

**MARCH 2026 PROFESSIONAL EXAMINATIONS
AUDIT & ASSURANCE (PAPER 2.3)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

STANDARD OF THE PAPER

The overall standard of the paper was commendable, thoroughly covering the entire syllabus. The questions were practical, scenario-based, which required applied thinking and aligned with the syllabus in terms of structure and weightings. The paper was well-balanced, neither overloaded nor ambiguous, and was free from errors.

PERFORMANCE OF CANDIDATES

Candidates' performance was impressive. A total of 104 candidates sat for the Paper, of which 86 passed and 18 failed, representing a pass rate of 83%, compared to 84% in November 2025.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

Strengths

Several candidates demonstrated a commendable understanding of core auditing principles. Notable strengths included:

- Strong knowledge of compliance and performance audits.
- Clear understanding of the limitations of an internal audit function.
- Good appreciation of distinctions between public and private sector auditing.

In addition to subject-matter competence, many candidates provided clear and concise answers and applied theoretical knowledge effectively to practical, scenario-based questions.

Weaknesses

Despite the overall strong performance, some candidates showed weaknesses in specific technical areas. These included:

- Difficulty in identifying and explaining audit risk and its importance.
- Challenges in interpreting or drafting qualified opinions and disclaimers of opinion in audit reports.
- Limited ability to identify and discuss ethical issues in assurance engagements.

OVERALL OBSERVATION

Despite the identified weaknesses, majority of well-prepared candidates were able to meet or exceed the 50% pass mark, reflecting a generally positive performance.

QUESTION ONE

- a) In recent years, the role of auditing has extended beyond the traditional focus on financial statements to include specialised audits that assure compliance with laws, regulations, policies and operational efficiency. Public sector entities in Ghana, for example, are often subjected to *compliance audits* to determine adherence to statutory requirements. In contrast, *performance audits* are increasingly being conducted to assess whether resources have been used economically, efficiently and effectively. Professional accountants are therefore required to clearly understand the objectives, scope and outcomes of both compliance and performance audits, as these audits play different but complementary roles in ensuring accountability and good governance.

Required:

Compare and contrast *compliance* and *performance* audits. (10 marks)

- b) The auditor is required to identify possible risk areas that may give rise to liability, including fraud and errors. Professional judgement is crucial in risk assessment in the conduct of the audit.

Required:

i) Explain *professional judgement*. (2 marks)

ii) Explain **FOUR** reasons professional judgement is crucial in the conduct of audit. (8 marks)

(Total: 20 marks)

QUESTION TWO

- a) You are a Chartered Accountant working as a Senior Assurance practitioner at Tigari Assurance. Your firm has been engaged to perform a limited assurance engagement on the Environmental, Social and Governance (ESG) Report of Kukuom PLC, a listed company in the consumer goods sector.

Kukuom PLC has made public claims of being “carbon neutral” by offsetting its emissions using carbon credits. The ESG report, prepared by Management, includes disclosures about carbon emissions, offset purchases, sustainability initiatives and governance policies.

Facts identified during the engagement are as follows:

- A significant portion of the carbon credits were purchased from overseas offset projects, primarily in developing countries, where third-party verification of emission reductions is minimal or unreliable.
- Sufficient appropriate evidence to support the validity and impact of many of these credits could not be obtained.
- Kukuom PLC is using its “carbon neutral” status heavily in investor communications, product packaging and social media, potentially influencing investor and consumer decisions.
- Management is aware of the limitations in carbon credit verification but argues these offsets are common practice in the industry.
- There is pressure from Kukuom PLC to complete the engagement before the upcoming Annual General Meeting.

Required:

- i) Identify and explain **TWO** key ethical issues in this assurance engagement. **(4 marks)**
 - ii) Explain **FOUR** professional responsibilities relevant under this assurance engagement. **(6 marks)**
 - iii) Recommend **FIVE** appropriate course of action you should take in this scenario to uphold professional integrity and protect the public interest. **(5 marks)**
- b) The internal audit function plays a vital role in enhancing the effectiveness of an organisation’s governance, risk management and internal control systems. While it provides management with valuable insights and recommendations, it is not without shortcomings.

Required:

Discuss **FIVE** limitations of internal audit function. **(5 marks)**

(Total: 20 marks)

QUESTION THREE

- a) Kasade LTD designs, manufactures and retails traditional Ghanaian jewellery. Inventory is held at the design warehouse and at three shops. Inventory is also sometimes sent to customers for approval prior to a sale being made. Your firm has been re-appointed as auditors for the year ended 31 December 2025.

Kasade LTD has had a difficult year. A recession has caused a fall in revenue and the future is uncertain. Four shops were closed during the year and the premises are still up for sale. The Finance Director was dismissed half way through the year and is pursuing a claim for unfair dismissal. A replacement has not yet been found. The Managing Director is due to retire next year and is likely to demand that loans he has advanced to the business be repaid. Negotiations with the bank in respect of loans to cover these repayments have started.

Required:

- i) State what you understand by *audit risk* and why it is important to the Auditor. **(5 marks)**
- ii) Identify the risks arising from the above scenario that will need to be considered when planning the audit of Kasade LTD. Explain why these risks need to be considered. **(10 marks)**
- b) The Engagement Partner of Appiah & Associates has reviewed the work of an Audit Junior on accrued revenue with a balance of GH¢700,000 as at 31 December 2024. The Engagement Partner's comment is that the Audit Junior's work is not sufficient to address the risk related to accrued revenue as the risk regarding misstatement to revenue has been determined to be significant.

The Audit Junior's work is below:

"We inspected an email trail between the Contract Manager and the Accounts Officer dated 30 December 2024 approving the booking of an extra revenue of GH¢200,000 to add to the 30 November 2024 balance of GH¢500,000. The Contract Manager also attached to the email the revenue accrual computation. The email also indicated the actions taken by the Contract Manager to ensure the extra revenue of GH¢200,000 was accurate".

- i) Discuss the Engagement Partner's comment. **(3 marks)**
- ii) Recommend **TWO** evidence sufficient and appropriate to address the risk of misstatement in revenue. **(2 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) You are on the engagement team for the Aburow LTD audit and are almost done with your audit procedures on the financial statements for the year ended 31 December 2024. You have scheduled a close-out meeting with Management. At the close-out meeting, you ask if there have been any subsequent events. The Finance Manager is not sure what you mean by subsequent events.

Required:

- i) Explain to the Finance Manager what *subsequent events* are and why they are an important part of the audit process. **(3 marks)**
- ii) Recommend **THREE** audit evidence and their relevance in the audit of subsequent events. **(3 marks)**

- b) Abele LTD specializes in the production and marketing of hair care and beauty, as well as equipment and commodities for hairdressers. The Finance Manager presented you with the following information that relates to the financial statements for the year end 31 December 2024:

- On 31 January 2025, the Chairman of the board resigned.
- On 31 December 2024, the Company received a letter from the estate of Mr. Kwesi Oduro, a debtor with a balance of GH¢4.5 million indicating that the estate is only able to settle GH¢3 million of the outstanding liability.
- On 24 March 2025, the courts ruled against Abele LTD in its suit against Ankama LTD for the recovery of GH¢29 million of mobilisation expenses it had incurred in line with a construction contract with Ankama LTD.
- Following the loss in court, the Company's lenders decided to vary the terms of the loan of GH¢42 million previously repayable on 31 December 2027 to be repayable on 30 June 2026. Per the terms of the loan agreement, the bank reserves the right to change the term of the loan.

Required:

Evaluate **TWO** subsequent events in the scenario above. **(4 marks)**

- c) Atala LTD is currently involved in a pending legal case filed by a former supplier, who is suing the company for breach of contract. The claim is for GH¢4.5 million, which is material to Atala's financial statements for the year ended 31 December 2024.

After performing the planned audit procedures related to the legal case disclosed by Atala LTD, the following were noted:

- The amount involved (GH¢4.5 million) is material to the financial statements.
- Management has disclosed the matter in the financial statements but has not recognised a provision, based on internal legal advice.
- The audit team's attempt to obtain direct response from the external legal counsel was unsuccessful, and alternative procedures were inconclusive. Therefore, the audit team was unable to obtain sufficient appropriate audit evidence regarding the likelihood of an outflow of economic resources and appropriateness of Management's decision not to recognise a provision.

- The audit team conclude that this results in a limitation of scope and recommend issuing a qualified opinion unless further evidence can be obtained prior to signing.

Required:

- i) Draft an extract of the Basis of Opinion and the Opinion paragraphs of the audit report for a *qualified audit report*. (5 marks)
- ii) Draft an extract of the Basis of Opinion and the Opinion paragraphs of the audit report for a *disclaimer*. (5 marks)

(Total: 20 marks)

QUESTION FIVE

- a) You are an Audit Manager and have just had two New Associates join your team. They are well-versed in the use of technology and AI tools, and are excited to bring new insights and efficiencies to your team and to your work. They have suggested the use of “Promdo”, a generative AI software, to review board minutes, management committee minutes, client contracts, and even assist in identifying key information in invoices and contract with staff and supplies.

The New Associates also indicated that Promdo could assist in the casting of the financial statements and checking whether all of the financial statement disclosures are in line with the requirements of the applicable standards.

Required:

- i) Explain **FOUR** benefits of adopting Promdo in the audit process. (6 marks)
- ii) Explain **FOUR** risks related to the proposed use of Promdo. (4 marks)

- b) The Audit Service Act, 2000 (Act 584) is the primary legislation that operationalizes and clarifies the constitutional mandate for the Audit Service and Auditor-General. It builds on Articles 187, 188 and 189 of the 1992 Constitution by detailing the scope, powers and administrative setup of the Audit Service. The Audit Service is mandated to audit public sector entities.

Required:

- i) Explain **THREE** differences between public sector audit and private sector audit. (6 marks)
- ii) Explain **FOUR** basic elements of public sector audit. (4 marks)

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) Compliance audit and performance audit

Definition/Focus

- **Compliance Audit:** Focuses on whether an entity is adhering to relevant laws, regulations, policies, contracts and internal procedures.
- **Performance Audit:** Focuses on whether resources are used economically, efficiently and effectively (the “3Es”).

Objectives

- **Compliance Audit:** To provide assurance that activities, transactions, and operations comply with applicable requirements.
- **Performance Audit:** To evaluate the economy (minimising cost), efficiency (maximising output from inputs), and effectiveness (achieving intended objectives).

Scope

- **Compliance Audit:** Narrower in scope; limited to legal and regulatory requirements.
- **Performance Audit:** Broader in scope; includes operations, management practices and outcomes.

Evidence

- **Compliance Audit:** Relies on inspection of documents, records, contracts, and procedures to confirm conformity with rules.
- **Performance Audit:** Relies on both quantitative and qualitative evidence such as performance indicators, cost-benefit analyses, interviews, and benchmarking.

Reporting

- **Compliance Audit:** Report highlights non-compliance, breaches, and recommends corrective action to ensure adherence.
- **Performance Audit:** Report highlights inefficiencies, waste, and provides recommendations for improving value for money and organisational performance.

(10 marks)

b)

- i) **Professional judgment** is the application of relevant knowledge, experience, and critical thinking in making decisions and forming conclusions during the audit.
(2 marks)

ii) **Why professional judgment is crucial**

- **Accounting Estimates:** Many financial statement items involve management's judgement, such as accounting estimates and fair value measurements. Auditors must exercise their judgment to evaluate these estimates.
- **Materiality:** Auditors must exercise judgement to determine what is material and what is not. Materiality thresholds are used to identify significant misstatements in the financial statements.
- **Complexity:** Many audit engagements involve complex accounting principles, transactions and business operations. Professional judgment is needed to navigate these complexities effectively.
- **Scope and Procedures:** Auditors need to decide on the appropriate scope of audit procedures based on the risks and circumstances of the engagement. Professional judgment guides these decisions.
- **Risk Assessment:** The auditor's judgment is essential in identifying, assessing and responding to risks of material misstatement due to fraud or error.
- **Regulatory Compliance:** Auditors must apply their professional judgment to ensure compliance with relevant legal and regulatory requirements, as well as auditing standards.
- **Communication:** Professional judgment is crucial when communicating findings and opinions in the audit report. It helps auditors form well-founded conclusions and express them clearly.

(4 valid points @ 2 marks each = 8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most candidates successfully distinguished between compliance and performance audits, demonstrating a solid grasp of the concepts and earning high marks. However, several candidates struggled to explain the importance of professional judgement in the conduct of an audit, indicating a gap in understanding of its relevance to audit decision-making.

QUESTION TWO

a)

i) **Ethical Issues**

- *Integrity*: Issuing an assurance report without sufficient evidence would breach the ethical principle of integrity. Pressure to sign off despite uncertainties requires the application of professional skepticism.
- *Objectivity and Independence*: The pressure from management to meet deadlines and maintain the carbon neutral narrative may impair your objectivity. Independence in appearance and mind must be maintained, especially given the marketing implications of the assurance report.
- *Due Care and Competence*: You are ethically obliged to ensure your work meets the standards of professional competence and due care. Signing off without credible evidence would violate this principle.

(2 relevant points at 2 marks each = 4 marks)

ii) **Professional Responsibilities**

- *Obtaining Sufficient Appropriate Evidence*: ISAE 3000 requires sufficient evidence to support the assurance conclusion. If this cannot be obtained, you must consider modifying the report or declining the engagement.
- *Transparent Reporting*: If material uncertainties or limitations exist, they must be clearly disclosed. If not, the report risks misleading users.
- *Communication with Those Charged with Governance*: You are required to escalate significant ethical concerns and limitations in scope to the Audit Committee or board.
- *Consideration of Modifying or Withdrawing from the Engagement*: If the engagement cannot be completed in line with ethical and professional standards, you must consider qualifying the conclusion or withdrawing.

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

iii) **Recommended Actions**

- *Discuss Findings with Management*: Clearly explain the limitations in evidence regarding the carbon offsets. Request management to revise disclosures to reflect the uncertainty or remove unsubstantiated claims.
- *Escalate to Those Charged with Governance*: Report concerns about potential misrepresentation and ethical implications of continuing with unverifiable claims.
- *Modify the Assurance Report if Needed*: Options may include: a qualified conclusion if the impact is material but not pervasive or a disclaimer of conclusion if the limitation is pervasive and no credible assurance can be given.
- *Withdraw from the Engagement*: If management refuses to amend the disclosures or restricts scope, and your professional responsibilities cannot be met, withdrawal should be considered.

- *Document All Decisions and Communications*: Ensure detailed documentation is kept supporting professional judgment and defend against any potential liability or regulatory inquiry.

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

b) Limitations of the Internal Audit Function:

- *Limited Independence*: Internal auditors are employees of the organisation, which can affect their independence and objectivity, especially when reviewing areas that involve their colleagues or superiors.
- *Scope Constraints*: The scope of internal audit may be limited by management, budget constraints, or resource availability, which can affect the depth and breadth of the audit.
- *Limited Expertise*: Internal audit teams may not always possess the specialised expertise required to comprehensively assess certain technical or industry-specific areas.
- *Resource Limitations*: In some organisations, the internal audit function may lack the necessary resources, including staff, tools, and technology, to conduct thorough audits.
- *Influence of Management*: Management may resist or attempt to influence the findings and recommendations of the internal audit function, particularly when the audit reveals deficiencies or problems within the organisation.
- *Inherent Bias*: Internal auditors may have inherent biases, conscious or unconscious, that could affect their judgment and conclusions.
- *Limited Legal Authority*: Internal auditors generally lack the legal authority to compel actions, enforce changes, or bring legal action in response to identified issues or fraud.
- *Limited Transparency*: The results of internal audits are typically not publicly disclosed, limiting external stakeholders' access to information about the organisation's performance.

(5 well-explained points @ 1 mark each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Many candidates competently discussed the limitations of the internal audit function, showing good theoretical understanding. Nevertheless, some candidates were unable to identify and explain key ethical issues arising in the assurance engagement presented in sub-question (a).

QUESTION THREE

a)

- i) Audit risk is the risk that an auditor forms an inappropriate audit opinion on the financial statements. It has three components: inherent risk, control risk and detection risk. The following equation represents the relationship: $\text{Audit risk} = \text{Inherent risk} \times \text{Control risk} \times \text{Detection risk}$. If inherent risk is high, there is greater potential for material misstatement in the financial statements. This risk of misstatement is reduced if control risk is low, i.e. the system of internal control of the enterprise is effective in detecting and correcting errors arising.

Detection risk is under the control of the auditor and is dependent on the assessment of inherent and control risk. In the audit risk model, detection risk is the balancing figure to satisfy the ultimate risk accepted. If detection risk needs to be kept low (e.g. because inherent and control risk are high), this would mean increased audit testing to ensure that the financial statements are not materially misstated. The level of risk also affects the nature and timing of audit work. For example, when risk is increased, more reliable evidence should be sought, e.g. more independent/ third party evidence.

(5 marks)

- ii) **Risks arising and why they need to be considered**

Risk	Why to be taken into account
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 to 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 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
Because of the decline in revenue, the closure of four shops and the imminent retirement of the managing director, the ability of the entity to continue 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 of 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 financial director 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 financial director is suing for unfair dismissal	A provision may be needed in the financial statements if the claim is likely to succeed

(10 marks)

b)

- i) The accrual has to be tested in its entirety, not just the movement. The amount to be subjected to testing is GH¢700,000.

The email approval shows evidence that the contract manager has reviewed the accrual and has agreed to the amount to be accrued. This is a control put in place by management to prevent material misstatements. At best, the documentation describes a control test.

Since revenue accrual has been determined as a significant risk relating to revenue, substantive procedures have to be performed over the balance.

ISA 330 requires that "if the auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details."

(3 marks)

- ii) Sufficient and appropriate evidence to address the risk of revenue misstatement
- Obtain an understanding of the revenue accrual process.
 - Obtain and agree the revenue accrual computation to the balance.
 - Obtain evidence to support the accuracy/occurrence of parameters used in the computation.
 - Obtain the actual invoice billed to the customer and compare the amount with the revenue accrual.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Most candidates were unable to explain audit risk accurately. Also, they encountered difficulty in identifying the specific risks presented in the scenario and articulating their significance for audit planning, which reduced the quality of their responses.

QUESTION FOUR

a)

i) *Subsequent events* are those events that occur between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report. Audit procedures have to be performed to identify all events between the date of financial statements and the date of the audit report.

This assists the auditor to determine whether there is any information, subsequent to the year-end that indicates that the financial statements are materially misstated.

(3 marks)

ii) **Audit evidence and their relevance in the audit of subsequent events.**

- Board meeting minutes - may provide information about decisions, approvals and key updates provided to the board that may indicate changes to underlying assumptions and transactions in the financial statements.
- Management meeting minutes - may provide information about decisions, approvals, events, etc. and key updates provided to the board that may indicate changes to underlying assumptions and transactions in the financial statements including provisions, contingent liabilities and assets.
- Interim financial statements/interim financial information issued/post-period end trial balances - may provide evidence about the results of litigations or tax disputes ongoing at year-end. May also provide evidence about reasonability of estimates made at the year-end.
- Correspondence with regulators - may provide information on updates to disputes, regulatory audits, changes in regulation, etc.
- Litigation register/tracker - may provide updates to the status of threatened or actual litigation outstanding at year end and provide evidence to support reasonability of conclusions made by management as at the period-end
- Risk register - may provide information on changes in environmental factors affecting the business, regulations
- Internal audit reports - may provide information on lapses in internal control which affect the financial statements
- Press releases, statements and comments - may provide information about decisions, events, etc. that affect underlying assumptions and transactions in the financial statements.

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

b)

The resignation of the Chairman, the court ruling and the change of the loan term are subsequent events. This is because they are all events that occurred between the date of the financial statements and the date of the auditor's report.

The audit team will have to evaluate the need for adjustment of, or disclosure in, the financial statements by evaluating the facts of these events against the applicable financial reporting framework and, as appropriate, applicable regulatory framework. The determination will be subject to the materiality of the impact events to the financial statements.

(4 marks)

c)

i) **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the basis of qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Atala LTD as at 31 December 2024, and its financial performance and its cash flows for year then ended in accordance with applicable financial reporting framework.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding a legal claim disclosed in Note X to the financial statements, in which a former supplier is seeking damages of GH¢4.5 million against the company. Management has disclosed the matter but has not recognised a provision, stating that the likelihood of loss is not probable. We sought direct confirmation from the company's legal counsel regarding the likelihood and estimate of loss, but no response was received. Alternative procedures performed did not provide us with adequate audit evidence to conclude on this matter.

Consequently, we are unable to determine whether any adjustments might have been necessary in respect of the legal claim and related disclosures in the financial statements.

(5 marks)

ii) **Disclaimer of Opinion**

We do not express an opinion on the accompanying financial statements of the Company because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

As disclosed in Note X to the financial statements, the Company is subject to a legal claim amounting to GH¢4.5 million. Management has disclosed the matter but has not recognised a provision in accordance with the applicable financial reporting framework, asserting that the likelihood of loss is not probable. We requested a direct response from the Company's external legal counsel to corroborate management's assessment. However, we did not receive a response,

and we were unable to obtain sufficient appropriate audit evidence through alternative procedures.

As a result, we were unable to determine whether any adjustments might be necessary in relation to the legal claim. The possible effects of this matter are material and pervasive to the financial statements.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

A significant number of candidates provided correct explanations of subsequent events.

Despite this, some had difficulty in applying the concept to the scenario provided, and others were unable to draft the required Basis for Opinion extracts for both the qualified opinion and the disclaimer of opinion.

QUESTION FIVE

a)

i) **Benefits of using AI (Promdo) in the audit process**

- The use of technology and AI tools can be beneficial in promoting an effective and efficient audit. The ISAs allow the auditor to use automated tools and techniques to understand flows of transactions and processing as part of the auditor's procedures to understand the information system.
- While AI offers benefits like increased efficiency and speed, it also introduces new security and privacy concerns. Inaccurate summaries or data breaches could lead to leaks of confidential information, especially in sensitive contexts like legal or financial meetings. When using AI, care should be taken that the use of AI does not breach the code of ethics of the auditor including confidentiality. Sensitive client information that is fed to such Gen AI may put that information in the wrong hands.
- The use of GenAI as a technology in audit may be appropriate when there is a provided information source that is relevant and reliable, does not contain any data that is restricted to use; and is used in conjunction with a prompt that is properly drafted. The outputs of the GenAI technology should also be independently verified for completeness and accuracy in relation to the inputs.

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

ii) **Risks related to the proposed use of Promdo**

- Data security breaches - AI tools, like any software, are vulnerable to hacking and data breaches. If not properly secured, sensitive meeting minutes could be exposed to unauthorised access.
- Inaccurate summaries - The AI may struggle with the language used and may not get the context of the materials or discussions which may lead to inaccurate summaries
- Misinformation - The generated document may pull data from various unverified sources which may lead to misinformation

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

b)

i) **Differences between public sector audit and private sector audit**

Public sector entities serve the public interest and include entities such as central government, police, schools and the courts. They do not aim to make profits but instead provide a service to society. This is in contrast to private sector entities who have the objective of making profits for their owners.

Public sector entities have a wider range of stakeholders than those in the private sector. Stakeholders such as employees, suppliers, customers and owners apply to both type of entity, although for a public sector entity the ultimate owners are members of the public, rather than shareholders. Additional stakeholders might apply in the public sector that are not relevant in the private sector, for example donors, politicians and taxpayers.

In Ghana, the financial statements of public sector entities are prepared using International Public Sector Accounting Standards (IPSAS) which are published by the International Public Sector Accounting Standards Board (IPSASB), a standard-setting board of IFAC. These financial statements are audited using ISSAIs (International Standards of Supreme Audit Institutions) by the Ghana Audit Service who report to Parliament.

The financial statements of private entities are prepared using IFRS. Private sector entities are audited using ISAs by private audit firms who report to the shareholders of that entity on whether the financial statements are true and fair.

The audit of public sector entities goes beyond reporting on whether the financial statements are true and fair (a financial audit). Public sector entities are funded by taxation, government borrowing or international aid and so there is more pressure to be accountable in how they are spending their funds than exists for a private entity.

Public sector audits will therefore also check whether funds are being spent in line with government policies, called a compliance audit. They might also be asked to look at the efficiency and effectiveness of how the public entity has spent their funds and whether this can be improved. This is called a performance audit.

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

ii) **Basic elements of public sector audits**

All public sector audits have the same basic elements:

- *The three parties to the audit*
- *Criteria for assessing the subject matter.* The subject matter of an audit is the information or activity that is subject to audit, and the criteria benchmarks used to evaluate the subject matter, and
- *The resulting subject matter information.* This is the outcome from evaluating or measuring the audit subject matter against the criteria.

All public sector audits involve the same three parties:

- The auditor - For public sector audits this is the Auditor-General and Audit Service Ghana.
- The responsible party - This is the entity responsible for the subject matter information, or for managing the subject matter activities or entity.

- The intended users - These may be legislative or oversight bodies, or those charged with governance of the audited entity, or the general public.
(4 relevant points @ 1 mark each = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This proved to be a popular question, and candidates generally performed well. They gave good answers on the benefits and risks associated with using AI tools in the audit process.

Furthermore, many candidates effectively differentiated public sector audit from private sector audit. However, several candidates struggled to explain the basic elements of public sector audit, which limited their ability to obtain full marks.

CONCLUSION AND RECOMMENDATIONS

Tuition providers played a significant role in the strong performance of candidates and deserve commendation. To further enhance candidate outcomes in future sittings, the following recommendations are made:

Recommendations to Tuition Providers

- Address the identified weaknesses highlighted in the examination analysis.
- Incorporate more case-based assignments that align with the revised syllabus to strengthen application skills.
- Increase the frequency of mock examinations and utilise sample questions to improve exam preparedness and confidence.

Recommendations to Candidates

Candidates are encouraged to make full use of updated study texts, practice materials, and past questions to strengthen their understanding and improve overall performance.