JULY 2026 PROFESSIONAL EXAMINATIONS
ADVANCED AUDIT AND ASSURANCE (PAPER 3.2)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

The objective of the Advanced Auditing and Assurance paper is to assess the ability of candidates to apply auditing principles, standards and professional judgement to practical business scenarios. Some candidates demonstrated strong theoretical knowledge and a clear understanding of auditing standards, producing well-structured answers and applying concepts appropriately to the scenarios presented. Others also struggled to apply theoretical concepts to practical contexts. Some responses were overly generic, lacking the depth and specificity needed to address the requirements of the case-based questions.

STANDARD OF THE PAPER

The overall standard of the paper was comparable to earlier sittings and reflected the expected rigour of an Advanced Auditing and Assurance paper. The examination paper demonstrated an appropriate balance between theoretical concepts and practical application. The questions were well distributed across the syllabus, ensuring comprehensive coverage of major topical areas. Allocation of marks aligned with the syllabus weightings.

PERFORMANCE OF CANDIDATES

The overall performance of the July 2026 examination was above average, with a pass rate of 78%, compared to the March 2026 diet of 75%.

NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES

Candidates demonstrated strengths in the following areas:

- Understanding of key auditing principles.
- Effective integration of practical examples by some candidates, reflecting better preparation and comprehension of the syllabus.
- Clear application of ethical and professional requirements.
- Identification of professional and ethical issues arising from a given scenario.
- Identification of internal control deficiencies from a given scenario and providing appropriate recommendations to address the deficiencies.

Weaknesses

- Bad time management, resulting in incomplete answers and excessive time spent on low-mark questions.
- Failure to provide clear and concise answers.
- Difficulty in applying theoretical knowledge to case-based and scenario-driven questions, leading to generic and sometimes irrelevant answers.
- Writing across the margins of answer booklets.
- Incorrect or missing question numbers.
- Poor handwriting that made scripts difficult to read.
- Failure to read over work before submission.
- Disorganized communication and lack of focus, indicating weak preparation and question interpretation skills.

QUESTION ONE

a) You are an Audit Manager at Opoku Chartered Accountants (Opoku). Your firm is just about to secure a new assurance engagement from a client regulated by the Bank of Ghana, whose business cuts across a number of business activities. Should the engagement be accepted, it would be the first time Opoku audits a client regulated by BOG and none of its staff has been engaged in such an audit.

Your Managing Partner is skeptical about accepting the engagement from this client because of an interim investigative report sighted from Bank of Ghana which revealed the following issues:

- The potential client is currently being investigated for potential issues over the nature of its business and operations.
- The potential client has not complied with the directives on corporate governance issued by Bank of Ghana.
- The potential client's operations are expanded into highly technical areas without approval by Bank of Ghana.

In your interaction with the potential client, you were informed that one of the partners has 10% shares in one of the business lines of the client.

Required:
Evaluate and advise on **FIVE** matters to be considered prior to your firm accepting the engagement. **(10 marks)**

b) You are a Senior Manager at Ananse & Associates, a firm of Chartered Accountants based in Accra with regional offices in Monrovia and Abidjan. The firm provides audit, review and other assurance services, including engagements related to value for money (VFM), prospective financial information and due diligence.

You have been assigned to supervise a portfolio of non-audit engagements for **Dubina Group**, a healthcare service provider with operations in **Ghana and Liberia**. The Group operates private hospitals and is pursuing major expansion through a **Public-Private Partnership (PPP)** arrangement. The Engagement Partner has tasked you with assessing the quality and scope of the various engagements to ensure compliance with **International Standards** and applicable **ethical principles.**

Specific Engagement:
Dubina Diagnostics LTD, a subsidiary of Dubina Group, is seeking financing from a local bank. As a condition of the facility, the bank has requested a review of the company's financial statements for the year ended 30 June 2025.

Your team has been engaged to perform a limited assurance review in accordance with ISRE 2400 (Revised). The client has provided a draft set of financial statements together with supporting documentation. However, the following issues require your attention:

- The Managing Director of Dubina Diagnostics LTD was highly involved in preparing the financial statements.
- The review procedures revealed that some balances lacked sufficient reconciliation, including third-party invoices.

- Management insisted that you issue the review report quickly due to submission deadlines, even though all review procedures were not completed.

  Your assistant suggests issuing a modified conclusion, but is unsure what form this should take.

Required:
In relation to the review of Dubina Diagnostics LTD:

i) Explain **THREE** professional and ethical issues arising from the review engagement. **(6 marks)**

ii) Evaluate the appropriate reporting options under ISRE 2400 (Revised) when review procedures are incomplete or evidence is inadequate. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

You are an Audit Manager at Kanfra & Associates, a licensed audit and assurance firm regulated by the Institute of Chartered Accountants, Ghana (ICAG). You are currently reviewing the payroll systems of Kata Manufacturing LTD, as well as preparing the final audit programme for the year ending 31 December 2024.

Kata Manufacturing LTD operates several production plants across Ghana in locations including Tema, Kumasi and Takoradi. The company runs a 24-hour, 7-day-a-week shift system and employs over 600 factory workers and 120 administrative and sales personnel.

Factory staff work 8-hour shifts and are paid weekly, either by bank transfer (70%) or cash (30%), based on employee preference. The company has not yet transitioned to full digital payment systems, citing accessibility issues in some rural areas. Administrative and sales staff are paid monthly by bank transfer. Each factory worker is issued a sequentially numbered timecard, which is swiped at the start and end of shifts. This process is not supervised. Staff are entitled to a 30-minute lunch break during the shift and are not required to clock out for lunch. Clock-in data is integrated with the payroll software, which calculates gross pay, Ghana Revenue Authority (GRA) statutory deductions, pension contributions and net pay automatically. The payroll supervisor performs sample checks on payroll calculations to ensure accuracy.

The human resource department handles the recruitment and termination of permanent staff, while temporary factory workers are hired directly by line supervisors, especially during peak production or staff absences.

Overtime is occasionally required and is tracked manually by line supervisors. Payroll generates quarterly overtime reports for departmental review. To encourage punctuality and productivity, factory workers are eligible for a discretionary semi-annual bonus. Line supervisors determine the bonus amounts based on attendance records and communicate them in writing to the payroll team. A payroll clerk enters this data into the system. For bank payments, the payroll manager reviews and approves the payment schedule and confirms that the figures reconcile with payroll reports before authorising the transfer. For cash payments, pay packets are prepared in the payroll department and distributed by a payroll clerk. No formal ID verification is performed during distribution, as the clerk is familiar with most of the staff.

Required:

a) Discuss **FIVE** key controls within the payroll system of Kata Manufacturing LTD that the auditor may place reliance on during the audit. **(5 marks)**

b) Discuss **FOUR** internal control deficiencies in the payroll system of Kata Manufacturing LTD and provide a recommendation to address each deficiency. **(12 marks)**

c) Recommend **THREE** substantive analytical procedures that you would perform to verify the payroll expense reported by Kata Manufacturing LTD in the financial statements. **(3 marks)**

(Total: 20 marks)

QUESTION THREE

You are the Audit Manager at Damuah & Associates, a firm of Chartered Accountants in Accra. Your team has completed the audit of Duahene Cocoa Ghana LTD (DCG), a large Ghanaian exporter of processed cocoa products, for the year ended 31 December 2024. The Partner of is preparing to sign the auditor's report.

During the final completion stage, you identified the following matters:

i) **Revenue Recognition under Contract Terms**
DCG entered into a significant forward contract with an international buyer. The contract stipulated that control of goods transfers only when the goods pass through the buyer's nominated shipping agent in Takoradi Port. Management recognised GH¢40 million revenue in December 2024 when the goods were still in the company's bonded warehouse. Audit evidence indicates that the shipping agent took possession in January 2025.

ii) **Revaluation of Property, Plant & Equipment (PPE)**
Management revalued its cocoa-processing plant upwards by GH¢120 million. The external valuer used was engaged by Management, but your team noted inconsistencies in the assumptions (inflated cocoa world market prices). If corrected, the revaluation surplus would reduce by GH¢80 million, materially affecting the revaluation reserve and equity.

iii) **Pending Tax Liability**
The Ghana Revenue Authority (GRA) issued an assessment of GH¢25 million for unpaid taxes. Management disputes the claim and has not recorded any liability nor made a disclosure, arguing that their lawyers believe the case will be resolved in their favour.

iv) **Going Concern and Funding**
DCG recorded net losses of GH¢70 million and negative operating cash flows. Management's going concern assessment is based on a proposed rights issue and negotiations for government support under Ghana's Industrial Transformation Programme. Neither funding option has been finalised. Disclosures in the notes to the financial statements are minimal.

v) **Other Information**

The draft annual report includes a chairman's statement highlighting "strong profit growth" and "improved liquidity," which directly contradicts the audited financial statements showing significant losses and negative cash flows.

The Engagement Partner expects at least two matters to be communicated as Key Audit Matters (KAMs) under ISA 701 but has asked you to recommend which of the issues above qualify.

Required:

a) Evaluate the audit reporting implications of each of the issues (i) to (v) above, including the likely type of audit opinion. **(16 marks)**

b) Recommend **TWO** of the above matters that should be communicated as KAMs in accordance with ISA 701, with justification. **(4 marks)**

(Total: 20 marks)

QUESTION FOUR

a) Accountability and transparency with integrity in the public sector are key ingredients in the promotion of responsible governance. Within the government structure there exists key institutions which help uphold the values of responsible governance in upholding the virtues mentioned herein.

Required:

i) State **FOUR** key institutions in the public sector accountability framework. **(2 marks)**

ii) Discuss **TWO** roles of each of the institutions stated in (i) above in ensuring public sector financial accountability. **(8 marks)**

b) ***ISSAI 100: Fundamental Principles of Public Sector Auditing*** sets out eight general principles of public sector auditing. Further, ISSAI 100 also sets out a number of principles relating to the three stages of public sector auditing process.

You are an audit manager in the office of the Auditor-General and during one of the training sessions for newly recruited staff, Yaw Nomo, an audit assistant stated that he is not aware of such principles that regulate the public sector auditing process.

Required:

Explain **FIVE** principles that govern public sector auditing process. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

a) You are the lead auditor on the engagement of **Pabene Bank PLC**, a publicly listed bank governed by the **Ghana Stock Exchange Listing Rules** and applying elements of the **SEC Corporate Governance Code for Listed Companies**. An internal whistleblower has alleged irregularities in the award of a GH¢12 million IT infrastructure contract, implicating a Senior Manager. The Audit Committee has assumed oversight of the internal investigation.

Required:
Explain **FOUR** responsibilities of the Audit Committee in handling whistleblower allegations, conducting internal investigations and ensuring transparent reporting to stakeholders.

(5 marks)

b) Abunu Ghana LTD, a renewable energy firm preparing for cross-border listing on the Nigerian and Ghana Stock Exchanges, has voluntarily adopted the ISSB Sustainability Standards, the Corporate Governance Code for listed companies and the OECD Principles of Corporate Governance. The Board has mandated the Audit Committee to oversee all ESG disclosures and their assurance process.

Required:

i) Discuss **THREE** ways corporate governance frameworks specifically **GSE Code**, enhance **climate risk management**, **transparency** and **stakeholder engagement**. **(3 marks)**

ii) Recommend **TWO** ways auditors should approach assurance engagements on ESG and climate reporting to align with emerging stakeholder expectations and regulatory trends.

(2 marks)

c) You are a Senior Partner at Jakobu Chartered Accountants, a firm of Chartered Accountants licensed in Ghana. Your firm has been approached by Asempa Savings & Loans LTD, a licensed financial institution supervised by the Bank of Ghana (BoG), to replace its previous auditors who resigned unexpectedly.

Asempa Savings & Loans LTD has operated for over seven years and has recently expanded into underserved regions. The company's Board is seeking new external auditors for the financial year ending 30 June 2025 and your firm is under consideration.

As a licensed deposit-taking institution, Asempa Savings & Loans LTD is under the regulatory purview of the Bank of Ghana (BoG) and, through its investment-related subsidiaries, the Securities and Exchange Commission (SEC). Current regulatory interventions include:

- The BoG introduced a policy mandating Auditor rotation every six years, strict requirements on audit file retention and documentation quality and instituted an Audit Quality Monitoring Programme for Tier-1 financial institutions.
- The SEC requires external auditors of investment-linked entities to ensure compliance with International Financial Reporting Standards (IFRS), assess the entity's adherence to capital adequacy guidelines and report significant irregularities or non-compliance to the Commission.

- Both the BoG and SEC have statutory powers to approve or remove Auditors, levy penalties for compliance failures and demand detailed Auditor communications or reports in the interest of the investing public.

  There is also growing public concern over weak corporate disclosures in the savings and loans sector, leading to loss of client deposits, elevated credit risks and signs of poor governance and audit practices.

Required:

i) Enumerate **TWO** roles each of the Bank of Ghana (BoG) and the Securities and Exchange Commission (SEC) in regulating financial reporting and auditor oversight. **(4 marks)**

ii) Discuss **THREE** ways such regulatory interventions protect the interests of investors and the public, and how it affects audit quality. **(6 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) As the client engages in multiple business activities, the firm should consider matters that would otherwise not endanger its reputation and core values. Before accepting the assurance engagement from the new client, the following matters must be considered.

It must consider whether circumstances exist in the client company which threaten adherence to compliance with the fundamental principles which would impair independent adherence to professional standards and service delivery. These would include an assessment of the nature of the client's business, whether the client is a good corporate citizen and adheres to regulations and laws that govern the business environment in which the client operates.

Because the potential client engages in multiple business activities, the Firm must also consider whether the client associates with or engages in or does not resist activities of prohibited engagements such as money laundering, cyber fraud and prohibited activities such as aiding terrorism and other vices that give rise to financing anti-terrorism activities or involvement in illegal activities including tax evasion.

The Firm must also apply itself to the requirements of the Companies code and Regulatory requirements such as tax regulations, Business registration and renewal arrangements.

The Firm should evaluate the existence of any significant threat and whether there are means to eliminate the threats or reduce them to the barest minimum. This evaluation should further energise the obtaining of knowledge and understanding of the client's business and employees as well as the work environment and those who make decisions for the client company. This evaluation should also include an examination of the composition of the Board, its membership, qualifications, experience and social standing of the members. These evaluations should be considered to cover the time frame for the engagement.

Whether the client company is committed to improving corporate governance structure, and whether training and education of its officers is important to the client.

The Firm may wish to decline the assurance engagement where it is not convinced that the systemic threats cannot be eliminated. More so, the Firm should periodically review acceptable decisions with all clients from time to time.

Professional Competence and Due Care

The principle of professional competence and due care requires an assurance engagement firm to accept only those services it can and has capacity to execute. In evaluating the acceptance criteria, the assurance Firm should determine whether it has the competencies required to carry out and provide professional service to the client during the period of the engagement.

Risks Associated with The Engagement

The Firm should examine whether there are inherent threats which cannot be eliminated.

Examples of threat which the auditor needs to consider in making this decision include:

Whether circumstances exist for the assurance Firm to acquire information and knowledge about the client company and to understand the complexities of the client and its management. Also, the nature, purpose and scope of work to be performed and other specific requirements of the engagement. Whether there are threats which may hinder the firm's ability to obtain these pieces of information.

Quality Control

The level of knowledge and experience relevant to the business environment which the client company has relied on in its operations requires thorough examination, whether its reporting requirements follow fundamental principles of bookkeeping and accounting and whether the Head of Accounts is a qualified Accountant and a member of a professional body, such as the Institute of Chartered Accountants, Ghana.

The assurance Firm may want to satisfy itself that there is reasonable segregation of duties and there are competent officers performing the accounting functions.

The Firm may also wish to appraise itself for such information whether the client company in the past used competent experts in executing its major functions.

The Firm should assess quality control procedures and policies the client company has designed and whether they are operational.

The Firm should also check whether operational guides aid performance of its tasks in consonance with its expertise and status in the industry, and whether the client company is not resource constrained in relation to applicable professional and ethical standards in the industry. These factors will give the assurance firm the opportunity to evaluate the extent of controls and quality of business the supposed client company and its system are able to manage.

Threat of Conflict of Interest

The assurance firm should examine itself whether there are threats of conflict of interest that may affect its independence objectivity, integrity and professional competence and due care. The firm shall examine whether it has any business dealings with the client company or any affiliates of the client or it is currently promoting any business strategy or even shares of the client on the market, or whether the assurance firm has any joint venture business with the client company. The assurance firm should examine whether it is carrying out a service for a rival

company of the supposed client, or whether the significance of the threat can be eliminated.
The assurance firm shall inform the client of its business interests which may stand to affect conflict of interest of the assurance firm and seek the consent of the client for approval before accepting the engagement
The assurance firm shall be transparent with matters the firm is handling for other clients which seem to affect the interest of the client and to obtain the client company's consent.
The Firm should communicate to the supposed client company that the assurance firm renders services in similar and other areas to the other clients and this may include a rival industry player of the client company and obtain its consent for it.
Fees and other charges:
The assurance firm shall minimise any threats of fee fixing with the following undertakings:
Communicate to the client the fee and other remuneration package that goes with the service, particularly the basis for charging the fees and what the fees cover shall be clearly communicated to the client company from inception for the two parties to agree and work from the same point of understanding,
Addressing the threats, the firm should assign the appropriate assurance officers on to the job of the client company and the firm should monitor quality of work.

The Inherent Threat of Gifts and Hospitalities
The Firm shall take due care to ensure that it does not solicit or accept significant gifts from the client which may impair the Firm's professional judgement. Gifts are likely to generate a threat of familiarity, impair objectivity and pose intimidating threats where these gifts are even made public. The Firm should make evaluation of the significance of the gifts and the threats it poses whether the firm can take necessary steps to eliminate it or minimize its effect on professional service delivery.
Where the threats posed by the gift cannot be eliminated the firm or its officers should not accept the gift.

Custody of client's assets:
The assurance firm shall not accept to keep the assets of the client unless regulations and law require that. The assurance firm should not assume responsibility of custody for the client's assets and monies because this poses the threat of fundamental principles that could endanger the engagement relationship between the assurance firm and the client.
Where in the circumstance of discharge of official duties of the assurance services some resources of the client company flow to the assurance firm and held in trust for the client, the assurance firm shall keep proper records of the assets that flow to the Firm and shall account at any time when request is made.

ADDRESSING THE THREAT OF OBJECTIVITY

The fundamental principles of objectivity resulting from having an interest in relationships with a client's directors, officers, or employees determine the threat to compliance with fundamental principles.

The familiarity threat to objectivity may be created as a result of close relationship between the client company and the assurance Firm. The assurance firm should be independent and be seen as independent of the client company and its operations.

Threats of objectivity are undesirable and should be guarded against, however in performing professional services this threat may be eliminated or minimised through such safeguards as:

Discontinuance of the process of engagement/Decline the engagement

Providing supervisory procedures and processes,

Terminating the element that poses the threat in the engagement relationship,

Addressing the issue of the threat with senior management of the assurance firm.

Engaging those with decision making power of the client company about the subject matter of the threat.

The assurance firm should also examine the threat of whether circumstances will impede their ability to communicate with the outgoing auditor.

If all the processes and systems discussed above cannot eliminate threats to the engagement, the assurance firm should decline the engagement and state its reasons thereof.

(2 marks each for any 5 valid points = 10 marks)

b)

i) **Professional and ethical issues arising from the review engagement**

Independence and Management Involvement

The managing director's active role in preparing the financial statements may impair the perceived independence of Ananse & Associates. Under IESBA Code of Ethics, the assurance practitioner must be independent of the entity, both in mind and appearance. Heavy management involvement increases the risk of a self-review threat if the assurance team provides assistance in preparing financial statements or advises on classification or disclosure.

Pressure to Issue Report Prematurely

The request to issue a report before completing review procedures is a violation of professional conduct and undermines the reliability of the review. According to ISRE 2400 (Revised), the practitioner must not issue a report until sufficient appropriate evidence has been obtained. Yielding to client pressure would breach professional integrity.

Insufficient Evidence

Some balances were not reconciled or supported by third-party evidence. This raises the question of whether sufficient appropriate evidence exists. Under ISRE

2400, a practitioner must design procedures to obtain limited assurance about the plausibility of the financial statements.

Professional Competence and Due Care

Recommending a modified conclusion requires professional judgment. The assistant's uncertainty indicates a gap in understanding of reporting requirements under ISRE standards. This breaches IESBA, which requires practitioners to maintain professional competence.

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

ii) **Appropriate reporting options under ISRE 2400 (Revised) when review procedures are incomplete or evidence is inadequate.**

Modified Conclusion Where Evidence Is Inadequate

If sufficient appropriate evidence cannot be obtained for a material matter, the practitioner must issue a qualified or adverse conclusion, depending on pervasiveness (ISRE 2400). In this case, where reconciliations are missing and procedures are incomplete, a qualified conclusion is appropriate.

Form of Modified Conclusion

ISRE 2400 provides a sample wording: "Based on our review, except for the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention...".

Disclaimer of Conclusion

If the practitioner is unable to complete procedures for multiple areas, and these are pervasive, a disclaimer may be necessary. This is rare in review engagements but must be considered if management continues to obstruct.

Communication with Management and TCWG

Before issuing a modified or disclaimer conclusion, the practitioner must communicate clearly with management and, where appropriate, those charged with governance (TCWG), as required by ISRE 2400.

(4 marks)

(**Total: 20 marks)**

EXAMINER'S COMMENTS

Part (a) and (b) (i) of the question were well attempted by most candidates.

In part (b) (ii) of the question, **c**andidates were to evaluate the appropriate reporting options under ISRE 2400 (Revised) when review procedures were incomplete or evidence was inadequate. Many candidates could not distinguish between audit opinions and review conclusions. Under audit assignment, the auditor should express audit opinion whereas under review engagement, a conclusion should be given. This could be qualified or adverse conclusion or modified or disclaimer conclusion. Most candidates could not answer this question appropriately.

QUESTION TWO

a) **Key controls within the payroll system of Kata Manufacturing LTD.**

i) Automated payroll system linked to clock-in data reduces manual errors and ensures accurate calculation of hours worked and statutory deductions.

ii) Factory staff are each issued a sequentially numbered clock card which details their employee number and name. This should ensure that employees are only paid for hours they have worked and that the payroll records completely record all employees, as any gaps in the sequence would be identified.

iii) The payroll system automatically calculates gross and net pay along with any statutory deductions. This should reduce the risk of employees' wages and statutory deductions being incorrect as there is a reduced risk of errors occurring.

iv) Payroll supervisor performs sample checks. This ensures the accuracy of payroll calculations and helps detect anomalies or system errors.

v) A sample of the calculations made by the automated system is checked by the payroll supervisor to ensure the system is operating effectively, this tests the automated controls within the system.

vi) Payroll manager authorises bank transfers. This prevents unauthorised or fraudulent payments and confirms final payroll list reconciles with the payment schedule.

vii) Kata has a human resources department which is responsible for setting up new permanent employees and leavers. Having a segregation of roles between human resources and payroll departments reduces the risk of fictitious employees being set up and also being paid.

viii) HR controls for permanent employee set-up which ensures that only authorised and verified permanent employees are added to the payroll system.

ix) Quarterly Overtime Review Reports Sent to Supervisors promotes accountability and helps verify that overtime is authorised and justified.

x) The discretionary bonus is communicated in writing to the payroll department. As this is in writing rather than verbal, this reduces the risk of the bonus being recorded at an incorrect amount in the payroll records.

xi) For employees paid by bank transfer, the list of the payments is reviewed in detail and agreed to the payroll records prior to authorising the bank payment. This reduces the risk of fraudulent payments being made through the creation of fictitious employees and other employees being omitted from the payment run.

(1 mark each per well-explained key control = 5 marks for 5 marks)

b) **Internal control deficiencies and recommendations to address each deficiency**.

Control Deficiencies	Recommendations
Unsupervised clock-in/clock-out system. Employees swipe their cards at the beginning and end of the eight-hour shift; this process is not supervised. This could result in a number of employees being swiped in as present when they are not. This will result in a substantially increased payroll cost for Kata.	Introduce biometric verification The clocking in and out process should be supervised by a responsible official to prevent one individual clocking in multiple employees. A supervisor should undertake a random check of employees by reviewing who has logged in with a swipe card and confirming visually that the employee is present.
Employees are entitled to a 30-minute break and do not need to clock out. Employees could be taking excessive breaks, resulting in a decrease in productivity and increased payroll costs.	Employees should be allocated set break times and there should be a supervisor present to ensure that employees only take the breaks they are entitled to.
Although there is a human resources department, appointments of temporary staff are made by factory production supervisors. The supervisor could appoint unsuitable employees and may not carry out all the required procedures for new joiners. This could result in these temporary employees not receiving the correct pay andrelevant statutory deductions.	All appointments of staff, whether temporary or permanent, should only be made by the human resources department
Overtime reports which detail the amount of overtime worked are sent out quarterly by the payroll department to production supervisors for review. These reports are reviewed after the payments have been made which could result in unauthorised overtime or amounts being paid incorrectly and Kata's payroll cost increasing.	All overtime should be authorised by a responsible official prior to the payment being processed by the payroll department. This authorisation should be evidenced in writing.
Production supervisors determine the amount of the discretionary bonus to be paid to employees. Production supervisors are not senior enough to determine this as they could pay extra bonuses to friends or family members.	The bonus should be determined by a more senior individual, such as the production director, and this should be communicated in writing to the payroll department.
The bonus is input by a clerk into the payroll system. There is no indication	Once the clerk has input the bonus amounts, all

that this input process is reviewed. This could result in input errors or the clerk could fraudulently change the amounts leading to incorrect bonus payments.	entries should be double checked against the written confirmation from the production director by another member of the team to identify any amounts entered incorrectly.
The payroll manager reviews the bank transfer listing prior to authorising the payments and also amends the payroll records for any changes required. There is a lack of segregation of duties as it is the payroll team which processes the amounts and the payroll manager who authorises payments. The manager could fraudulently increase the amounts to be paid to certain employees and process this payment as well as amend the records.	The payroll manager should not be able to process changes to the payroll system as well as authorise payments. The authorisation of the bank transfer listing should be undertaken by an individual outside the payroll department, such as the finance director.
A payroll clerk distributes cash pay packets to employees without requesting proof of identity. Even if most employees are known to the clerk, there is a risk that without identity checks wages could be paid to incorrect employees.	The payroll clerks should be informed that all cash wages can only be paid upon sight of the employee's clock card and photographic identification as this confirms proof of identity.
No regular reconciliation of payroll register to active staff list.	Conduct monthly reconciliations between HR records and payroll to identify ghost employees.

(3 marks each for 4 well-explained deficiency and recommendation = 12 marks)

b) **Substantive analytical procedures**

i) Compare the total payroll expense to the prior year and investigate any significant differences. Review monthly payroll charges, compare this to the prior year and budgets and discuss with management any significant variances.

ii) Compare overtime pay as a percentage of factory normal hours pay to investigate whether it is at a similar level to the prior year and within an acceptable range. Investigate any significant differences.

iii) Perform a proof in total of total wages and salaries, incorporating joiners and leavers and any pay increase. Compare this to the actual wages and salaries in the financial statements and investigate any significant differences

iv) Perform a reasonableness test by multiplying average wage rate by total hours worked

v) Compare payroll per the general ledger to SSNIT and filings

(1 mark per well-described procedure, overall maximum of 3 points for 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

For question (2) (a), some candidates wrote on the substantive procedures instead of key controls. Others also wrote on the deficiencies rather than the good control measures.

Candidates were also required in (2) (b) to discuss four (4) internal control deficiencies in the payroll system from a given scenario and provide recommendation to address each deficiency. This part of the question was well attempted by most of the candidates.

In question (2) (c), candidates were required to recommend three (3) substantive analytical procedures that would be performed to verify the payroll expense reported by Kata Manufacturing LTD in the financial statements. This was fairly well attempted by most candidates. Generally, most candidates scored high marks in this question.

QUESTION THREE

a) **Evaluation of Reporting Implications**

Revenue Recognition (Forward Contract – GH¢40 million)

Under the forward contract, transfer of control occurs only when the goods are handed over to the buyer's shipping agent. As at 31 December 2024, the goods were still in DCG's bonded warehouse. Recognition of GH¢40 million revenue in December therefore contravenes IFRS 15 – Revenue from Contracts with Customers, which requires revenue recognition only when control has passed. The misstatement materially overstates revenue and profit for the year.

Reporting Implication:

- If management refuses to adjust, the financial statements contain a material misstatement.
- As the error relates to a specific area (revenue recognition) and is not pervasive to the financial statements as a whole, the appropriate response is to issue a Qualified Opinion ("Except for") under ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report.
- If the overstatement was so significant that it distorts overall performance and equity, an Adverse Opinion may be necessary, but based on the information, a qualified opinion is more appropriate.

Revaluation of PPE (Inflated Assumptions – GH¢120 million)

Management's revaluation was performed by an external valuer engaged by management. The audit team identified that assumptions (e.g. cocoa market prices) were inflated, leading to an overstatement of GH¢80 million in the revaluation surplus.

IAS 16 – Property, Plant and Equipment requires that revaluations reflect fair value. ISA 540 (Revised), Auditing Accounting Estimates requires auditors to challenge significant assumptions in valuations. The misstatement materially affects non-current assets and reserves.

Reporting Implication:

- If management refuses to adjust, there is a material misstatement.
- If the overstatement affects only reserves/equity, it may not be pervasive to the financial statements overall. Qualified Opinion under ISA 705.
- However, if the overvaluation materially distorts the statement of financial position, an Adverse Opinion may be necessary.
- Auditor should also consider communicating this as a Key Audit Matter (ISA 701) given the significant judgment and estimation uncertainty involved.

Tax Liability (GRA Assessment – GH¢25 million)
The Ghana Revenue Authority (GRA) issued an assessment of GH¢25 million. Management has neither recorded nor disclosed the matter, relying on legal advice. IAS 37 – Provisions, Contingent Liabilities and Contingent Assets requires disclosure of possible obligations where outflows are possible but not probable. At minimum, disclosure is mandatory. Failure to disclose means the financial statements are materially misstated by omission.

Reporting Implication

- If management refuses to disclose, auditor must issue a Qualified Opinion (material but not pervasive misstatement) under ISA 705.
- If the risk of losing the case is higher than management admits, and the understatement is pervasive, an Adverse Opinion may be warranted.
- The auditor should also include details of the dispute in the Basis for Qualified Opinion section.

Going Concern (Losses, Cash Flow Problems, Reliance on Funding)
DCG has suffered significant losses (GH¢70 million) and negative cash flows. Management's plans for recovery rely on a rights issue and government support, neither finalized. The disclosures are minimal and do not adequately describe the material uncertainty.

ISA 570 (Revised), Going Concern requires auditors to evaluate the adequacy of management's disclosure of material uncertainties. If disclosure is adequate, auditor issues an Unmodified Opinion but adds a "Material Uncertainty Related to Going Concern" paragraph. If disclosure is inadequate, the financial statements are materially misstated. Auditor must modify opinion:

- Qualified Opinion if inadequate disclosure is material but not pervasive.
- Adverse Opinion if pervasive.

Given the scale of losses and financing uncertainty, the lack of adequate disclosure likely results in a Modified Opinion (probably Adverse) if management refuses to improve disclosure.

Other Information (Chairman's Statement)
The chairman's statement in the draft annual report states that DCG achieved "strong profit growth" and "improved liquidity," which contradicts the audited financial statements showing large losses and liquidity problems.
ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information requires the auditor to read and consider whether the other information is materially inconsistent with the audited financial statements.

Reporting Implication:
The inconsistency must be described in the auditor's report in the "Other Information" section, stating that the other information is materially misstated.
The auditor does not modify the opinion on the financial statements themselves unless the financial statements are misstated. Instead, the inconsistency is reported separately in accordance with ISA 720.

(16 marks)

b) **Key Audit Matters (KAMs)**
KAMs are selected from matters communicated with those charged with governance, that required significant auditor attention, and are of most significance in the audit.

Revenue Recognition (Forward Contract):
High risk of material misstatement due to complex contract terms.
Involves significant auditor judgment in determining transfer of control.
Therefore, qualifies as a KAM.

Revaluation of PPE (Valuation Assumptions):
Significant management judgment and subjectivity in valuation assumptions.
Potentially large material impact on equity. Auditor needed to challenge assumptions and involve valuation specialists. Therefore, qualifies as a KAM.

(4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
This question required candidates to evaluate the audit reporting implications of each of the five issues including the likely type of audit opinion, from a given scenario.

Revenue Recognition (Forward Contract)
Knowledge in ***IFRS 15: Revenue from Contracts with Customers***, which requires recognition only when control has passed. Some candidates could relate the issue to the provisions of IFRS 15, but had problems with the reporting implication and the likely type of audit opinion.

Knowledge in ***ISA 705 (Revised): Modifications to the Opinion in the Independent Auditor's Report*** is also necessary in answering this part of the question. Some candidates displayed their lack of knowledge in ISA 705 (Revised).

Revaluation of Property, Plant and Equipment
Knowledge in IAS 16 and ISA 540 (Revised) is relevant in answering this section of the question. ***IAS 16: Property, Plant and Equipment*** requires that revaluations reflect fair value. ***ISA 540 (Revised): Auditing Accounting Estimates*** requires auditors to challenge significant assumptions in valuations.
Some candidates lacked knowledge in the above standards and therefore could not produce good answers. Knowledge in ISA 705 is relevant in answering the reporting implications and the Auditor's opinion. Most candidates could not state the opinion to be given.

Pending Tax Liability
Knowledge in ***IAS 37: Provisions, Contingent Liabilities and Contingent Assets*** is relevant in answering this part of the question. This standard requires disclosure of possible obligations where outflows are possible but not probable. At minimum, disclosure is mandatory. Failure to disclose means the financial statements are materially misstated by omission. Most candidates could not apply this standard in their answers. ISA 705 is also relevant in answering the reporting implication and the likely audit opinion aspect of the question. Most candidates were not able to answer this part very well.

Going Concern (Losses, Cash Flow Problems, Reliance on Funding)
ISA 570(Revised): Going Concern is required in answering this question. This standard requires auditors to evaluate the adequacy of management's disclosure of material uncertainties. The auditor's opinion depends on the adequacy of the disclosure of material uncertainties. Most candidates could not apply this in their answers.

Other Information (Chairman's Statement)
ISA 720 (Revised): The Auditor's Responsibilities Relating to Other Information requires the auditor to read and consider whether the other information is materially inconsistent with the audited financial statements. The inconsistency must be described in the auditor's report in the 'Other Information' section, stating that the other information is materially misstated.

NB: The auditor does not need to modify the opinion on the financial statements themselves unless the financial statements are misstated. Some candidates provided opinions in their answers which should not have been the case. However, some provided good answers whilst others performed poorly.

Candidates were also required to recommend two (2) of the above issues that were stated in (i)–(v) in Q3(a) above that should be communicated as Key Audit Matters (KAMs). KAMs are selected from matters communicated with those charged with governance that required significant auditor attention, and are of most significance in the audit. Some candidates provided the right answers whilst others could not.

QUESTION FOUR

a)

i) The key public sector institutions mandated by law to ensure public sector accountability include:
The Auditor-General (AG)
Parliament (Parliament's Public Accounts Committe)
Economic and Organised Crime Office (EOCO)
Commission for Human Rights and Administrative Justice (CHRAJ)
Office of the Special Prosecutor (OSP)

(4 relevant institutions for 2 marks)

ii)

The Auditor-General
The Auditor General's office is established by Article 187 of the 1992 Constitution and given power to operate as an independent oversight body over management of public funds to ensure transparency and accountability. The mandates of the Audit Service Act 2000, Act 584, as amended in 2014 also requires Auditor General to audit covered entities, public institutions, universities, courts and corporations and make recommendations of its findings to the Public Accounts Committee of Parliament. The Auditor General is expected to ensure accountability over public finances while ensuring transparency.
The key functions spelt out in Law in accordance with Audit Service Act 2000, Act 584 which spells out the mandate of the Service require the institution to:
The Auditor General is required to audit Public accounts of Ghana and all public offices, the courts, the central and local government administrations, the public universities and all public institutions. The role also includes the audit of public corporations or other bodies or entities established by an Act of Parliament
The Auditor General is empowered to have access to all books, records, returns, and other documents including documents in computerized or electronic form, relating to or relevant to those accounts
The Auditor General is mandated to audit foreign exchange transactions of the Bank of Ghana by-annually and annually. Reports of such an audit shall be submitted to the Public Accounts Committee for action.
The independence of the Auditor General is guaranteed under the 1992 Constitution and the Audit Service Act where the Auditor General's independence shall not be disputed in the discharge of the legal mandate.

Parliament - Public Accounts Committee

The Article 103 of the 1992 Constitution of Ghana gives power to Parliament to form Committees relevant for its efficient functioning and performance of its tasks. The public Accounts Committee is responsible on behalf of Parliament for overseeing public expenditure.

The key functions the Committee is empowered to undertake include:

- Receive and examine the Auditor General's reports on all public accounts,
- This report shall relate to the government's annual expenditure and accounts that were laid before the House.
- Hold Public Officials Accountable
- The Public Accounts Committee has the power to summon duty bearers of covered entities and question the public officers to give accounts of their stewardship in the covered entities.
- Power to Make Recommendations
- The Public Accounts Committee is empowered to make consequential orders and recommendations where it is deemed fit to improve financial management and accountability in the public sector.
- The Oversight role of the Public Accounts Committee is to uphold the transparency and accountability
- The duty of the Public Accounts Committee is to enhance greater transparency and accountability in public sector financial management and use of public funds. It is in effect upholding the legal mandate of the Auditor General.
- The Public Accounts Committee also makes follow ups to ensure that promises made by duty bearers for responsible financial management in the public sector are carried out.
- Power to form sub-committees.
- The Public Accounts Committee in the discharge of its duties also has power to form sub-Committees where it is necessary to handle specific tasks on behalf of the Committee and report back to the Public Accounts Committee for further action.

Economic and Organised Crime Office - EOCO

The Economic and Organised Crime Office (EOCO) has been established to strengthen public accountability. It has been mandated with power and a broader view of areas of organised crimes and fraud which might not have been defined under the mandate of the Auditor General and which the Auditor-General may not have the power or mandate to deal with. The establishment of EOCO has given impetus to some key state institutions such as Bank of Ghana to collaborate with the institution to fight cybercrime and anti-money laundering activities and other forms of organised financial crimes.

The mandate of EOCO includes state interest in:

- Money laundering
- Human trafficking
- Prohibited cyber activity
- Tax fraud, and
- Other serious offences against the state.

The Office acts with state power to recover proceeds of crime.
EOCO is mandated to monitor and investigate activities connected with the offences specified in its mandate which are correlative to the crime. It also takes reasonable measures necessary to prevent the commission of crimes specified under its mandate.The institution disseminates information gathered during its investigations to law enforcement agencies, and to other appropriate public agencies and other persons which the office deems appropriate in connection with the offences specified in its mandate.
In the discharge of its duties, the office is required to co-operate with relevant foreign or international agencies in the furtherance of its mandate specified in the Act. With the Attorney-General's support, the EOCO prosecutes and conducts investigations of suspected actions that fall within the jurisdiction of the outfit.
Its existence and service delivery aids crime prevention and minimises commission of economic and organised crimes. In the discharge of its functions, the EOCO also undertakes public education to raise awareness about actions or schemes of economic and organized crimes and cyber fraud. The Office collaborates with domestic and international bodies to fight and prevent cyber frauds, crime and human trafficking thereby improving the image of the country in the global space

Commissioner for Human Rights and Administrative Justice (CHRAJ)
The Commission on Human Rights and Administrative Justice (CHRAJ) of Ghana is a constitutional body established under the 1992 Constitution to address human right violations and corruption matters. Though the Institution's actions with respect to fighting corruption have not been prominent in the public domain, it remains one of the core institutions mandated to fight corruption. CHRAJ has a broad mandate to protect universal human rights and freedoms especially those vested in the 1992 Constitution, including civil, political, social, and cultural rights.

As an Ombudsman of Ghana, CHRAJ is mandated to:
- Investigate complaints of violation of fundamental rights and freedoms, injustice, corruption, abuse of power, and unfair treatment of any person by a public officer in the exercise of his official duties.
- Investigate complaints concerning the functioning of the Public Services Commission (PSC), the administrative organs of the state, and the public sector.
- Investigate complaints concerning practices and actions by people or institutions concerning violation of fundamental rights and freedoms under the constitution
- Take appropriate action to call for the remedying of violations against the complainant or member of society.
- Investigate allegations that a public officer has contravened or has not complied with a public order,
- Investigate all instances of suspected corruption and take appropriate steps in such matters emanating from the Auditor-General's report.
- Educate the public about human rights and freedoms by whatever means the Commissioner deems fit.

Office of The Special Prosecutor (OSP)

The office is established with the Office of Special Prosecutor Act 2017, Act 959, being a recent addition to the institutions mandated to fight corruption. The Act establishing the institution seeks to address corruption and its related offences by public and politically exposed persons. The Law mandates the Special Prosecutor to:

- Investigate and prosecute cases of alleged or suspected corruption and corruption related offences under the Public Procurement Act, 2003. Act 663
- Investigate and prosecute allegations of corruption under the Criminal Offences Act 1960, Act 29
- Investigate and prosecute alleged or suspected corruption cases of persons involved in public offices, politically exposed persons and persons in the private sector who perpetuated the commission of the offence under any relevant law.
- Recover and manage the proceeds of corruption.
- Disseminate information gathered in the course of investigation to competent authorities and other persons the Office considers expedient with respect to offences mentioned in (a) and (b) above,
- Coordinate and cooperate with competent authorities and other local and international bodies in furtherance of its mandate
- Receive and investigate complaints from persons on a matter that involves corruption or corruption related offence
- Empowered to receive and act on referral of matters or investigations of alleged corruption and its related offences by Parliament, Auditor General's Office, CHRAJ and EOCO and from any other public body.

(2 roles for 4 institutions @ 2 marks each = 8 marks)

b) **The following principles govern the public sector auditing process**

- The first terms of the audit should be clearly established. This means that there is a need to establish clearly, the subject, scope and objectives of the audit, access to data, the report that will result from the audit.

- Secondly, understanding the entity to be audited. Auditors should obtain an understanding of the nature of the entity or programme to be audited

- An auditor should carry out a risk assessment. The auditor should consider and assess the risk of different types of deficiencies, deviations or misstatement that may occur in relation to the subject matter. The auditor should assess management's response to identified risks, including the design and implementation of internal controls. The identification of risks and their impact on the audit should be considered throughout the audit process.

- The auditor should maintain an attitude of professional skepticism and be alert to the possibility of fraud throughout the audit process.

- The auditor should plan for an effective and efficient audit. The auditor should plan their work to ensure that the audit is conducted in an effective and efficient manner.

(2 marks each for any 5 valid points = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question 4 (a) was well attempted by most candidates, with the exception of a few candidates who stated some institutions that have nothing to do with public sector accountability.

Question 4 (b) required candidates to explain five principles that govern the public sector auditing process. Some candidates wrote on the Eight (8) general (fundamental) principles instead of the principles relating to the three stages of the public sector auditing process. Other candidates also mixed the principles under the three stages and the general or fundamental principles.

QUESTION FIVE

a) The Audit Committee of Pabene Bank PLC, operating under the Ghana Stock Exchange Listing Rules and the SEC Corporate Governance Code for Listed Companies, has a critical responsibility in ensuring ethical conduct, transparency, and accountability in financial reporting and internal controls. In the context of a whistleblower allegation concerning a GHS 12 million IT contract:

Oversight of Whistleblower Mechanisms

The Audit Committee must ensure that a secure, confidential, and independent whistleblower framework exists, in line with Section 137 of the Ghana Companies Act, 2019 (Act 992) and SEC Code provisions. It must protect the whistleblower against retaliation and encourage full disclosure of material facts.

Initiating and Overseeing the Investigation

Upon receiving the allegation, the Audit Committee should commission or supervise an internal investigation, ensuring the process is objective, well-documented, and led by an independent internal audit team or external investigators where necessary.

Evaluating Risk and Control Failures

The Committee must assess whether the alleged misconduct indicates broader control weaknesses or management override. They should consider the implications on procurement policies, segregation of duties, and tone at the top.

Reporting to Stakeholders
The Committee is responsible for reporting significant findings to the board and, where applicable, to external stakeholders such as the Ghana Stock Exchange, Bank of Ghana, or SEC, especially if the matter materially affects financial statements, governance, or reputation.

Advising on Remediation and Disclosures
The Committee must recommend corrective actions, including disciplinary measures, internal control enhancements, and whether disclosure is necessary in the financial statements or corporate governance sections of the annual report.

In fulfilling these responsibilities, the Audit Committee upholds investor confidence, protects whistleblower integrity, and reinforces ethical governance in the financial sector.

(4 valid points @ 1.25 marks each = 5 marks)

b)

i) The GSE Corporate Governance Code promotes board accountability, environmental stewardship, and stakeholder inclusiveness. In the context of climate risk and ESG management:

Board Oversight of Sustainability
The GSE Code mandates that boards integrate environmental and social responsibilities into corporate strategy. This strengthens the governance of climate-related risks and ensures the board actively considers sustainability in decision-making.

Transparent Reporting and Disclosure
The Code promotes regular, accurate, and accessible disclosures, including climate risk information. This enhances investor and stakeholder confidence by providing clarity on how environmental risks are identified, managed, and reported.

Stakeholder Engagement and Inclusivity
Under the GSE Code, companies are encouraged to engage with a broad range of stakeholders, including communities, regulators, and shareholders, especially on sustainability matters that affect long-term value.

Internal Control and Risk Management Systems
The Code requires effective risk management frameworks. In ESG contexts, this includes processes for identifying climate-related financial risks and ensuring that mitigation strategies are monitored and governed appropriately.

Ethical Culture and Long-term Value Creation
The GSE Code emphasizes ethical leadership and responsible corporate citizenship—critical for managing climate risk and advancing Ghana’s sustainable development agenda

(3 relevant points for 3 marks)

ii) **Auditors should adopt a strategic and risk-based approach when providing assurance on ESG and climate disclosures. Key recommendations include:**

Apply Emerging Standards and Frameworks
Use ISSB's IFRS S1 and S2 as benchmarks for evaluating the completeness, relevance, and reliability of ESG disclosures, ensuring alignment with global sustainability reporting practices.

Understand the Entity's ESG Strategy and Materiality
Assess the company's ESG risks, industry context, and stakeholder priorities to determine material climate-related disclosures, enabling focused and meaningful assurance procedures.

Evaluate Data Integrity and Source Reliability
Review the controls over non-financial data systems, including emissions data, ESG metrics, and scenario modelling tools—especially if AI or third-party platforms are used.

Independence and Objectivity
Maintain professional skepticism and independence, especially in engagements where climate disclosures may be subject to reputational bias or greenwashing.

Provide Clear, Limited or Reasonable Assurance Opinions
Issue assurance reports that specify the scope, criteria (e.g., ISSB standards), level of assurance, and basis of conclusion—aligned with ISA 3000 (Revised) on assurance engagements other than audits.

(2 relevant points for 2 marks)

c)

i) **Role of the Bank of Ghana and SEC in Auditor Oversight**
Bank of Ghana (BoG):

- Regulates and supervises all deposit-taking institutions, including savings and loans companies, under the Banks and Specialised Deposit-Taking Institution Act 2016 (Act 930).
- Requires the rotation of external auditors every six years to prevent over-familiarity and ensure auditor independence.
- Mandates submission of annual audited financial statements and accompanying management letters by licensed institutions.
- Has the authority to approve, disapprove, or remove auditors where concerns about audit quality, independence, or compliance are raised.
- Enforces audit standards through an Audit Quality Monitoring Program, ensuring that auditors apply sufficient rigour, especially for systemically significant institutions.

Securities and Exchange Commission (SEC):

- Oversees entities engaged in capital market operations, including subsidiaries offering investment-linked products.

- Requires external auditors to provide assurance that the entity complies with IFRS and relevant regulatory ratios (e.g., capital adequacy).
- Obligates auditors to report to the Commission where material misstatements, fraud, or regulatory breaches are suspected.
- Possesses the authority to inspect audit working papers, impose sanctions, or bar audit firms for non-compliance or gross misconduct.

(2 roles of each institution for 4 marks)

ii) **How Regulators Protect Investors and the Public, and Influence Audit Quality**

Enhancing Financial Transparency

Regulatory frameworks ensure that audited financial statements are prepared in accordance with applicable standards and reflect a true and fair view of the entity's performance. This transparency helps the public make informed decisions.

Minimising Financial Misconduct

Oversight from BoG and SEC deters fraudulent financial practices, misstatements, and governance failures, particularly in vulnerable financial sectors like microfinance and savings institutions.

Strengthening Audit Quality

Through periodic inspection, mandatory rotation, and quality monitoring, regulators ensure that audits are conducted with professional scepticism and adherence to auditing standards. This reduces engagement risk and enhances audit reliability.

Boosting Investor Confidence

Public confidence in financial institutions improves when users perceive that independent audits are rigorously supervised and compliant with national and international standards. This supports economic stability and trust in the financial system.

Providing Early Warning and Enforcement

By reviewing auditor reports and interacting with auditors, regulators can take preventive or corrective measures before systemic issues affect depositors and the economy. This proactive role reinforces public protection.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Candidates were to explain four responsibilities of the Audit Committee in handling whistle blower allegations, conducting internal investigations, and ensuring transparent reporting to stakeholders.

Most candidates wrote on the general responsibilities of Audit Committees without relating to the whistle blower as contained in the scenario and the requirement of the question. Performance by some candidates was not encouraging.

Candidates were also required to recommend two ways auditors should approach assurance engagements on ESG and climate reporting to align with emerging stakeholder expectations and regulatory trends. Candidates were supposed to apply the ISSB's IFRS S1 and S2 as benchmarks for evaluating the completeness, relevance and reliability of ESG disclosures. In issuing the assurance reports, the ISSB Standards and ISA 300 (Revised) on assurance engagements other than audits are relevant in answering this question. Candidates' performance in this area was not encouraging.

CONCLUSION

The performance of candidates in the Paper was above average. Candidates are advised to take note of the following:

- Read over work before submitting answer booklets.
- Ensure handwriting is legible.
- Provide clean, concise and comprehensive answers.
- Practice applying auditing principles, standards and regulatory requirements to scenario-based questions.
- Develop a deeper understanding of International Auditing Standards, International Financial Reporting Standards and other regulatory requirements.