

# INTERACTIVE VIRTUAL EXAMINATION TECHNIQUES PRESENTATION

**Subject:** CA 3.2 ADVANCED AUDIT AND ASSURANCE

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## Welcoming remarks:

- 1.0 Meeting is in response to the **poor performance** by candidates in CA 3.2 Advanced Audit and Assurance in the last **September 2025** and **June 2025** examination diets.
- 2.0 Aim is to **enhance** the chances of candidates passing this examination by going through the key areas and considering the main cause of candidates failing.
- 3.0 Do not be discouraged or intimidated after this interaction – still **13 days** to the date of the examination – It is possible to effectively utilize the remaining days and make a difference in the examination.

**TERMS OF REFERENCE – “To present during the virtual meeting to be held on Friday 28<sup>th</sup> November 2025 from 14.00hours to 17.30hours in CA 3.2 on the following”:**

1. Auditing standards.
2. How to obtain information from a scenario.
3. Three audit risks in planning the audit.
4. Three ethical and professional issues in accepting and conducting an audit.
5. Distinguish business from audit risks.
6. Responsibilities of the auditors regarding misstatements.
7. How to carry audit procedures.
8. Examination time management.
9. General examination preparation tips such as syllabus coverage, study and question selection.

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- 7.0 General matters related to CA 3.2 Advanced Audit and Assurance
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- 9.0 Analysis of the September 2025 & June 2025 examination papers
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- 11.0 The main stages of an assurance engagement(Audit)
- 12.0 Main causes of **failure** in the CA 3.2 Advanced Audit and Assurance examination
- 13.0 Specific accounting areas in syllabus

## **Contents continued:**

- 14.0 Main challenges faced by candidates in specific areas
- 15.0 Specific audit topics & the examinations
- 16.0 Preparation before taking the examination.
- 17.0 The examination techniques
- 18.0 Interaction with participants

- 1.0 **Objectives:**
- 1.1 To give candidates intending to sit for the December 2025 CA 3.2 Advanced Audit and Assurance examination an opportunity to **interact** with experts and seek clarification in areas of concern pertaining to the **examination**.
- 1.2 To briefly discuss the **main causes of poor performance** in the results for CA 3.2 Advanced Audit and Assurance.
- 1.3 To highlight the **main problems encountered** by candidates in the major syllabus areas.
- 1.4 To discuss the **examination technique** that could increase the chances of the candidates passing paper CA 3.2 Advanced Audit and Assurance.
- 1.5 To address **concerns related to the examination** that will be raised by candidates during the interaction.

## 2.0 SYLLABUS TOPICS

	Unit description	Chapters	% Syllabus	Actual marks/120
1	Legal, regulatory and ethical issues involved with the audit and assurance engagements	1-4	15	<b>18</b>
2	Acceptance and management of audit and assurance	5-6	15	<b>18</b>
3	Plan and execute audit and assurance assignments	7-10	40	<b>48</b>
4	Conclude and report on audit and assurance engagements	11-14	30	<b>36</b>
	Total		100	<b>120</b>

### The above:

- Indicative of exam question **weightings**
- In a balanced examination paper **ALL** the four areas are examination considering the above weightings.
- There is a risk in **selective studying** of the syllabus

### **3.0 Learning outcomes:**

- 3.1 **Advise** on legal, regulatory, technical, professional & ethical issues & assurance engagements.
- 3.2 **Evaluate** the impact of national & international requirements on audit & assurance engagements.
- 3.3 **Explain** to stakeholder groups the purpose & scope of audit & assurance engagements.
- 3.4 **Apply** audit & assurance **engagement practice policies**.
- 3.5 **Evaluate** the audit & assurance engagement & **prepare** an engagement plan.
- 3.6 **Evaluate** internal controls
- 3.7 **Evaluate accounting** treatments
- 3.8 **Evaluate** audit and assurance **evidence & conclude & report** on the engagement.

On **passing** the examination & **qualifying**, graduates should be able to undertake a small size audit with **minimum supervision**. In the case of non practicing accountants to be able to set up relevant and adequate control systems and risk management systems for the company/organisation.



## **4.0 Meaning of the verbs in the examination paper:**

<b>Verb</b>	<b>Meaning</b>
<b>1. Explain</b>	A principle, term, idea or concept to show understanding
<b>2. Advise</b>	Using information choice to be made with justification
<b>3. Apply</b>	Use information in situation including execute, implement, solve, use, demonstrate.
<b>4. Evaluate</b>	Justify a stand or decision including to appraise, argue, defend, judge, support, value, critique.

#### 4.1 Extract from student's handbook page 16:

Questions at the Advisory level **will always** begin with a **scenario** that is **more challenging** in terms of its business or other complexity with requirements that will be reported to a third party or supervisor that **require analysis, critical comment, evaluation of alternatives and effective articulation**. Often requirements will allow for **higher level skills** of **evaluation, synthesis** and **judgment**. Some requirements may contain issues that are **not immediately apparent**.

## **5.0 Auditing Standards:**

Issued by the **IFAC** and adopted by the **ZICA**. They give guidance in specific areas and the responsibilities of the auditors as well as the procedures that should be followed. They enable the standardization of audit work performed by different practitioners.

**Exam alert in the study manual:**

**“ International standards are quoted throughout this text and you must understand how they are applied in practice. Make sure you refer to auditing standards when answering questions”.**

**Auditing standards and the examinations:**

- Reference to specific auditing standards may be made in the examination question.
- Candidates required to discuss the objectives of the auditors with reference to specific matters as required by relevant auditing standards.
- Description of specific audit procedures as required by relevant auditing standards.

## 6.0 AUDIT AND **ASSURANCE** IN BRIEF: - Forming an **opinion** on the FS

Elements of an assurance engagement

<b>C</b> – Criteria	-	Regulatory framework/IFRS
<b>R</b> – Report	-	Outcome of the assurance
<b>E</b> – Evidence	-	Required basis for the opinion
<b>S</b> - Subject matter	-	The Financial statements under audit
<b>T</b> – Three party relationship	-	Client/Shareholder/Auditor

## 6.1 Need for **audit** and **assurance**:

- Separation of **ownership & management**
- **Stewardship** and **agency** – Should act in the interest of the **principal**.
- Lack of Independence by management – Act in own interest
- Need for assurance by **independent evaluation** – audit & opinion

## **7.0 General matters related to CA 3.2 Advanced Audit and Assurance:**

7.1 Prior knowledge required

7.2 AAA Key syllabus areas

7.3 CA 2.3/DA 11 vs CA 3.2 Examination papers - Compared

## **7.1 Prior knowledge required:**

- 7.1.1 **Communication** skills in answering theory questions.
- 7.1.2 Knowledge of **financial reporting & accounting standards** – FS Assertions for specific areas under the syllabus.
- 7.1.3 Knowledge of **CA 2.3/DA 11** Principles of auditing – **Lacking** based on poor quality of answers at the AAA level.
- 7.1.4 **Work experience** an added advantage – Subject ppractical in nature & apply your practical experiences.

## **Tools for examination preparation:**

- Student handbook
- Study manual CA 3.2 – Hard copy preferred.
- CA 3.2 or CA 2.1/CA 3.1 Study manuals if your financial reporting knowledge is weak
- Practice & revision kit as well as access to past examination questions & answers.

- 7.2 **Key syllabus areas** – Likely to be examined at **ALL** examination sessions
- 7.2.1 **Ethics** and ethical dilemmas – Discuss ethical issues in scenario.
- 7.2.2 **Planning** audits and **risk** – ISA 315 **Why?**, **How?** and **What?**
- 7.2.3 Identifying & explaining **audit & business risks** – ISA 315/ISA 330
- 7.2.4 Audit **evidence** – The basis for audit opinion – **Sufficient appropriate** evidence.
- 7.2.5 Designing **audit procedures** in an audit of financial statements– **Poor performance**
- 7.2.6 Finalisation of the audit – **Subsequent events** IAS 10/ISA 560
- 7.2.7 **Going concern** and implications for the audit ISA 570 – Basis for the preparation of financial statements – Historical basis or the alternative break up basis.
- 7.2.8 **Audit reports** and related auditing standards
  - ISA 700** (Revised) *Forming an opinion and reporting in the independent auditor's report.*
  - ISA 701** *Communicating key audit matters in the independent auditor's report.*
  - ISA 705** (Revised) *Modifications to the opinion in the independent auditor's report.*
  - ISA 706** (Revised) *Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report.*

## 7.9 Extracts of key syllabus areas requirements:

1. 2(c) **Evaluate** appropriate quality control measures that may be used by a firm during the course of an assurance or audit engagement.
2. 2(f) **Evaluate** appropriate monitoring & review procedures to effectively manage an audit or assurance engagement.
3. 3(g) **Evaluate** the components of risk for any assurance engagement.
4. 3(i) **Evaluate**, drawing conclusions on the **appropriateness of stated accounting treatments** in the context of a given business and a given scenario in the public or private sector in an audit assignment based on local law and generally accepted accounting principles.
5. 3(l) **Apply judgments** and measures of **materiality** in carrying out of an audit or assurance engagement.
6. 3(m) **Apply analytical procedures** that may be used to plan an audit or assurance engagement – interpretation of results of ratio analysis.
7. 3(n) **Evaluate** how **risk and materiality** judgments affect the **planning** of an assurance or audit engagement including the nature, timing and extent of work.



## **Extracts of key syllabus areas continued:**

8. Develop a **proposed audit plan** with justification of judgments made based on a business scenario for an audit or assurance engagement including considerations relating to:
  - **Materiality** decisions
  - **Internal control** assessments including IT controls
  - **Reliance** on internal audit, specialists & the work of other auditors
  - Use of client generated data, information and reports.
  - **Tests of control**, substantive procedures including analytical procedures.
  - Visits to locations, branches and departments.
9. **Draft extracts** of a suitable assurance report or management report based on a given scenario and entity.

## **7.3 CA 2.3/DA 11 vs CA 3.2 Compared:**

7.3.1 Candidates taking CA 3.2 **assumed** to have knowledge of CA 3.2/DA 11

7.3.2 Syllabus areas **covered** in **CA 2.3/DA 11 AND CA 3.2**

- Concepts of audit & assurance
- Appointment of auditors
- Corporate governance
- Professional ethics
- Risk and planning audits
- Audit evidence
- Audit procedures
- Review & Finalisation
- Reporting

Difference – Is on **how** the **topics** are examined. At advisory level less knowledge based questions and more of **evaluation and advising** using information in the given scenario.

**(Additional topics:** Quality control, Auditor Liability, Other assurance engagements and Group audits and transnational audits:

8.0 To pass the examination:

The candidate **should** score a total of **50 marks** out of the maximum 100 available marks. In theory this translates to **half** the available marks in each of **4 questions** attempted.

Possible combination of scoring:

	Scenario	1	2	3	4	5
Question						
1		20	27	23	29	16
2		10	13	11	11	
3				9		4
4		10	11		4	5
5		10	13	8		3
Total score		50	64	51	44	28

- Should have a **desire** to score a passing mark in the examination.
- Consider scenario 4 High score in Q1 attempted 3 & fails the exam – Aim to attempt the required four(4) questions. You need the marginal marks.

9.0      **Analysis of the June 2025 & September 2025 examination results:**

	June 25	September 25
Number of candidates that sat for paper	226	<b>201</b>
Number that passed the paper(% pass rate)	27(11.9%)	<b>22(10.9%)</b>
Overall average score	31%	<b>31.9%</b>
Average score of those that passed	52%	<b>51.3%</b>
Average score of those that failed the examination	27%	<b>29.6%</b>
No that attempted less than the required 4 questions/(Average score)	27(21%)	<b>31(29.6%)</b>
Highest score/(Lowest score)	61%(1%)	<b>55(7%)</b>

**Analysis of the CA3.2 Sept 2025 examination results reveals the following.**

1. Low overall **average score** of 31.9%**(31%)** indicates *poor understanding* of the subject matter.
2. The average score of 29.6%**(27%)** those that **failed** the examination is an indication of the low standard of answers at the advisory level.
3. The average score of 31%**(27%)** for those that attempted ***three instead of four*** questions suggests that **time was not a factor** otherwise the average score for the attempted questions would have been significantly higher.

9.1 The **June 2025** contained a significant number of **easy marks** as follows:

Q	Par t	Su b	Requirement	Max marks
1	(a)	(i)	Using the information in the scenario describe matters that should be considered before accepting nomination.	6
		(ii)	Describe matters to consider after accepting appointment	6
	(b)	(iii)	Audit procedures for related parties/related party transactions	4
2	(a)	(i)	Explain the impact of non-compliance with laws & regulations on the FS	2
	(b)		State and explain matters to be included in the engagement letter	4
	(c)		Draft extracts of a management letter – using information in the scenario	6
3	(a)		Explain ethical matters and suggested safeguards	10

## 9.1 Easy marks continued:

Q	Part	Sub Part	Requirements	Max marks
4	(b)		Required candidates to describe 5 audit risks in the audit of the FS of Limestone Plc. and to suggest suitable responses.	10
5	(a)	(ii)	Describe substantive audit procedures for the summary of key financial results – other information	2
		(iii)	Describe the reporting requirements for Other information in the auditor's report	4
	(b)	(i)	Evaluate management's assessment of Mukuni Plc.	4
			<b>Total easy marks in the paper</b>	<b>58</b>

## 9.3 September 2025 easy marks:

Q No	Part No	Sub part	Requirement	Max marks
1	(a)		Discuss 3 audit risks and for each risk suggest a suitable audit response	6
	(b)		Describe 3 ethical & professional issues in accepting & conducting the audit and suggest suitable safeguards	6
	(c)	(i)	Discuss 2 reasons justifying need for an expert and explain 2 matters to consider in evaluating work of an expert	4
		(ii)	Discuss impact of matters discovered subsequent to the year end & suggest suitable action(Accounting for subsequent events)	8
	(d)	(ii)	Develop an audit plan for the year considering matters in the scenario	10
2	(a)	(i)	Explain how monitoring by the regulator enhances quality of audits	2
		(ii)	4 matters that regulator will consider in evaluation of firm	4

# September 2025 easy marks:

Q No	Part No	Sub part	Requirement	Max marks
2	(b)	(i)	Discuss 4 ethical & professional matters before accepting appointment	4
		(ii)	Discuss 3 ethical matters at the planning stage of the audit	6
3	(a)		Identify & explain 6 audit risks & suggest responses	12
4	(a)	(ii)	Discuss your review points on the use of IA by the audit team	6
	(b)	(i)	Evaluate, with justification, appropriateness of suggested opinion	4
		(ii)	Draft extracts of the report considering the evaluation in (i)	6
5	(a)		Discuss the competence & objectivity of the auditor expert & procedures to asses their work	4



## September 2025 easy marks:

Q No	Part No	Sub part	Requirement	Max marks
5	(b)		Describe 4 substantive audit procedures with regards risk of fraud	8
			TOTAL MARKS CONSIDERED EASY	90

### Comment:

- Candidates should have scored the required 50% from the above easy marks.
- A low **highest mark** in the examination of **55%** and a low overall average mark **31.9%** suggest lack of understanding of the subject.
- It is unlikely that future examinations will be significantly different. Only candidates who adequately prepare are likely to pass the examination and chancers are likely to be low.

## 9.4 Evaluation of the September 2025 CA 3.2 examination:

In the next six(6) slides we are going to review in greater detail the parts of the September 2025 examination that are considered to have been **more demanding** than knowledge based only.

### **This is aimed at:**

- Showing that the standard of the questions has remained the same.
- That the questions and question requirements are within the syllabus to enable candidates meet the desired learning outcomes.

## 9.4.1 Question one:

### Part (d)(i)

This part of the question required candidates to explain **big data** and **Computer Assisted Audit Techniques** and how each one of them could reduce sampling risk.

### Comments:

To answer this question satisfactorily candidates needed to know what sampling risk is. Through availability of big data and the possible use of CAATs, auditors can test significantly more items than otherwise would have been tested. The nearer to 100% testing the lower the sampling risk.

Presentation of the answer is important to ensure ALL parts of the requirement are addressed. A clear explanation of each term together with how it could impact sampling risk will be appropriate.

## Question one(d)(ii)

For 10 marks this question required candidates to:

Develop an audit plan that should be put in place for the current year in planning the audit of the FS of Chipangali Oil Plc **taking into consideration matters** in the scenario.

The above was examined in a similar manner at the **June 2025** exam in question one(b)(i) which for 10 marks required candidates to:

Describe five(5) matters that should be considered in planning the audit of the FS of Innovations Plc and the group FS by the auditors.

**LO5: Evaluate the audit and assurance engagement and prepare an engagement plan:**

**Part (3)(o)** of the syllabus reads:

Develop a **proposed audit plan** with justification and judgments made based on a business scenario for an audit or assurance engagement including considerations related to .....

## Question 2(b)(iii) – 4 marks

This part of the question required candidates to:

Discuss how your firm will deal with **the matter** that came to the attention of the audit team **after commencing** the audit through the response from the previous auditors of Wankie Plc.

### Comment:

Under normal circumstances professional clearance should be obtained before accepting appointment. In this case information relating to lack of integrity of management came to light after accepting and commencing the audit. Main issues that should have been discussed is the reliability of evidence and written representations obtained from management and considering resigning if the matter is serious.

### 9.4.2 Question three(b)(i)/(ii): 8 marks

This part of the question required candidates to:

Describe the action that should be taken by the audit team and the firm on account of the **disagreement on accounting for development costs**.

#### **Comment:**

Matter should be brought to the attention of senior audit team members and if remains unresolved it should be brought to the attention of TCWG.

Finally the audit opinion is the tool that the auditors could use and so could consider the impact of the disagreement on the opinion.

### **LO7: Evaluate accounting treatments**

**Syllabus (3)(i)** Evaluate, drawing conclusions on the **appropriateness of stated accounting treatments** in the context of a given business & a given scenario based on generally accepted accounting practice.

## 9.4.3 Question four

### Part (a)(i)

This part of the question required candidates to **evaluate** & discuss the **sale of wine to the bank** under a contract to buy back after 10 years. Candidates should have noted that this was more of a financing tool rather than a normal sale.

**Part(a)(ii)** This part of the question required candidates to:

“Discuss your review points regarding the **use of internal audit** of Victoria Plc in the conduct of the audit of the financial statements.”

### Comment:

To answer this part correctly, candidates needed to apply their knowledge on direct assistance of auditors during an audit and the provisions of the relevant standard which specifies areas prohibited where auditors cannot seek direct assistance.

### Syllabus area (2)(e)

Evaluate the extent to which assurance & audit functions within an entity can be used or relied upon.

## Question four(i)/(ii)

This part of the question required candidates to:

- (i) Evaluate, **with justification**, the **appropriateness** of the suggested audit opinion for each of the two audit clients. (4 marks)
- (ii) **Draft** extracts of the report for each of the 2 audit clients considering the outcome of the evaluation in (a). (6 marks)

Examined in similar manner in **June 2025** as follows:

## Question four (a)(i)/(ii)

- (i) Recommend, with justification, a suitable audit opinion based on the evaluation of the audit evidence on the audit of the FS of Batoka Ltd. (4 marks)
- (i) Draft the opinion, basis of opinion & any other paragraph deemed necessary, based on the recommendation in (i) above. (6 marks)

**LO8: Evaluate audit & assurance evidence & conclude & report on an engagement.**  
**(4)(f) Draft extracts of a suitable assurance report or management report based on a given scenario & entity**



## **10.0 Mixing topics in answering questions on topics such as audit planning:**

Candidates at the advisory level should be able bring in issues from **different topics** in answering question such as describing an audit plan using information in the scenario.

10.1 Apply relationships in syllabus areas in answering questions:

10.2 Materiality and risk vs. nature of substantive audit procedures

10.3 CAATs and impact on **audit cost** and **sampling risk**

10.4 **Big data** and **data analytics** and **reduction** in **sampling risk** and **audit fee**

10.5 **Interim** audit and **final** audit and procedures done at each of these stages.

10.6 **Internal control** and extent of substantive procedures

10.7 Use of **internal audit** and impact on **audit fee**

10.8 **Audit risk** and **materiality** and impact on the nature of substantive audit procedures.

## **11.0 The MAIN stages of an assurance engagement:**

- 11.1 Planning the audit and risk assessment** – at commencement of the audit before next stage begins.
- 11.2 Performing the audit** – Obtaining audit evidence through performing audit procedures.
- 11.3 Reporting** – Review & finalisation of the audit and reporting

### **Generally:**

- Client provides the auditors the **trial balance** and the **general ledger**
- Client provides auditor with **schedules** giving break down of balances in the SOFP.
- Auditor **extracts samples** and performs **audit procedures** on the sample items
- Auditor **evaluates evidence** and concludes to reach audit opinion.

Important for candidates to have knowledge of **structure of audit firms** and composition of a **typical audit team**. (Engagement partner, Manager, Audit Senior and Audit Assistants)

- 12.0 Main causes of failing the examination:**
- 12.1 Attempting **less than** the required **four(4)** questions – Very few pass
  - 12.2 Leaving **parts of questions unattempted** in most cases resulting marks worth a whole question not attempted. Time does not appear to be factor due to **poor performance on questions attempted**.
  - 12.3 **Not using information** in the **scenario** in answering questions.
  - 12.4 Not addressing the **question requirements**. Question could be on **audit risks** candidates deal with **business risks**.
  - 12.5 Candidates not addressing question requirements in **multi requirement** questions. Where **AND** is used in the question requirement.
  - 12.6 Clear **lack of knowledge** of some topics clear case of guessing.
  - 12.7 No clear understanding of **provisions of auditing standards**. Candidates are required to answer questions in line with the **provisions of auditing standards**.
  - 12.8 **Poor or lack** of knowledge of specific **accounting requirements** such as accounting estimates or fair value accounting, assets held for sale etc.

## **Additional causes of examination failure:**

- 12.9 **Poor handwriting** making it difficult for markers to read solutions.
- 12.10 **Wrong numbering** of solutions – risk being marked wrong as a result.
- 12.11 Writing in **margins** – Not following instructions risk marks being omitted.
- 12.12 Writing **too much** for marks on offer – A waste of time. Candidates should be guided by the marks on offer resulting in failing to answer questions required.
- 12.13 Writing **everything/anything** about a topic without considering the **question requirement**.
- 12.14 **Inadequate preparation arising largely from self study** and short tuition period – require six(6) months to fully understand subject matter.
- 12.15 Poor answer **presentation**.

**12.15.1 Recommended presentation using example or requirements below:**

**Required:**

- (a) Identify and explain** four(4) audit risks in the audit of the FS of XYZ Plc.
- (b) For each** risk in (a) suggest a **suitable audit response** by the audit team.

**Solution one**

	<b>(a) Risk/explanation</b>	<b>(b) Suitable response</b>
1	Laws & regulations – provisions misstated	Professional scepticism
2	Accounting estimate – determing of fair valued	Inquire on the determination of estimates
3	Obsolecence of iveory – overt statement of inventory	Attend inventory count to determine dealing with obsolete inverntoy.

**Note:** above presentations could be used in answering an **ethical question** requiring **identification/explanation** of ethics and **appropriate safeguards**.

## **12.15.2 Alternative presentation:**

### **Solution one:**

#### **(a) Audit risks**

- 1 Laws & regulations – Result in misstatement of provisions
- 2 Accounting estimate – Mistatement of fair values determined
- 3 Obsolescences of inventory – Resulting in the overstatement of inventory of NRV lower than cost.

#### **(b) Audit responses**

- 1 Observe professional & look out for non compliance
- 2 Accounting estimate – Inquire on how fair values determined
- 3 Obsolescences of inventory – Plan to attend inventory count

The **order** in part (b) should be the same as the order in part (a). This format takes much longer time a valuable resource in the examination.

# 13.0 SPECIFIC ACCOUNTING AREAS:

	Topic	IFRS/IAS	ISA
1	Inventory	IAS 2	
2	Rekated parties & related party transactions		
3	Fair values	IFRS 13	540
4	Tangible non-current assets	IAS 16	
5	Held for sale non current assets	IFRS 5	
6	Agriculture	IAS 41	
7	Intangible assets	IAS 38	
8	Investment properties	IAS 40/IFRS 13	
9	Financial Instruments - Presentation	IAS 32	
10	Financial Instruments - Disclosures	IFRS 7	
11	Financial Instruments – Classification/measurement	IFRS 9	
13	Foreign exchange rates	IAS 21	
14	Revenue	IFRS 15	
15	Government Grants	IAS 20	

13.0 Specific accounting areas continued:

	Topic	IFRS/IAS	ISA
16	Deferred taxation	IAS 12	
17	Provisions and contingencies	IAS 37	501
18	Borrowing costs	IAS 23	
19	Employee benefits	ISS 19	
20	Share based payment	IFRS 2	
21	Segment reporting	IFRS 8	501
22	Earnings Per Share	IAS 33	
23	Discontinued operations	IFRS 5	
24	Changes in accounting policy & errors	IAS 8	
25	Consolidated financial statements	IFRS 10	600
26	Joint arrangements	IFRS 11	
27	Disclosure of interests in other entities		
28	Separate financial statements	IAS 27	
29	Investments in associates & joint ventures		



- 13.1 Knowledge about specific accounting areas required:**
  - 13.1.1 The provisions of relevant **accounting standards/IFRS**
  - 13.1.2 The **audit risks** that exist in each of the areas – what could go wrong in the financial statements – should be able to explain the audit risk clearly.
  - 13.1.3 The audit **response** to the related risks
  - 13.1.4 The financial statements **assertions** related to the figure in the FS
  - 13.1.5 **Description** of the **audit procedures** required to be undertaken by the audit team in obtaining sufficient appropriate audit evidence.
  - 13.1.6 Provisions of relevant **auditing standards** where relevant- candidates required to answer questions in accordance with relevant auditing standards.
  - 13.1.7 Determining when the services of an **auditor expert** could be required.
- N.B.** Not possible to memorise audit procedures for FS figures – important to understand and remember the **FS assertions** for the relevant figures which form the **basis** for the nature of procedures to be performed.

## **14.0 Main challenges faced by candidates in selected topics:**

**14.1 Risk identification and response** – ISA 315 & ISA 330 Planning the audit

**14.2 Audit procedures** and financial statement assertions – the accounting aspects(IFRS/IAS)

**14.3 Audit risk** and risk of **material misstatement** distinction – effect of audit risk to FS assertions.

**14.4** Safeguards and **ethical dilemmas** faced by the professional accountant.

**14.5 Subsequent events** – matters to consider given information in the scenario – distinction between adjusting and non adjusting events – Active and passive duty.

**14.6** Going concern and **material uncertainty** regarding going concern - impact on the audit report, adequacy of disclosure.

**14.7** Distinction between **EoM** and **OM** paragraphs and overlaps with the KAM paragraph.

**14.8** Lack of knowledge on guidance on **contents** of **KAM** paragraph, **EoM/OM** paragraphs and guidance on **going concern** and where should be included in report.

**14.9** Failure to **support suggested opinions** based on information in the scenario – using **materiality** and **pervasiveness** – sufficient appropriate evidence obtained and where there is limitation of scope.

## **15.0 Specific audit topics and the examinations:**

- 15.1 Answering scenario based questions.
- 15.2 Risk & risk identification questions
- 15.3 Ethics
- 15.4 Substantive audit procedures
- 15.5 Audit reports & the examinations
- 15.6 Group audits

## 15.1 Answering scenario based questions:

Questions at the advisory level will always be scenario based requiring candidates to **use the information in the scenario** in answering the question requirements. Candidates are expected to apply the theory gained and applying it to seemingly real life situations.

General answers with no reference to the scenario will not earn maximum marks. There are **few questions** that are knowledge based not requiring the use of information in the scenario for example:

(a) Explain the responsibilities of management and the auditors for fraud.

A **typical scenario question** will contain information relating to:

(i) Business and audit risks

(ii) Ethical matters

(iii) Internal control weaknesses etc.

(iv) Candidates are required to navigate through this information and use relevant information in answering the question requirements.

## 15.2 Answering risk identification questions:

- 15.2.1 Requirement may be for **identification** of business and/or audit risks and suggesting suitable responses.
- 15.2.2 Distinction between **business** and **audit risks** required. Common to mix and confuse the two in answering examination questions.
- 15.2.3 Some risks obvious while others less obvious e.g. The fact that a company is a listed company and the **nature of inventory**(Obsolescence & valuation.)
- 15.2.4 Nature of business/industry – Expected risks vary from one industry and another.
- 15.2.5 Audit risks – impact the financial statements ie what could go wrong including correct accounting/disclosure according to relevant accounting standards.
- 15.2.6 Require to bring to bear the **accounting knowledge** and determine what could go wrong in the FS that is the audit risk.
- 15.2.7 Audit response depends on the risk identified – common for candidates not to explain this resulting in losing marks allocated to doing so.
- 15.2.8 Be **sceptical** in reading scenario – usually audit/business risks obvious from information in the scenario. Look out for accounting issues in the scenario most likely there will be audit risk issues.

## **QUESTION ONE: Illustration risk identification:**

You are planning the audit of the financial statements of Kazungula Plc for the year ended 30 September 2025.

**Kazungula Plc** is a **pharmaceutical manufacturing** company which holds significant quantities of raw materials, **work in progress** and finished goods at the period end. Two(2) years ago, the company manufactured significant quantities of a drug for Covid 19 and in view of the significant reduction in Covid cases, **a large quantity of these is still held in stock**. you plan to attend the year end inventory count.

Kazungula Plc has provided a receivables age analysis shows a significant amount **over 60 days**. The normal credit period allowed is 30 days. Three(3) months ago, the contract of the Finance Director was prematurely terminated. He was paid for the part of the contract that he worked and he is of the view that he should have been paid in full for the full term of the contract. Management of Kazungula Plc believes that the payment made is final and did not consider it necessary to make an additional provision. The Finance Director has taken **legal action** and the case is ongoing in court. This will be the first time that your firm will be auditing financial statements of a pharmaceutical company.

## Required:

- (a) Distinguish the **risk of material misstatement** from **audit risk**. (2 marks)
- (b) Describe five(5) **risks of material misstatements** in the audit of the financial statements of Kazungula Plc and suggest a suitable response for each risk. (10 marks)

## Comments:

1. The risks of material misstatements are contained within the scenario with NO exception.
2. In explaining the risks of material misstatements necessary to explain the FS assertion that will be impacted.
3. The fact that this will be the first time that the firm will be auditing a client in the pharmaceutical industry gives rise to a detection risk. No marks will be awarded in explaining this because it is not a risk of material misstatement but rather an audit risk.

**Suggested solution:**

**Solution one:**

(a) Distinction between risk of material misstatement and audit risk.

The risk of material misstatement is the risk that the financial statements of Kazungula Plc will be misstated before considering the audit. The misstatements could arise on account of inherent risk and control risk.

(b) Risks of material misstatements in the audit of the FS of Kazungula Plc:

	Risk of material misstatement	Auditor response
1	The fact that Kazungula Plc is a listed company suggests that it is subject to listing requirements. There is a risk that the company may not comply with the listing requirement necessitating the making of provisions. If these are not made, the financial statements will be misstated.	Review correspondence with the Securities Exchange and minutes of management and the Board of Directors for any indications of non compliance with listing requirements.
2	Kazungula Plc is in the pharmaceutical industry which is highly regulated. There is a risk that the company may not comply with the rules and regulations which may necessitate the making of provisions. If these are not made provisions will be understated and profit overstated.	Emphasize the need for observance of professional skepticism by the audit team members to be alert for any indications of non compliance with laws and regulations.



# Suggested solution continued:

	Risk of material misstatement	Auditor response
3	Kazungula Plc holds significant work in progress at the period end. This may cause problems for the audit team to verify the valuation of the WIP. There is a risk that work in progress may be misstated which could result in the financial statements being misstated.	The audit team will need to consider the need for engaging an auditor expert to perform audit procedures on the valuation of WIP.
4	The significant quantity of Covid 19 drugs may have expired and could be nearing expiry and as such may require writing off from the financial statements. Other finished goods may also be either expired or nearing expiry which means the net realizable value is likely to be below cost. there is a risk that closing inventory will be overstated.	Review the inventory count instructions concerning expired and slow moving inventory. Attend inventory count and confirm expires/slow moving inventory separated and appropriately valued.
5	The increasing overdue debt suggests that some receivables may be irrecoverable. There is a risk that receivables balances may be overstated resulting in the misstatement of the financial statements.	Review the allowance for receivables for adequacy and that it has been computed in accordance with applicable FR standards.
6	The legal case against Kazungula Plc by the former Finance Director could result in the company pay more money than has been paid on termination of the contract. The company will require to make provisions in line with IAS 37 and the provisions may be understated resulting in the misstatement of the financial statements.	Seek legal advise of the likely outcome of the legal case and discuss with management of Kazungula Plc on the need to make a provision in the financial statements.

## 15.3 Ethics:

Guidance given by IFAC to members and adopted by ZICA

### 1. Fundamental ethical principles - IPPOC

- 1.1 **I** Integrity – **Straight forward** and **honest** in professional dealings:
- 1.2 **P** Professional competence & due care – Professional **knowledge & skill** including current developments.
- 1.3 **P** Professional behavior – Comply with **laws & regulations**. Avoid **conduct** that would **discredit** profession.
- 1.2 **O** Objectivity – No **bias, conflict of interest** or **influence of others** in professional or business judgments.
- 1.3 **C** Confidentiality – No **disclosure** to **third parties** with **no permission** of client/employer.

### 2. Threats

- 2.1 Self interest threat
- 2.2 Self review threats
- 2.3 Advocacy
- 2.4 Intimidation
- 2.5 Familiarity

### **15.3.1 Professional appointments:**

Guidance on **accepting appointment** as auditors

Matters to consider in the following stages:

1. Deciding to bid for offer of audit/professional services
2. Matters to include in bid documents
3. Matters to consider before accepting appointment
4. Matters after accepting appointment
5. Acceptance and continuance as part of quality control

**Main matters to consider:**

1. Availability of resources
2. Existence of skills and competences required
3. The integrity of management.

### 15.3.2 Ethics and the examinations:

Using information in the scenario:

- (a) Identify and explain(Describe) ethical issues and suggest suitable safeguards.
- (b) Describe the matters that should be considered **before** deciding to **bid** for offer of audit services.
- (c) Discuss the matters that should be considered **before accepting** appointment as auditors.
- (d) Describe the matters that should be contained in the engagement letter **after accepting** appointment.
- (e) Describe the matters that should be considered in **accepting and continuing** with audit engagements in accordance with **quality** control standards.

## **QUESTION TWO - Ethics illustrative question:**

Your firm of Chartered Accountants has recently been nominated to be auditor of Kabwe Plc. This follows the submission of a tender responding to the advert for expression of interest from eligible firms to offer audit services. Rex & Associates are the former auditors of Kabwe Plc.

You have been assigned Audit Senior on the audit of Kabwe Plc. You recently joined your firm as Audit Senior having worked for Kabwe Plc as Financial Controller. The reporting timetable of Kabwe Plc is tight and the Chief Executive Officer has formally written to your firm demanding that the audit should be concluded within a period of one(1) months after the year end. He has also requested that in order to speed up the finalization of the audit, you should assist the recently recruited Financial Controller finalize the preparation of the financial statements. This was recommended by the Board of Directors of Kabwe Plc on which Chanda the Engagement Partner on this audit sits.

### **Required:**

- (a) Describe the matters that should have been considered by your firm before accepting appointment. (3 marks)
- (b) (i) Identify and explain the ethical matters in the audit of the FS of Kabwe Plc. (4 marks)
- (ii) Suggest appropriate safeguards for each ethical matter in (i) above. (4 marks)

## **Suggested solution:**

- (a) Matters to consider before accepting appointment as auditors:
  - (i) Consider the integrity of management and if consider that management lacks integrity then the firm should decline appointment.
  - (ii) The presence of the pre-conditions for an audit.
  - (iii) Consider whether the firms has the necessary resources to undertake the audit namely skills and competences and the time.
  - (iv) Should seek professional clearance from Rex & Associates the outgoing auditors.

## **Comment:**

Ethical & professional considerations at the following stages:

- 1 Deciding to respond to an advert for offer of audit services.
- 2 Matters to include in bid documents
- 3 Matters to consider before accepting appointment
- 4 Matter to consider after accepting appointment.

Suggested solution continued:

(b)(i)/(ii) Ethical matters and safeguards in the audit of Kabwe Plc;

	(i) Ethical matters	(ii) Safeguards
1	The Audit Senior worked for Kabwe Plc as Financial Controller until he left and joined the audit firm. Assigning him to the audit of the Financial Statements of Kabwe Plc will give rise to a self interest and familiarity threats which will impact the objectivity of the Audit Senior.	A different person should be assigned to the audit of Kobe Plc.
2	The formal communication to the firm by the CEO demanding that the audit should be concluded within one month of the period end amounts to an intimidation threat and the audit team may not be objective for fear of losing the assignment.	The firm should communicate to the CEO and explain that the audit will be conducted without undue pressure to complete within a given timeframe.
3	The request that the Audit Senior who previously worked for Kabwe Plc assists the new Financial Controller in preparing the financial statements will result in a self review threat and this will impact on the objectivity of the audit team.	The request by the CEO should be declined and the Audit Senior should not be involved with the preparation of the financial statements.
4	Partner on the board of Kabwe Plc gives rise to a self interest threat. The board provides oversight on management.	The Partner should resign from the board of Kabwe Plc.

## 15.4 Substantive Audit Procedures:

- 15.4.1 Conducted during the conduct of **tests of controls** and during the obtaining of sufficient appropriate evidence – **substantive procedures**.
- 15.4.2 Substantive procedures include analytical procedures and tests of detail.
- 15.4.3 Must be performed on **ALL** material amounts in the financial statements.
- 15.4.4 Procedures designed by auditors considering the FS assertions.
- 15.4.5 The audit working papers should show evidence of the procedures performed on all material amounts.
- 15.4.6 To be able to design suitable substantive audit procedures, there is need to know the accounting for relevant specific areas in the syllabus.
- 15.4.7 Financial statement **assertions** determine the substantive procedures to be conducted.



## 15.5 Audit reports and the examination:

- 15.5.1 Modified and unmodified **reports** – what makes **report** modified?
- 15.5.2 Modified and unmodified **opinions** – ISA 700 & ISA 705
- 15.5.3 **KAM** and requirements of standard – ISA 701 required for listed companies link with ISA 260 *Communicating with those charged with governance*.
- 15.5.4 Emphasis of matter and other matter paragraphs – ISA 706
- 15.5.5 Overlap of KAM and EoM & OM paragraphs
- 15.5.6 **Evaluating & drafting** suitable audit opinion based on information in the scenario – Use information in the draft not general answers.
- 15.5.7 **Evaluating and critiquing** a suggested draft audit report – Demonstrate knowledge of requirements of relevant reporting standards.
- 15.5.8 **Going concern** and implication for opinion – ISA 570 basis for the preparation of the financial statements(**Historical basis v break-up basis**)
- 15.5.9 Existence of **material uncertainty** regarding going concern and implications for the audit opinion.
- 15.5.10 Ability to **support/argue** for suggested opinion based on given information.

## **Audit reports and the examinations:**

Candidates may be required to do any of the following in the examination:

- (a) Evaluate and **critique** the suggested audit report consideration guidance given in auditing standards.
- (b) Evaluate** the **audit opinion** suggested and suggest recommendations as considered necessary.
- (c) Suggest a **suitable audit opinion** based on the audience obtained.
- (d) Draft** suitable **extracts** of the audit report considering the suggested opinion.

## **15.6 Group Audits**

15.6.1 **Group consolidated** financial statements – As if one entity

15.6.2 Comprise **parent** and **component** financial statements

15.6.3 **Component auditors** may be **different** from Group auditors

15.6.4 **Group auditor** responsible for **opinion** – No mention in report unless required by law.

15.6.5 Group auditor identify **significant component** and decide involvement in significant component financial statements.

15.6.6 **Acceptance/continuance** – Able to obtain sufficient appropriate evidence.

15.6.7 Planning & risk assessment – Consider elements of consolidated FS not audited directly by group auditors.

15.6.8 Understand component auditors – this will determine extent of group engagement involvement (Objectivity, Professional competence & regulatory environment of components)

15.6.9 Work on **significant** components:

- Risk assessment
- Full audit by component auditor/group engagement team based on component materiality level.

## 15.6 Group audits continued:

### 15.6.10 Evaluating **work of component auditors**

- For all components – review work done by component auditors
- Could be by reviewing **report** or **questionnaire**
- Evaluate uncorrected misstatements or instances of inability to obtain sufficient appropriate audit evidence.

Based on review:

- Design and perform further audit procedures
- Participate in closing meetings of audit – component auditors and component management
- Review other relevant parts of component auditors documentation.

### 15.6.11 Communication – to component auditor & vice versa

### 15.6.12 Communication with Group management & TCWG of group

### 15.6.13 Support letters – going concern implication

### 15.6.14 Developing countries & IFRS – Restate FS to comply with IFRS

## **16.0 Preparation before taking the examination:**

- 16.1 Studying the **whole syllabus**
- 16.2 Attempting **examination standard questions** within allowed time
- 16.3 Attempting a **mock examination** under examination conditions
- 16.4 Reading past examination questions and answers – part of examination preparation.

### **For example:**

Reading 3 questions and answers daily culminates in 30 questions and answer is a period of ten days.

### **Benefits:**

- Increased confidence levels
- Will understand how topics have been examined in the past – most likely form of examining will not significantly change.

## **17.0 Examination techniques:**

- 17.1 Manage **time** effectively – **72 minutes** for **compulsory** question and **36 minutes** for **optional** questions – **Never overrun** on time.
- 17.2 Use the **15 minutes** reading time **effectively**
- 17.3 Attempt the required **four(4) questions** – Need the marginal marks.
- 17.4 Attempt **all parts** of the questions and use **common sense** where necessary.
- 17.5 Use the **information** in the **scenario** in answering questions – be sceptical solutions most likely will be in the scenario information.
- 17.6 Ensure points are **clear** and avoid overwriting – use marks on offer in deciding how much to write.
- 17.7 Cover the **whole syllabus** in preparing for the examination – be guided by the **syllabus weghtings**.
- 17.8 Attempt **examination standard questions** during exam preparation
- 17.9 **READ** examination standard questions and solutions – Source: **past examination papers** and the **practice and revision kit**. Important aspect of exam preparation.
- 17.9 Attempt a **mock examination** under examination conditions.

## **17.0 Examination technique continued..**

- 17.10 Mind your business** in the examination – do not be distracted by other candidates.
- 17.11 Clearly **number** your solutions using **numbering format** in the question paper especially for solutions put on different page from the rest of the solution.
- 17.12 Use **short headings** in your answers to make it easier for the marker to see your answer and award marks accordingly.
- 17.13 Use **short** but **clear sentences** in answering questions and if possible leave a line between points. Cannot **hide** through **long paragraphs**. Markers will read everything. Disappointing **long two page answer** but score only **3 marks!!**
- 17.14 Note that there are **ALWAYS EASY** marks in every examination paper go for these and **do not stress** over what you **do not know**.
- 17.15 If it is a difficult paper then it is difficult for everyone ,fight to the end until the invigilator says **STOP**.
- 17.16 Remember you can get **50 marks wrong** and still **pass the examination**.
- 17.17 You have **12 days** to the examination day. These are sufficient days and can make a difference.
- 17.18 **DO NOT** panick **now** and in the **examination room**.

## **18.0 INTERACTION WITH PARTICIPANTS**

**WILL NOW TAKE YOUR QUESTIONS AND CONTRIBUTIONS**

**WILL TAKE TWO(2) QUESTIONS AT A TIME AND ANSWER THEM.**

**WISH YOU WELL IN THE FORTH COMING EXAMINATION**

**END OF THE PRESENTATION**