

EXAMINER'S REPORT
MIA QE MARCH 2018
PAPER: AUDIT AND ASSURANCE SERVICES

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
1(A)	Candidates are required to comment on the ethical issues in the context of independence requirement as stated in the MIA By-Laws (On Professional Ethics, Conduct and Practice).	Refer the suggested solution (Attachment).	<p>Most candidates managed to answer the question. However, quite a number of candidates failed to do so, presumably due to:</p> <ul style="list-style-type: none"> i. lack of fundamental understanding on the independence requirement as prescribed by MIA By- Laws ii. Focusing on information which is not the 'real' issue in the question. For instance, for question 1(A)(b), quite a number of candidates focus on the salary-higher-than-industry issue instead the real issue on independence. iii. Wrong fact/weak comprehension of English – the question mentioned that the partner who does not hold the shares, not 	<p>This is a very straightforward/basic question. Candidates are advised to read the handbook provided by the MIA. Since this is an application question, candidates should have applied their practical knowledge to answer this question.</p>

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			the audit manage as understood by few students.	
1(B)(i)	Candidates are required to explain the terms of: a. Privity of contract b. Ordinary negligence c. Professional indemnity insurance d. Duty of care	Refer the suggested solution (Attachment).	Majority of the candidates failed to provide good answer for this question, which is quite surprising, considering the candidates are practitioners. Quite a majority of candidates do not know practical terms such as 'professional indemnity insurance'.	This question is quite 'theoretical' in nature. Candidates should have been able to answer if they have strong fundamental knowledge in auditing. Candidates are advised to read the handbook provided by the MIA. Answers can be found directly from the handbook.
1(B)(i)	Candidates are required to differentiate between common law and statutory law.	Refer the suggested solution (Attachment).	Candidates could fairly answer this question, but majority of them did not provide good points to really differentiate between common law and statutory law.	Candidates are advised to read the handbook provided by the MIA. Candidates are required to enhance their fundamental knowledge in auditing.
2(a)	Candidates are required to differentiate between management's and auditor's responsibility on internal control.	Refer the suggested solution (Attachment).	Majority of the candidates managed to answer this question well.	Most candidates scored good mark for this question, especially part (c). Only a few candidates who did not manage to provide good answers for this question.

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2(b)	Candidates are required to state two internal control activities based on the case in the question.	Refer the suggested solution (Attachment).	Majority of the candidates managed to answer this question well.	
2(c)	Candidates are required to identify five internal control weaknesses based on the case in the question using the given format for the answer.	Refer the suggested solution (Attachment).	Majority of the candidates managed to answer this question well.	
3(a)	Candidates are required to distinguish between review and audit engagement.	Refer the suggested solution (Attachment).	Most candidates could fairly answer this question. However, quite a handful of candidates could not differentiate between review and audit engagement.	This should be a straightforward/ basic question that relates to assurance/non-assurance engagement. Candidates are advised to read the handbook provided by the MIA.
3(b)	Candidates are required to comment of professional scepticism.	Refer the suggested solution (Attachment).	Very surprisingly, majority of the candidates do not provide good answer for professional scepticism. It's like this term is alien to them.	Candidates are advised to read the handbook provided by the MIA.
3(c)	Candidates are required state four procedures for review engagement	Refer the suggested solution (Attachment).	Majority of the candidates could fairly answer this question.	Candidates are advised to read the handbook provided by the MIA.

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
4A(i)	Candidates are required to explain 4 potential benefits of IT on internal control.	Candidates should explain any 4 potential benefits of IT on internal control.	Candidates failed to provide the answer.	Candidates should list potential benefits such as timeliness, reliability of information, analysis information, reduction of risk, ability to monitor and other relevant answer.
4A(ii)	Candidates are required discuss 2 factors that affect the control environment when implement the IT in an entity.	Candidates should discuss 2 factors that affect the control environment when implement the IT in an entity.	Candidates failed to provide the answer.	Candidates should discuss any 2 factors that affect the control environment when implement the IT in an entity such as assignment of authority and responsibility and human resource policy and practices.
4A(iii)	Candidates are required to describe 2 areas in which control procedures can be affected by the use of IT.	Candidates should describe 2 areas in which control procedures can be affected by the use of IT.	Very minimum candidates can describe the control procedure.	Candidates should list any 2 control procedures that can be affected by the use of IT such as segregation of duties, physical control or information processing.
4B (i)	Candidates are required to describe 4 audit procedures that could be carried out using CAATs.	Candidates should describe any 4 audit procedures that could be carried out using CAATs.	Very minimum candidates can describe the audit procedure using CAATs.	Candidates should list any audit procedures using CAATs such as recalculate cost, confirming the inventory adjustment, identifying any slow moving stocks and others.

Question no.	Question's Requirement	Expected Answer	Weaknesses in the Answer Provided	How answer should be written to get more marks
4B(ii)	Candidates are required to explain 2 advantages and disadvantages of using CAATs.	Candidates should explain 2 advantages and disadvantages of using CAATs.	Most of the candidates can answer the question.	
5	Candidates are required to describe 5 audit evidence in respect of each of the issues describe in the scenario.	Candidates should describe 5 audit evidence in respect of each of the issues describe in the scenario.	Candidates failed to provide the answer.	Candidate should provide audit evidences instead of audit procedures for each scenario given.
6A(a)	Candidates are required to explain 4 procedures of internal audit department in preventing and detecting fraud.	Candidates should explain 4 procedures of internal audit department in preventing and detecting fraud.	Candidates failed to provide the procedures of internal audit department in preventing and detecting fraud.	Candidates should provide the procedures of internal audit department in preventing and detecting fraud such as regular reviews, fraud investigation, further training and others.
6A(b)	Candidates are required to describe 4 limitations in establishing and maintaining an internal audit department.	Candidates should describe 4 limitations in establishing and maintaining an internal audit department.	Most of the candidates can answer the question.	
6B	Candidates are required to describe 6 ADDITIONAL functions of internal audit department other than fraud investigations.	Candidates should describe 6 ADDITIONAL functions of internal audit department other than fraud investigations.	Candidates failed to provide the answer.	Candidates should list and explain the additional functions of internal audit department such as monitoring assets values, cash controls, it reviews and other.

General Recommendation

To Facilitators	Most candidates who failed to provide good answers are lacking in terms of theoretical knowledge. They may have the experience and practical knowledge, but to answer and explain examination questions, strong foundation of theoretical knowledge are required. A blend of both theoretical and practical knowledge would certainly provide competitive edge for the candidates.
To Candidates	Quite a number of candidates are weak on their command of English, which has adversely affected their ability to provide good answers. Candidates should improve their command of English, as their communication with the clients would be compromised given the substandard quality of language command. Candidates are strongly encouraged to read the handbook provided by MIA. Most questions are directly based on the content of the handbook. Quite a number of candidates wasted their time by copying the question/statement in the question as part of their answers. Candidates should have jumped straight to provide the required answer. No marks will be given for whatever statements copied from the question. Do not waste valuable time.