarter. However, receivables have increased significantly, and there is concern about their recoverability.
- iii) Ntatia follows a revaluation model for its land and buildings and has conducted an asset revaluation during the year.
- iv) Directors received significant performance-related bonuses, which have been included in the general "wages and salaries" line item.

Ntatia appointed your firm largely due to your audit work with other local telecom firms, including a direct competitor. The Finance Director wants assurance that confidentiality and conflict of interest will be properly managed.

Required:

- a) Identify **FIVE** audit risks in the audit of Ntatia Ghana LTD and for each risk identified, propose a mitigating audit response. **(10 marks)**
- b) Recommend **THREE** audit procedures an auditor should perform to obtain sufficient and appropriate audit evidence when placing reliance on a continuous inventory system for year-end financial reporting. **(3 marks)**
- c) Recommend **THREE** substantive procedures to be performed to verify the Directors' bonus payments disclosed in the financial statements. **(3 marks)**
- d) Recommend **FOUR** possible safeguards your firm should implement to manage this potential conflict of interest. **(4 marks)**

(Total: 20 marks)

QUESTION THREE

Bodi Gold LTD is a mid-sized mining company headquartered in Bodi, Ghana. It engages in exploration, extraction and export of gold from various licensed concessions across the Western North Region. The company maintains significant inventories of ore stockpiles, refined gold bars, and spare mining equipment at various processing sites.

In an effort to digitise its operations, Bodi Gold LTD implemented a Machine Learning (ML) based data analytics system to estimate the quantity and valuation of ore stockpiles. The system uses drone imagery, real-time sensor data and historical production patterns to project the volume and grade of mineral content, which directly affects inventory valuation. Management applied these system-generated projections in determining the closing stock values disclosed in the financial statements.

However, during the year-end audit conducted by Kabiwe Partners, concerns arose regarding the material uncertainty in inventory valuation. The auditors noted significant variations between ML-estimated figures and the results of traditional physical stock counts. Additionally, some estimation models lacked transparency and there was no evidence of independent validation of the ML algorithm used.

During the audit, Bodi Gold LTD also experienced a cyberattack, believed to be ransomware originating from a foreign source. Key data files related to inventory management and operational records were corrupted or lost. Although Management claimed to have recovered most records from backup systems, Kabiwe Partners identified gaps and inconsistencies in recovered data, raising questions over data integrity and the reliability of the financial reporting process.

Given the complex and technical nature of the inventory models, Kabiwe Partners is considering engaging an IT expert or data scientist to evaluate the accuracy and reliability of the ML model's assumptions and outputs. The firm is also evaluating whether the circumstances warrant a modification to the audit opinion, or in the worst-case scenario, a withdrawal from the engagement due to inability to obtain sufficient appropriate audit evidence.

Also, there were Management and Board meetings to gather evidence regarding the completeness and accuracy of the ML model underlying the assumptions. However, no evidence was provided to support the valuation of the inventory. The inventory values recognised in the financial statements represent 10% of the total assets of Bodi Gold LTD.

Required:

- a) Draft a *basis of opinion* and *opinion* paragraphs of the audit report for Bodi Gold LTD. (8 marks)
- b) Explain when and why an auditor may refer to an IT expert or data scientist before concluding on an audit opinion. (6 marks)
- c) Discuss **THREE** considerations when deciding whether to modify the audit opinion or withdraw from an engagement in the presence of cyberattacks or data integrity breaches. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- a) The 1992 constitution establishes the independence of the office of the Auditor-General. The law gives varied powers to the Auditor-General to ensure that accountability and transparency exist for sound public financial management to operate in the public sector. However, there has still been fraud and malfeasance in the public financial management system. A recent report by the Auditor-General discloses disallowed expenditure in the sum of GH¢12.7 billion.

Despite the strong constitutional mandate empowering the Auditor-General of Ghana to disallow and surcharge individuals for financial irregularities, there are still recurrence of fraud and financial infractions.

Required:

Discuss **FIVE** factors that cause the recurrence of fraud and financial infractions in the public financial management. **(10 marks)**

- b) A Deputy Auditor-General of Ghana has raised concerns about weak internal controls and misuse of resources in several government ministries, departments and agencies (MDAs). Recently, the Ministry of Roads and Highways awarded contracts for road construction projects worth GH¢250 million. Allegations have surfaced regarding overpricing of contracts, poor quality of completed roads and payments made for unexecuted works.

As an Assistant Auditor-General, you have been assigned to lead the annual audit of the Ministry of Roads and Highways. Your mandate is to assess the economy, efficiency and effectiveness of the ministry's use of public funds and to provide assurance on compliance with relevant laws and regulations.

Required:

- i) Explain the **objectives of public sector auditing** in the context of the case. **(4 marks)**
ii) Describe **TWO** appropriate **audit methods** to be used in auditing the Ministry of Roads and Highways. **(2 marks)**
iii) Outline the benefits and limitations of each method described in (ii) above. **(2 marks)**
iv) Explain how each method will help in addressing the allegations. **(2 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) Samanpa Ghana PLC is a listed company on the Ghana Stock Exchange, engaged in renewable energy generation and supply. The company has recently undergone significant growth, expanding into three West African countries.

Following an anonymous whistle-blower report, the Securities and Exchange Commission (SEC) has initiated a routine corporate governance inspection into the affairs of Samanpa Ghana PLC in compliance with the Corporate Governance Code of listed companies 2020. The report alleged that the Board has failed to exercise proper oversight, and that certain executive decisions were made without board approval.

You have been provided with the following facts:

- The Board of Directors consists of six members, with only two being non-executive.
- The CEO, CFO and Legal Counsel are all on the Board.
- The Board Chairperson is also the CEO.
- There is no audit or risk committee currently established.

Minutes of meetings show that major contracts were approved via WhatsApp group discussions rather than in formal board meetings. One of the Director, who is also the CFO, authorised a GH¢2 million loan facility with a commercial bank without notifying the Board. The company does not conduct annual board evaluations and has not disclosed any conflict of interest register.

Required:

- i) Describe **FOUR** statutory duties of Directors that may have been breached in the above case. **(4 marks)**
- ii) Assess whether the current composition of Samanpa Ghana PLC's Board complies with the Corporate Governance Code for listed companies, 2020 by the SEC. **(3 marks)**
- iii) Recommend **THREE** changes to improve the board structure and independence. **(3 marks)**

- b) You are a Senior Audit Manager at Braimah & Partners, a mid-tier accounting firm in Wa. You received an email from the CEO of Chapuri Herbal LTD, a growing but still relatively small herbal cosmetics manufacturer based in Jirapa.

The company has expanded its distribution to Cote d'Ivoire and Burkina Faso but continues to operate a simple business model involving local suppliers, a single manufacturing plant and less than 25 employees. Its revenue for 2024 was GH¢1.9 million and total assets were GH¢1.3 million.

Below is the email received from the CEO of Chapuri Herbal LTD:

Subject: Clarification on Audit Requirement and Available Options for Small Businesses

Dear Madam,

Thank you for your prior assistance. I would be grateful for your views on the following matters ahead of our board meeting:

- 1) Our company is not publicly listed and has no external debt. Given our size and financial indicators, are we eligible for audit exemption under Ghana's Companies Act, 2019 (Act

992) and the Companies Regulations, 2023 (L.I. 2473)? If so, should we consider it, or are there reasons to voluntarily retain the audit?

- 2) If we are required to have or choose to retain an audit, what are the key points auditors consider when designing audit procedures for small and less complex entities like ours?

Warm regards,
Vida Yibile
Chief Executive Officer
Chapuri Herbal LTD

Required:

- i) Based on Chapuri Herbal LTD's profile, assess whether the company qualifies for audit exemption under Ghana's Companies Act, 2019 (Act 992) and the Companies Regulations, 2023 (L.I. 2473). **(2 marks)**
- ii) Discuss **THREE advantages** and **THREE disadvantages** for companies that are exempted from external audit. **(6 marks)**
- iii) Identify and explain **TWO** key factors that auditors must consider when planning and executing audits of small or less complex entities. **(2 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a)

i) **Eligibility and Independence Assessment**

- **Provision of Non-Assurance Services**

The fact that over 55% of total fees in the last two years were from advisory services creates a self-interest threat under IESBA Code Section. This could impair the firm's independence or create a perception that it is economically dependent on the client. The extent and nature of the advisory work (loan digitisation) may also involve systems or decisions now subject to audit.

- **Family Relationship Threat**

The engagement partner's sister-in-law on the board creates a familiarity and potential advocacy threat. According to IESBA, close family relationships with a director or officer of the audit client must be assessed. Even without direct involvement, the association may affect the partner's perceived objectivity.

- **Weak Audit Committee Oversight**

The Audit Committee's lack of independence – composed entirely of executives – undermines governance. Under ISQM 1, audit firms must consider whether the governance structure of a potential client provides an adequate environment to support high-quality assurance engagements. Absence of independent oversight may raise engagement risk.

- **Eligibility Beyond Licensing**

Eligibility includes assessing whether the firm meets the competence, independence, and ethical requirements under ISQM 1. Given the above threats, the firm must carefully determine whether it can proceed without compromising its integrity or reputation.

(4 relevant points @ 1.5 marks each = 6 marks)

ii) **Safeguards and Actions**

- **Partner Reassignment**

Assign an alternative engagement partner who has no personal connection to Mahogany's board to eliminate the familiarity threat.

- **Independent Engagement Quality Control Review (EQR)**

Appoint a senior reviewer, preferably external to the engagement team and prior advisory services, to provide oversight on planning, execution and reporting decisions, as required under ISQM 2 for engagements with elevated independence risks.

- **Communication with Those Charged with Governance (TCWG)**
Disclose all potential threats and mitigation steps to the Board and ensure TCWG affirm the firm's objectivity and independence. This supports transparency and professional integrity.
- **Limit Client Fee Exposure**
Monitor total fee dependence on Mahogany Financial Services. If total client fees exceed 15% of total firm revenue, per IESBA Section 410, consider external review, public disclosure, and engagement caps to reduce perceived economic dependence.
- **Engagement Conditions**
If threats cannot be reduced to an acceptable level, the firm should consider withdrawing from or declining the engagement, as per the firm's risk assessment policy under ISQM 1.

(4 relevant points @ 1 mark each = 4 marks)

b)

- i) **Quality management and professional issues raised by the review of the audit of Agidi Ghana PLC and recommended appropriate actions.**

The audit of Agidi Ghana PLC exhibits several deficiencies in compliance with ISAs, ISQM 1 & 2, and the IESBA Code of Ethics. Each is outlined below:

- **Inadequate Audit Evidence for Revenue Testing**
The audit file consisted only of screenshots from the NSmart tool, with vague handwritten comments. No independent verification of data integrity or analytical outputs was documented. ISA 500 requires audit evidence to be sufficient and appropriate. Also ISQM 1 requires firms to design and implement responses that support audit quality, including use of technology. It appears these quality requirements were non-existent.

Actions

The firm should mandate independent verification of data sourced from clients and require audit staff to document interpretations of analytics results clearly. In addition, they should provide formal training to audit teams on the use and limitations of analytics tools.

- **Failure to Address EQR Concerns**
The Engagement Quality Reviewer raised serious concerns regarding opening balances and the involvement of IT audit specialists. These concerns were ignored, and the audit opinion was signed. This breaches ISQM 2, which requires EQR recommendations to be addressed prior to report issuance. It also breaches ISA 220 which requires the engagement partner to be responsible for ensuring that audit documentation reflects responses to EQR findings.

Actions

The firm must revise policies so that EQR sign-off becomes mandatory before audit opinions are issued. The partner's override should trigger a post-engagement review and possible disciplinary action.

- **Insufficient Work on Opening Balances (ISA 510):** The team relied on prior year management accounts and the status of the previous auditor, rather than performing direct procedures. This breaches ISA 510, paragraphs 6-7 which require auditors to obtain sufficient appropriate audit evidence on opening balances through audit procedures, not assumptions.

Action:

The firm should issue guidance for first-year audits requiring analytical review, confirmation, and recalculations to substantiate opening balances.

- **Use of Inexperienced Staff on High-Risk Engagement (ISQM 1):** Audit team members lacked the competence to understand and apply data analytics or assess the outputs. According to ISQM 1, personnel should have the competence and capabilities to perform assigned tasks.

Action:

The firm should perform staff competency mapping and assign engagements accordingly. Introduce a structured mentoring or review programme for junior staff.

- **Independence and Objectivity Concerns (IESBA Code of Ethics):** Reliance on the client for extracting and formatting data creates a self-review threat and undermines objectivity.

Action:

Introduce policies requiring independent auditor control over data extraction. Formal independence assessments should be reviewed by a second partner on listed engagements.

- **Documentation Failures (ISA 230):** Lack of proper documentation on procedures, rationale, and review of analytics. ISA 230 requires that Audit documentation must record significant matters arising and conclusions drawn.

Action:

Implement standard documentation templates for analytics-based procedures. Enforce file reviews before audit completion to ensure compliance.

(3 relevant issues and related actions @ 2 marks each = 6 marks)

ii) **Challenges associated with the use of data analytics in performing external company audits.**

- *Inadequate Understanding and Competence of Audit Staff:* Many audit staff lack adequate training in data analytics tools. In this case, the audit assistant and supervisor admitted to following a manual without truly understanding the analytical procedures performed. This contravenes the provisions of ISQM 1, which requires that personnel have the competence and capabilities necessary to perform their assigned roles.
- *Risk of Inappropriate Audit Evidence:* Outputs from data analytics tools, such as dashboards or charts, may not by themselves constitute sufficient appropriate audit evidence unless properly interpreted. ISA 500, paragraph 7, requires the auditor to evaluate whether the information is relevant and reliable. Relying on unverified system-generated outputs breaches this standard.
- *Over-Reliance on Client-Prepared Data:* If auditors rely on clients (as in this case where Agidi's finance team extracted data), it creates a risk of using incomplete or manipulated data. ISA 330, paragraph 18, requires auditors to obtain audit evidence that is not solely reliant on management's representations.
- *Lack of Critical Analysis and Professional Skepticism:* Handwritten comments like "appears accurate" without further analysis demonstrate a lack of professional skepticism required under ISA 200, paragraph 15. Data analytics results must be critically assessed, not passively accepted.
- *Poor Documentation:* The absence of documentation showing how analytics results were derived or reviewed breaches ISA 230, paragraph 8, which mandates that audit documentation should be sufficient to enable an experienced auditor to understand the work performed, results obtained, and conclusions reached.
- *Failure to Integrate Analytics into Risk-Based Audit Approach:* ISA 315 (Revised) requires a risk-based approach to auditing. Analytics should be tailored to the risk assessment. If the audit team simply applied general analytics without linking them to identified risks, this reflects procedural weakness.

(4 relevant points @ 1 mark each = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Performance by candidates was satisfactory, because the question was standard and practical. However, part (b) (i) and (ii) were not well answered by many candidates. Most candidates were not able to espouse the requirement of the question relative to the ISQM 1.

QUESTION TWO

- a) Audit risks in the audit of Ntatia Ghana LTD and the auditor's response to each identified risk.

Audit risk	Audit response
Increased detection risk due to the fact that Ntatia is a new client.	Ensure that the audit team is made up of suitably experienced staff. Ensure that sufficient time is allocated to obtain an understanding of Ntatia's business and assess the entity's risks of material misstatement.
Inventory in Transit. Goods are recorded only when received; there is a risk of understatement if in-transit inventory is not recorded	Review shipping documents, confirm goods shipped before year-end, and ensure appropriate cut-off if necessary
Increased risk of material misstatement around cut-off of inventory, purchases and payables as a result of purchased goods taking two weeks to arrive at the company's central warehouse.	Perform detailed cut-off testing of goods in transit around the year-end to ensure that the cut-off has been correctly applied.
Reliance on Perpetual Inventory System. No physical count at year-end may result in uncorrected errors.	Test controls over the perpetual system, attend selected monthly counts, and perform an analytical review of inventory movement
Increased risk of material misstatement related to the completeness, existence and valuation of inventory under the perpetual inventory system, if all inventory is not counted at least once a year.	Review the inventory count instructions and perform audit procedures to determine whether all inventory is counted at least once a year. Assess the adequacy of internal controls around inventory records to determine whether the inventory records can be relied upon.
Increased risk of material misstatements due to sales cut-off, as a result of the sales-based bonus scheme encouraging sales staff to maximise their current year bonus.	Increase sales cut-off testing, and perform additional audit procedures on post year end cancellations to identify cut-off errors.
Revenue Recognition and Sales Bonuses. Revenue boost may be due to staff inflating sales to earn commissions, especially in last quarter.	Review contracts, investigate significant sales near year-end, and reconcile with receipts.

Increased risk of overvaluation of receivables, highlighted by the considerable increase in the receivables balance compared to the prior year, and concerns about the creditworthiness of some customers.	Perform extended testing of post year end cash payments and review the aged receivables ledger. Consider the adequacy of the allowance for receivables.
Recoverability of Receivables. Economic challenges increase the likelihood of bad debts.	Review ageing analysis, assess allowance for doubtful debts, confirm balances with customers, and evaluate post year-end receipts.
Risk of material misstatements relating to the valuation of land and buildings, if recent revaluations do not comply with IAS 16 Property, Plant and Equipment.	Obtain an understanding of the revaluation process through discussions with management, and review the process for compliance with IAS 16. Review the disclosures of the revaluation in the financial statements for compliance with IAS 16.
Director Bonus Disclosure. Bonuses not separately disclosed, risk of non-compliance with accounting standards and local legislation.	Discuss the matter with management. Review disclosures required by accounting standards and local legislation in the financial statements to gain assurance over compliance. Review board minutes, employment contracts, and ensure appropriate separate disclosure per regulatory requirements

**1 mark each for a well-described risk
1 mark for each well-explained response.
Overall maximum of 5 marks for risks and 5 marks for responses
(Total 10 marks)**

b) Audit procedures to obtain sufficient and appropriate audit evidence

- Agree the total on the inventory listing to the continuous inventory records, using computer-assisted audit techniques (CAATs), to check for accuracy.
- Attend and observe selected monthly inventory counts to assess accuracy and reliability. Observe the count and review the inventory count instructions to confirm that the procedures are as rigorous as those for a year-end inventory count.
- Review the schedule of counts undertaken/to be undertaken during the year to confirm whether all inventory lines have been counted (or are due to be counted).
- Inspect records of count adjustments made during the year. Review corrections to the inventory records to determine the amount of corrections made and the reason for the corrections. Confirm whether the corrections have been authorised by a manager.

- Where significant differences arise, enquire of management the actions they will take to ensure that the valuation of inventory is accurate.
- Test a sample of stock items for accuracy and reconcile with the general ledger.
(3 relevant points @ 1 mark each = 3 marks)

c) **Substantive procedures**

- Examine board minutes for bonus approval and performance criteria.
- Review payroll records and bank transfers to confirm actual payment of bonuses.
- Cast the addition of the schedule of director's bonus payments and ensure the totals are in agreement with the disclosure in the financial statements.
- Compare the bonuses with both the previous year's bonuses and expectations, taking into account the knowledge obtained during the audit (for example, whether the performance targets, if any, have been met).
- Agree the bonus payments to payroll records for the individual directors and agree the amounts paid on the bank statements to the payroll records.
- Review board meeting minutes and meetings of any remuneration committee for evidence of any bonuses not disclosed.
- Review the cash book for any unusual transactions which suggest undisclosed directors' emoluments.
- Review the disclosure of directors' bonuses and consider whether they are in accordance with applicable accounting standards and local legislation.
(3 relevant points @ 1 mark each = 3 marks)

d) **Client confidentiality**

- Both Ntatia Ghana LTD and its competitor should be notified that Asiama & Associates would be acting as auditors for each company and, if necessary, consent obtained.
- The use of separate engagement teams, with different engagement partners and team for each client.
- Establish "Chinese Walls" to prevent communication between teams.
- Partner-level review to ensure no conflict arises.
- Obtain written consent from both clients acknowledging the potential conflict and agreeing to proceed.
- Procedures to prevent access to information, for example, strict physical separation of both teams, confidential and secure data filing.
- Clear guidelines for members of each engagement team on issues of security and confidentiality.
- The use of confidentiality agreements signed by employees and partners of the firm.
- Regular monitoring of the application of the above safeguards by a senior individual in Asiama & Associates not involved in either audit.
(4 relevant points @ 1 mark each = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question 2(a) was well answered by most candidates because the question was practical. Many candidates were able to identify the audit risks but could not adequately provide the mitigating audit responses. Question 2(b), quite a straightforward question, was well answered by most candidates. Performance for question 2 was good because it was popular with many candidates.

QUESTION THREE

a) **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of Bodi Gold LTD as at 31 December 2024, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

As disclosed in Note 14 to the financial statements, the company uses a machine learning (ML)-based analytics system to estimate inventory volumes and values relating to ore stockpiles. During our audit, we identified material discrepancies between the system-generated estimates and the results from traditional physical stock count procedures.

Management was unable to provide sufficient appropriate audit evidence to support the completeness and accuracy of the ML model's underlying assumptions, including the consistency of sensor input data and the valuation techniques applied. Furthermore, the company experienced a cyber incident during the year which compromised inventory-related data files. Although partial data recovery was achieved, gaps in audit trails remain unresolved.

Due to the significance of the matters described above, we were unable to obtain sufficient appropriate audit evidence to determine whether inventory is fairly stated. Consequently, we have qualified our opinion on the inventory balance and related cost of sales figures.

(8 marks)

- b) An auditor may refer to an IT expert or data scientist when the subject matter involves technical knowledge that is outside the auditor's core expertise, particularly where audit conclusions depend on the functioning, reliability, or assumptions within complex technological systems.

In the case of Bodi Gold LTD, referral to an expert becomes necessary when:

- Inventory valuation depends on ML algorithms, drone imaging and sensor-based data analytics.
- The audit team lacks sufficient competence to independently assess the mathematical models or data processing logic applied in the estimation process.
- The assumptions used in predictive models, such as mineral grade estimation or volume conversion ratios, require technical validation.

The use of an expert is governed by ISA 620 (Using the Work of an Auditor's Expert). The expert provides the auditor with specialised technical insight, but the auditor retains responsibility for forming the overall opinion.

Referral to an expert enhances the credibility and robustness of audit procedures, reduces audit risk, and supports the auditor's conclusion, especially where the financial statement area is material and complex.

(6 marks)

- c) When cyberattacks or data integrity breaches occur during an audit, the auditor must evaluate whether sufficient appropriate audit evidence can be obtained to support the financial statements. Key considerations include:
- **Extent of data loss or corruption** – If critical accounting data cannot be restored or verified, the auditor may be unable to conclude on material balances.
 - **Management’s response** – The adequacy and transparency of management’s efforts to recover, reconstruct, or disclose the breach affect the auditor’s judgment.
 - **Impact on financial reporting** – If affected areas (e.g. inventory, revenue, receivables) are material and pervasive, this may necessitate a qualified or disclaimer of opinion under ISA 705.
 - **Scope limitation** – Where the cyber incident prevents the auditor from performing necessary procedures, a modification to the opinion is appropriate.
 - **Integrity of management** – Where the breach reveals systemic control failures or management’s unwillingness to cooperate, the auditor may consider withdrawal from the engagement, especially where the auditor’s independence, legal exposure, or ability to rely on representations is compromised.
 - **Regulatory implications** – If required by law or professional standards, the auditor must also report such incidents to appropriate regulatory authorities or stakeholders.

In conclusion, the decision to modify the audit opinion or withdraw depends on whether the breach creates a material misstatement or inability to obtain sufficient audit evidence, and whether the issue is pervasive in nature.

(3 relevant points @ 2 marks each = 6 marks)

(Total: 20 marks)

EXAMINER’S COMMENTS

Most candidates could not draft basis of opinion and opinion paragraphs in an audit report. Most candidates could not handle question 3(b) and 3(c) well even though the question was quite straight forward. Tuition providers should draw candidates’ attention to audit report modification and audit report writing in general.

QUESTION FOUR

a) **Factors that cause the recurrence of fraud and financial infractions in public financial management.**

The public financial management system of Ghana has well thought through laws that are intended to enhance effective and efficient public financial management. However, due to combination of factors, the Public Financial Management Act with Its Regulations, and other Public Financial Laws are not able to address all the gaps let alone the sanctions regime of the Auditor-General which are not seen to be biting hard enough to prevent perpetuation of fraud in the public financial management system.

Some factors which may have led to this include:

Leniency of the law

With respect to the Auditor-General's powers, people may not consider the sanctions as potent enough to stop the occurrence of public financial misconduct. This is because most often the enforcement of the sanctions is perceived very lenient, whereas the Auditor-General does not have the power to prosecute the offenders by himself. The processes that lead to prosecution are sometimes long and cumbersome such that in some cases evidence is mutilated along the way leading to the action ineffective or not enforceable. This makes people feel that the law just exists on paper where enforcement is far away.

Inconsistent application of the sanction regime

It is also deemed that the actions of the Auditor-General are not applied consistently and the danger of corruption and collusion of people on corridors of power have weakened the potential bite of the sanction powers of the Auditor General. In addition, people have become emboldened and adamant to the consequences of the Auditor-General's actions in the wake of the inconsistency. It also sends dangerous signals when people of power turn to fight the Auditor-General on application of the sanction regime.

Recovery of cost is seen as undeterrent

Also, recovery alone without prosecution of people is not deterrent enough to stop the malfeasance in the public financial management system.

The effect of retrieving the stolen monies at cost inherently is perceived to be gainful and lenient and this does not pose any threat or fear to the perpetrators.

Most often people of status seem to get away with these acts of misappropriation giving the opportunity for others to emulate same. In some cases, even when sanction is implemented, the weak and unenthusiastic nature in which institutions which are mandated to pursue the offenders take courses of action often raise eye brows.

Organisational structural defects

Weak organisational set-up and structures sometimes give way for collusion and corruption to be carried out without regard for upholding accountability and effective public financial management.

As a result of weak structural defects people seem to be less focused on the consequences of the aftereffects. If prosecution and payment of lofty interest charges are imposed on stolen or misappropriated funds, duty bearers would be more conscious and address the menace with the seriousness it deserves without the need for the Auditor-General to apply sanctions.

Need for stronger collaboration and action between agencies.

The urgent need for stronger action and collaboration between state institutions may provide a full proof financial environment network where respect of public financial management may be given better attention than people do.

The organisational independence of the activities of the Auditor-General and other agencies may not create the environment needed, harmony and collaboration required to address the social menace where the fragmentation may rather create institutional silos in which much more resources are spent on prevention rather than the act itself.

Independence of the Auditor-General

The independence of the Auditor-General and his operating staff may be a factor that affects the fight against the mismanagement of public finance. For instance, when the officers of the Ghana Audit Service are being sent to institutions for audit, are background checks conducted to ensure the integrity and independence of the auditors vis-a-vis auditees? The 1992 Constitution and the International Auditing Standards of Supreme Auditing Institutions regard independence as a key element in executing public audits. If this is addressed, the levels of malfeasance may be minimised.

There would also be the need for stronger partnership between internal auditors and external auditors, in the design of annual audit plans and programmes, where much of the internal audit work focus to address or prevent the occurrence of the levels of malfeasance that is experienced in the public sector.

Competence of Auditor-General's Staff

The Auditor-General must work with competent staff who are at the peak of their competence to provide high standard professional service with due care. The officers must be well trained and retrained. This will send strong signals to offenders in the public financial management system of the competence of audit officers and their ability to unearth any financial misappropriation that might have taken place in their institutions. The competency must go with sufficient funding of audit work such that the Auditor-General's officers need not rely on the client institutions for any support. The risk of the institutions providing financial assistance in one way or the other to the audit team poses a threat with regards to independence, objectivity, due care and the fundamental principles of integrity. This can affect sound public financial management and weaken the system for malfeasance to take place.

Political appointments with interference in the management of public institutions

With most appointments being politically undertaken, continuity and succession plans are not in place to groom the right people to take over the mantle of administration leading to ad hoc administration with an attendant ad hoc governance system. The danger with this is that some infractions may not even be noticed as new governance systems turn attention to new areas of governance and activities. Also, with much political interference, political bravado takes precedence over good public financial management practices leading to the danger of the menace which is not addressed by the Auditor-General's powers.

(5 relevant points @ 2 marks each = 10 marks)

b)

i) Objectives of Public Sector Auditing

The objectives of public sector auditing go beyond expressing an opinion on financial statements; they also ensure accountability, transparency, and improvement of governance in the use of public resources.

- **Accountability and Transparency:** Public sector audits ensure that public resources are managed in line with principles of accountability to citizens and Parliament.
- **Compliance with Laws and Regulations:** Audits verify whether the Ministry complied with the Public Financial Management Act, 2016 (Act 921), procurement laws, and other relevant regulations.
- **Assessment of Economy, Efficiency, and Effectiveness:** Evaluate whether resources were acquired economically, used efficiently, and achieved intended results.
- **Strengthening Governance and Internal Controls:** Auditors recommend improvements to promote good governance.
- **Assurance to Stakeholders:** Provide assurance to Parliament, government, and citizens that funds allocated for roads are used for intended purposes.

(4 marks)

ii) Appropriate Audit Methods

Several audit methods from ISSAIs can be applied in the case of the Ministry of Roads and Highways:

Compliance Audit

A compliance audit is an independent assessment of "whether a given subject matter is in compliance with applicable authorities identified as criteria" (ISSAI 400). In other words, the main objectives of compliance audit are to provide the intended user(s) with information about whether the audited public entity follows parliamentary decisions, laws, government policy, established codes or established agreed-upon terms.

Compliance audit is concerned with regularity or propriety. Regularity means compliance with formal criteria such as relevant laws or regulations. Propriety

means observance of the general principles governing sound financial management and conduct by public officials.

In the case, compliance audit will examine whether the Ministry complied with the *Public Procurement Act, 2003 (Act 663 as amended)* and the *Public Financial Management Act, 2016 (Act 921)* when awarding and paying for road contracts.

iii) **Advantages:**

Ensures adherence to laws and regulations.

Provides assurance to Parliament and citizens that funds were legally used.

Helps detect irregularities such as unauthorised payments.

Disadvantages:

Focuses on legality, not necessarily efficiency or effectiveness.

May overlook poor-quality roads if procedures were formally followed.

- iv) The approach is highly appropriate, as allegations include breaches of procurement laws and irregular payments. However, it may not fully address concerns about poor-quality roads on its own.

Financial Audit

A financial audit in the public sector is an independent, objective examination of the financial statements of government ministries, departments, agencies (MDAs), and state-owned enterprises (SOEs), with the aim of expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and whether public funds have been properly accounted for.

Financial audit in the case involves verifying the accuracy and completeness of expenditure reports by matching contract payments with evidence of actual work executed. Confirm liabilities and commitments related to the road contracts.

Advantages:

Provides independent assurance on the truth and fairness of financial statements.

Identifies misstatements or fraud in reported figures.

Establishes whether public accounts reflect reality.

Disadvantages:

Limited to financial reporting, does not evaluate efficiency, economy, or service delivery.

May miss operational issues such as poor-quality construction.

It is relevant for confirming if payments were properly recorded, but not sufficient to address allegations of inefficiency and poor-quality roads.

Performance Audit

ISSAI 300 defines performance auditing as an independent, objective and reliable examination of whether government undertakings, systems, operations,

programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

The main objective of performance auditing is to promote economical, effective and efficient governance. It promotes accountability by assisting those charged with governance and overseeing responsibilities to improve performance. It also contributes to accountability and transparency. Performance auditing promotes transparency by affording Parliament, taxpayers and other sources of finance people targeted by government policies and the media an insight into the management and outcomes of different government activities.

In relation to the case, it is most appropriate to address allegations of overpricing, inefficiency, and poor-quality roads. This method directly targets value-for-money concerns.

Advantages:

Goes beyond compliance and financial reporting.

Evaluates real outcomes and the impact of government expenditure.

Provides recommendations for improving efficiency in future projects.

Disadvantages:

Requires technical expertise (e.g., engineers to assess road quality).

It may be resource-intensive and time-consuming.

In this case, performance auditing will help to assess whether the road projects were delivered:

Economically (were contracts overpriced?),

Efficiently (were projects delivered on time and within budget?), and

Effectively (did the roads meet quality and intended service standards?).

Systems-Based Audit

A system-based audit in the public sector is an audit approach that evaluates the design, implementation and effectiveness of internal control systems within government ministries, departments, agencies (MDAs), and state-owned enterprises (SOEs), to determine whether these systems provide reasonable assurance that:

- Financial transactions are properly authorised, recorded and reported.
- Resources are safeguarded against waste, loss and misuse; and
- Public funds are being used in compliance with laws, regulations, and policies.

The objective of a system-based audit is to form a conclusion on whether the systems in place provide reasonable assurance of achieving accountability, transparency, and efficiency in public financial management.

It helps in examining controls over budgetary allocations, procurement processes, contract management, payment systems and revenue collection.

Advantages:

Identifies weaknesses in the Ministry's processes.
Promotes long-term improvements by strengthening internal controls.
Reduces risk of future irregularities.

Disadvantages:

Focuses more on system design than actual contract outcomes.
May not detect irregularities if controls look sound on paper but are not enforced.

In the case of the ministry, a system-based audit will evaluate internal controls within the Ministry for contract management, procurement approvals, monitoring, and payments. For example, assess whether supervisory structures ensured work completion before payments were made. It is appropriate as a preventive mechanism for future irregularities, but not sufficient alone to investigate current allegations of overpricing and unexecuted works.

Forensic/Investigative Audit

A forensic or investigative audit in the public sector is a specialised audit process designed to uncover, document, and provide evidence of fraud, corruption, financial irregularities, or other unlawful activities in government ministries, departments, agencies (MDAs), and state-owned enterprises (SOEs).

It goes beyond traditional financial or compliance auditing by employing investigative techniques, often with the goal of supporting legal proceedings, disciplinary actions, or recovery of misappropriated public funds.

The objective of a forensic audit is to detect and prove fraudulent or corrupt activities within the public sector; to gather evidence that can stand up in disciplinary hearings, Parliamentary oversight (e.g., Public Accounts Committee in Ghana), or in a court of law.

Advantages:

Effective in uncovering fraud, corruption, and mismanagement.
Provides evidence for legal or disciplinary action.
Builds public confidence in accountability institutions.

Disadvantages:

Expensive and resource-intensive.
May strain relationships with audited entities due to its investigative nature.

It probes corruption allegations by tracing payments to contractors, confirming work execution through site inspections, and investigating possible collusion between officials and contractors. It is highly appropriate in this case because of allegations of corruption and unexecuted payments. However, it should be combined with other audit methods for a holistic approach.

(ii to iv = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Many candidates did well with respect to question 4(a) because it looked quite straight forward. The (b) part was also well attempted by most candidates. Many candidates scored very high marks in this question.

QUESTION FIVE

a)

i) **Statutory duties of directors that may have been breached in this case.**

- *Duty to Act in Good Faith and in the Best Interest of the Company.* Directors must act in the best interest of shareholders and the company as a whole. The CFO approving a GH¢2 million loan without board consultation breaches this duty.
- *Duty to Avoid Conflicts of Interest.* Directors must disclose interests in any transaction. No conflict of interest register is maintained and this potential breaches remain undisclosed.
- *Duty to Exercise Independent Judgment and Care.* Decisions made via WhatsApp indicate failure to exercise proper judgment and diligence.
- *Duty Not to Exceed Powers.* The CEO acting simultaneously as Board Chair breaches good governance and potentially overrides checks and balances.

(4 relevant points @ 1 mark each = 4 marks)

ii) **Assessment of the current composition of Samanpa Ghana PLC's board**

- Non-compliance: A majority of the directors shall be non-executive directors. The Board is not majority non-executive as recommended by the Code.
- Board Chair and CEO roles are held by one person – a major violation.
- No independence: Board lacks diverse, independent oversight.

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

iii) **Changes needed to improve the board structure and independence.**

The Board shall comprise a balance of executive directors, non-executive directors and independent non-executive directors, all of whom shall be natural persons and:

- a majority of the directors shall be non-executive directors;
 - a majority of non-executive directors shall be independent; and
 - a minimum of two directors shall be independent non-executive directors, one of whom may be the Chairman of the Board
-
- Separate the roles of CEO and Board Chair.
 - Ensure at least 50% of the board are non-executive directors, with a minimum of two independent members.
 - Appoint directors with diverse backgrounds (legal, finance, risk, gender balance).
 - Conduct annual board evaluations.
 - Appoint a Company Secretary with corporate governance competence.

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

b)

i) Based on Chapuri Herbal LTD's profile, it does not qualify for audit exemption as it exceeds the GH¢400,000 thresholds for small companies under both revenue and asset metrics. An annual audit remains a legal requirement under Act 992.

(2 marks)

ii) **Argument for audit exemption for small companies**

- Audit costs are high: The resources could be spent by smaller entities to obtain more useful financial services.
- Providers of Loan finance will normally attach their own specific conditions to borrowings. These conditions are often independent of the content of the borrower's financial statement.
- Filing deadlines for the accounts of smaller companies are often long after the reporting date. The audited financial statements are therefore often "out of date" and of limited use by the time they become available for inspection.
- Many countries allow smaller companies to publish "abbreviated" Financial statement. Consequently, only a limited amount of audited information is available to users of the statement.

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

Argument against audit exemption for small companies

- If the financial statement has been prepared by a part-qualified accountant, an audit provides some assurance that they provide a true and fair view and do not contain material misstatements.
- The audit is valuable, especially to user groups other than the shareholders by giving them some assurance about the financial statement of small entities
- Shareholders, especially minority shareholders, should be entitled to receive financial statements from the entity that has been independently audited.
- The external audit imposes a level of discipline on companies in matters relating to accounting and internal control. The auditors can advise management on ways to improve internal control.
- The audit may identify areas where the entity can improve efficiency and achieve cost savings. These savings would reduce the overall audit cost.

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

iii) **Key points that auditors must consider when planning and executing audits of small or less complex entities.**

According to ISA 200 and ISA 315 (Revised), the audit of smaller entities should be scaled to their complexity and size. The following points are crucial:

Simplicity of operations: Small entities often have straightforward business models with less diverse transactions. Auditors can focus on substantive testing and analytical review rather than control testing.

Limited internal controls: Due to few staff and overlapping roles, segregation of duties is often weak. The auditor should assess the risk of management override and perform direct substantive procedures.

Management bias and override risk: Decision-making is often centralised with owners, increasing the risk of bias. Additional scrutiny over estimates and judgments (e.g. inventory valuation) is needed.

Informal recordkeeping: Documentation may be less structured, making reliance on inquiry and physical verification more common.

Owner involvement: Owners may be directly involved in operations, offering easy access for audit evidence but also requiring safeguards to maintain independence and skepticism.

Auditors must tailor procedures accordingly while complying with ISA principles.

(2 relevant points @ 1 mark each = 2 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question 5(a), was on governance, it was well attempted by most candidates because it was practical and well known by candidates. Question 5(b) had a good attempt by many candidates.

CONCLUSIONS

Even though some candidates scored 50% and above in this paper, the under listed points can be used to strengthen candidates' performance in subsequent diets;

- Tuition providers should guide candidates to appreciate the provisions in the International Standards on Auditing.
- 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 are encouraged to improve on their English language writing skills so that they can express their thoughts well in future examinations.