
Examination Panelist's Report

Paper III
PBE Auditing and
Information Systems
(December 2009 Session)

(The main purpose of the following report is to summarise candidates' common weaknesses and make recommendations to help future candidates improve their performance in the examination.)

General Comments

The performance was not satisfactory as quite a number of candidates did not master the fundamental concepts of auditing such as different types of audit reports, substantive procedures for inventory, major types of control activities, and criteria for evaluating the internal audit function.

Many candidates did not read the question carefully and irrelevant answers were provided for some straightforward questions. As was the case in the previous examination, inaction students failed to apply their knowledge to real-life issues in order to demonstrate the expected level of analytical thinking.

Quite a number of candidates wrote illegibly and made spelling and grammatical mistakes. Illegible handwriting and poor English inevitably affected the assessment.

Specific Comments

Section A – Compulsory Questions

Question 1 – 40 marks

This was a case of a practical scenario. Candidates were asked to apply their knowledge to auditing and ethical issues. Most candidates were able to identify ethical issues but many candidates did not know the concept of auditors' independence or were not able to express their understanding in writing. Many candidates were not able to distinguish between the role of the client and the auditors for stocktaking.

In part (a), most candidates did not distinguish between independence of mind and independence in appearance. In part (b), most of the candidates who attempted this part scored satisfactorily. For parts (c) and (d), although many candidates were able to answer correctly, some candidates were not able to identify the salient issue which was that the internal control of the company might not be operated as normal during the sick leave period of the financial controller. In part (e), many candidates were able to answer the audit procedures on the stocktaking day correctly, some candidates misunderstood that the auditors carried out the stocktaking instead of the client. In part (f), some candidates knew that rollback test should be carried out, but most candidates did not provide any details of the rollback test. In part (g), quite a number of candidates identified the relevant facts but were not able to draw conclusions on the risk assessment. In part (h), most of the candidates did not read Rose's argument carefully and therefore could not tell what audit objectives could be or could not be achieved by sending confirmation. In part (i), most candidates who attempted this part scored satisfactorily. In part (j), some of the candidates who attempted this part scored satisfactorily but some candidates were unable to distinguish different types of audit opinion.

Section B – Optional Questions

Question 2 – 20 marks

This question examined candidates' understanding of existence assertion and rights and obligations assertion and relevant substantive audit procedures.

Most candidates who attempted this part scored satisfactorily, but quite a number of candidates listed out some substantive procedures that were neither efficient nor effective.

Question 3 – 20 marks

This question examined the candidates' knowledge of the relationship between internal auditing and external auditing, and also the functions of the audit committee.

In part (a), most of the candidates who attempted this part scored satisfactorily. However, in part (b), most candidates did not know the important criteria for external auditors to evaluate the internal audit function and provided irrelevant answers. In part (c), most candidates mixed up the roles of the audit committee and the internal auditors.

Question 4 – 20 marks

This question examined candidates' knowledge of internal control and tests of control.

Few candidates attempted this question and those candidates who attempted it did not score satisfactorily. Most candidates were unable to identify the major types of control activities and therefore did not perform satisfactorily for the question as a whole.

Question 5 – 20 marks

This question examined candidates' knowledge of information systems.

In part (a), some candidates were unable to tell the major purposes of having an information system. In part (b), most of the candidates scored satisfactorily. In part (c), although many candidates were able to answer correctly, some candidates provided irrelevant answers such as details of other stages of system development. In part (d), most of the candidates scored satisfactorily.

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