

KASNEB REVISION KITS

**ADVANCED
AUDITING AND
ASSURANCE
REVISION KIT**

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**ADVANCED AUDITING AND
ASSURANCE**

REVISION KIT

TOPICALLY ARRANGED

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Past Paper with Answers**

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TOPIC 1

ASSURANCE AND NON-ASSURANCE ENGAGEMENTS

QUESTION 1

August 2025 Question Three A

Explain THREE differences between “assurance engagements” and “non-assurance engagements”. (6 marks)

QUESTION 2

August 2025 Question Five B

An agreed-upon procedures engagement is a type of engagement where the auditor is not required to provide assurance. However, certain conditions must be met for the engagement to take place and there is a shared responsibility regarding the performance and outcomes of the procedures.

Required:

Summarise FIVE conditions and shared responsibilities involved in an agreed-upon procedures engagement, considering the auditor does not provide assurance. (10 marks)

QUESTION 3

December 2024 Question Two A

After completing the audit of Maneno Company Ltd. for the year ended 31 December 2023, the auditor identified several material misstatements in the financial statements that management has refused to correct. Some of these misstatements could lead to a qualification of the audit opinion.

Required:

- (i) Explain TWO types of audit opinion that the auditor is likely to give in this case. (2 marks)
- (ii) Describe SIX ways on how the auditor would communicate the misstatements in his audit report. (6 marks)

QUESTION 4

December 2024 Question Three B

Describe FOUR benefits that accrue to businesses as a result of applying auditing and assurance services in their operations as per the provisions of ISA 210. (8 marks)

QUESTION 5

August 2024 Question One C

You are a senior auditor in the audit of Bayeti Ltd., a medium-sized company which sells a limited range of industrial products. While performing reviews on Bayeti Ltd.'s audit files, you have noted that a number of creditors have withdrawn their financial support to your client and that your client has defaulted on a number of loans. The working papers conclude that the going concern assumption is inappropriate and recommends that a note explaining the cash flow challenges your client is facing be included in the financial statements. However, the directors are reluctant to include the note in the financial statements.

Required:

In each case, discuss THREE implications on the audit report if:

- (i) The directors refuse to disclose the note. (3 marks)
- (ii) The directors agree to disclose the note. (3 marks)

QUESTION 6

August 2024 Question Five B

In the context of audit assurance engagements, describe how “attestation engagements” differ from “direct reporting engagements”. (4 marks)

QUESTION 7

December 2023 Question One A

You are the Audit Manager of Baraka and Company LLP, who are the auditors of Miradi Ltd. for the year ended 30 June 2023. The company has net assets of Sh.150 million. The audit has been completed but there is a matter that has not yet been resolved on depreciation of buildings. The directors of Miradi Ltd. have resolved that depreciation on buildings will not be provided for in the financial statements. The buildings were acquired in the year 2020 and no depreciation has been provided since.

Required:

- (i) Describe SIX additional audit procedures and actions that you could take with respect to the above matter. (6 marks)
- (ii) Assume that, according to your workings, the depreciation charge on the buildings for the year ended 30 June 2023 should be Sh.4,200,000 based on the straight line method of depreciation at an annual rate of 5%.

Required:

Discuss the implications of the above on the financial statements, clearly indicating its effect on the audit report. (8 marks)

PART B

SUGGESTED ANSWERS

TOPIC 1

ASSURANCE AND NON-ASSURANCE ENGAGEMENTS

QUESTION 1

August 2025 Question Three A

Differences between “assurance engagements” and “non-assurance engagements

Feature	Assurance Engagement	Non-Assurance Engagement
Purpose	To provide a formal opinion or a conclusion that enhances the degree of confidence of intended users about the outcome of the evaluation or measurement of a subject matter against criteria.	To assist a client by performing specific procedures or services agreed upon, without providing an independent opinion or conclusion that enhances user confidence.
Level of Assurance	Provides a reasonable or limited level of assurance. The practitioner is required to obtain evidence to support their conclusion.	Provides no assurance. The practitioner is not required to express an opinion or conclusion on the subject matter.
Type of Report/Output	A formal, written report containing an independent opinion or conclusion (e.g., an audit opinion on financial statements). The report is typically for external users.	A report of factual findings from the work performed, or a compilation of information (e.g., a tax return or compiled financial statements). The output is generally for the client's use.

QUESTION 2

August 2025 Question Five B

FIVE conditions and shared responsibilities involved in an agreed-upon procedures engagement, considering the auditor does not provide assurance

- 1. Agreement on Procedures and Purpose:** The auditor and the engaging parties must agree in advance on the **specific procedures** to be performed and the **objective** of the engagement. The **engaging parties** are responsible for deciding if the procedures are **sufficient for their needs**; the auditor must only perform what is agreed, without modifying scope later.
- 2. No Assurance Provided:** The auditor **does not express an opinion or conclusion**; they only report **factual findings** based on the procedures performed. Users of the

report (typically the specified parties) are responsible for **interpreting the results** and drawing their own conclusions.

- 3. Ethical and Professional Requirements:** The auditor must follow ethical guidelines such as **integrity, objectivity, and professional competence**. Independence is **not required**, but if the auditor is not independent, this must be **disclosed**. The auditor must be transparent about their ethical compliance; the engaging parties should acknowledge and accept any limitations.
- 4. Restriction of Use:** The report is **restricted to the specified parties** who agreed to the procedures—it is **not intended for general use**. Both auditor and engaging parties must ensure the report is only distributed to **intended users**.
- 5. Clear and Measurable Subject Matter:** The subject matter of the procedures must be **objectively verifiable**—the results should be consistent if repeated by another professional. The auditor ensures procedures are performed correctly; the specified parties confirm that the subject matter is appropriate and relevant to their needs.

QUESTION 3

December 2024 Question Two A

(i) **Two types of audit opinion the auditor is likely to give in this case:**

- 1. Qualified Opinion:** A **qualified opinion** is issued when the auditor concludes that the financial statements as a whole are fairly presented, except for a specific area or areas where there is a material misstatement or limitation of scope. In this case, if the auditor believes that the misstatements are material but not pervasive to the overall financial statements, a qualified opinion would be appropriate. The auditor would specify in the report the nature of the misstatement or limitation and the impact on the financial statements.
- 2. Adverse Opinion:** An **adverse opinion** is issued when the auditor concludes that the financial statements as a whole are materially misstated and do not present a true and fair view. If the misstatements are both material and pervasive (i.e., they significantly affect the financial statements as a whole), the auditor would issue an adverse opinion, indicating that the financial statements do not comply with the applicable financial reporting framework such as IFRS or GAAPs

(ii) **Six ways the auditor would communicate the misstatements in his audit report:**

- 1. Basis for Qualified or Adverse Opinion:**
The auditor would include a section titled “Basis for Qualified Opinion” or “Basis for Adverse Opinion” where they would describe the misstatements and the reasons for their qualification or adverse opinion. This section explains the nature of the misstatements and how they depart from the financial reporting framework.
- 2. Emphasis of Matter Paragraph:**
If the auditor believes that the misstatements, while material, may still be

acceptable under certain circumstances, they may include an “Emphasis of Matter” paragraph to highlight the specific issues and ensure that users are aware of them.

3. Disclosure of Specific Misstatements:

The auditor may include specific details about the identified misstatements, such as the amount of the misstatements, the accounts affected, and their implications on the financial statements. This level of detail helps users understand the impact of the misstatements.

4. Recommendation for Corrections:

The audit report could include a recommendation for the management of Maneno Company Ltd. to make the necessary corrections to the financial statements, ensuring transparency and accountability.

5. Management's Responsibility Section:

The report would typically include a section outlining management's responsibility for the accuracy and fairness of the financial statements. It can emphasize that management has refused to correct the identified misstatements, highlighting their accountability.

6. Communication with Those Charged with Governance:

The auditor may communicate the misstatements directly to the board of directors or the audit committee. This can be included as part of a discussion in the management letter or mentioned in the report, emphasizing the need for governance to act on these issues.

QUESTION 4

December 2024 Question Three B

Benefits that accrue to businesses as a result of applying auditing and assurance services in their operations as per the provisions of ISA 210

ISA 210 (International Standard on Auditing 210) deals with the agreeing the terms of audit engagements and outlines the auditor's responsibility to establish a mutual understanding with the client about the terms of the audit engagement, including the objective and scope of the audit. Applying auditing and assurance services based on the provisions of ISA 210 provides several benefits to businesses. Below are four key benefits:

- 1. Enhanced Credibility and Trust:** An independent audit provides assurance to stakeholders that the financial statements are reliable and free from material misstatement. This enhances the credibility of the financial information and builds trust with investors, lenders, and other stakeholders.
- 2. Improved Decision Making:** The audit process involves a thorough review of the company's financial controls and operations. This can help identify areas of