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CERTIFIED PUBLIC ACCOUNTANT
STRATEGIC LEVEL EXAMINATIONS
AA3.1 ADVANCED AUDIT AND ASSURANCE
DATE: WEDNESDAY, 26 AUGUST 2026

INSTRUCTIONS:

1. Time allowed: **3 hours and 15 minutes** (15 minutes reading and 3 hours writing)
2. This examination has **Two** sections; **A&B**
3. Section **A** has one Compulsory Question while section **B** has Three optional questions to choose any Two
4. In summary attempt **Three** questions.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings

SECTION A

QUESTION ONE

You are an audit senior employed by Rugwiro & Partners, a firm of Certified Public Accountants based in Kigali. Your firm is the external auditor of Kigali Electronics & Appliances Ltd (KEAL), a company incorporated in Rwanda that imports consumer electronics, home appliances and building hardware from suppliers in China, the United Arab Emirates and South Africa. KEAL distributes these goods through fifteen retail showrooms located across Rwanda and through a wholesale division that supplies smaller independent retailers in the East African region. KEAL's shares are held by three family shareholders. Mr. Patrick Kagame (Managing Director, 55%), his sister Mrs. Aline Mukamana (Finance Director, 25%) and an external investor, Great Lakes Capital Partners Ltd (20%) and the Company have a 31 December financial year end.

Background and operations

KEAL was founded 14 years ago as a single showroom importing radios and small appliances, and has grown into one of the three largest electronics and hardware distributors in Rwanda, employing 340 staff. Approximately 70% of KEAL's purchases are denominated in United States dollars, and the Company does not use forward contracts or any other instrument to hedge its foreign currency exposure; the Rwandan franc depreciated by approximately 9% against the US dollar during 2025. Trading is highly seasonal with roughly 40% of annual revenue generated in the final quarter of the calendar year, driven by end-of-year promotions and the back-to-school period.

During 2025, KEAL launched an online sales platform called KEAL Direct, which by December accounted for 18% of retail revenue; online orders are fulfilled from the same three warehouses as showroom stock, and returns from online customers are processed through a separate, less well-controlled goods-returned area. The Company's principal competitors have increasingly sourced directly from regional e-commerce platforms, compressing KEAL's gross margins on high-volume product lines such as mobile handsets and small kitchen appliances.

The audit of KEAL's financial statements for the year ended 31 December 2025 is nearing completion. It is now 20 February 2026, and the engagement partner has asked you to resolve several outstanding matters summarized below before the auditor's report is signed.

Extract from the Draft Statement of Profit or Loss for the year ended 31 December 2025 (FRW million)

	2025 (Draft)	2024 (Audited)
Revenue	42,600	37,150
Cost of sales	(33,100)	(28,900)
Gross profit	9,500	8,250
Operating expenses	(5,650)	(4,900)
Net foreign exchange loss	(340)	(95)
Finance costs	(720)	(540)
Profit before tax	3,130	2,810

Extract from the Draft Statement of Financial Position as at 31 December 2025 (FRW million)

	2025 (Draft)	2024 (Audited)
Inventory	6,800	5,100
Trade receivables	4,950	4,100
Cash and bank	610	1,250
Trade and other payables	5,300	4,150
Bank loan (long-term)	9,200	7,800
Bank overdraft (short-term)	1,150	480
Total equity	11,400	9,850
Net cash flow from operating activities	(410)	1,180

Despite higher reported profit, operating cash flow fell sharply, driven by rising inventory levels and slower payment of suppliers. Even so, KEAL declared and paid dividends of RWF 900 million to its three shareholders during the year (2024: RWF 650 million). The draft financial statements also disclose two contingent liabilities: a RWF 500 million trademark-infringement claim from a regional competitor over KEAL's own-brand packaging, which legal counsel considers possible but not probable to result in a loss, and an ongoing Rwanda Revenue Authority review of RWF 340 million in VAT input claims on imports made during 2024 and 2025, with an uncertain outcome.

The new warehouse management system

On 1 October 2025, KEAL replaced its manual bin-card inventory records with "Smart Stock", an automated warehouse management system (WMS) supplied by a Nairobi based technology start-up and selected after a limited, informal tendering process. Smart Stock uses handheld barcode scanners to record goods received, transfers between KEAL's three warehouses, and dispatches to showrooms and to online customers. Because of commercial pressure to go live before the peak year-end trading season, the Company's small IT department did not run Smart Stock in parallel with the old manual system and reconciliations between Smart Stock's inventory records and the general ledger perpetual inventory account have not yet been performed for the fourth quarter of 2025.

Several warehouse supervisors have raised concerns that staff on the same shift frequently share a single generic login to the system to save time, that no periodic review of user access rights has been carried out since go live, and that a software patch pushed by the vendor in mid-December, intended to fix a barcode scanning error was applied directly to the live system without documented testing or sign off.

A cycle count performed at the end of October identified an unresolved variance of approximately 5% between Smart Stock's recorded quantities and the physical count for one product category (mobile accessories), which management attributed to "teething problems" with the new system rather than to loss or theft.

Related party purchasing arrangement

Approximately 19% of KEAL's total purchases for the year (2024: 14%) were from Rift Valley Hardware Supplies Ltd, a company wholly owned by Mr. Eric Kagame, the brother of KEAL's Managing Director. Rift Valley Hardware Supplies has, since the middle of 2024, been KEAL's sole source of galvanized roofing sheets, a product line for which KEAL's previous supplier was quietly discontinued after Mr. Eric Kagame joined KEAL's informal product-sourcing committee as a paid consultant.

Prices charged by Rift Valley Hardware Supplies are on average 8% higher than prices charged by KEAL's other suppliers for comparable goods, and payment terms extend to 120 days from invoice, compared with 45 days allowed to other suppliers. Board minutes reviewed by the audit team show that the arrangement, and Mr. Eric Kagame's consultancy role, have never been formally disclosed to or approved by the non-executive investor director representing Great Lakes Capital Partners Ltd and the arrangement is not separately disclosed as a related party transaction in the draft financial statements.

Bank loan covenant

KEAL's FRW 9,200 million long-term loan from the Development Bank of Rwanda carries two covenants tested annually at 31 December: net debt to earnings before interest, tax, depreciation and amortization (EBITDA) must not exceed 3.0 times, and the current ratio must not fall below 1.2 times. Based on the draft figures, both are breached net debt to EBITDA stands at 3.4 times (2024: 2.9 times, already narrowly satisfied) and the current ratio at 1.05 times. A breach gives the bank the contractual right to demand immediate repayment. Management has informally requested a waiver and reset covenant levels, and the bank has commissioned an independent valuation of KEAL's pledged showroom properties before responding; as at the date of this examination, no formal notice of default or waiver had been received.

Warehouse fire

On 22 January 2026, an electrical fault caused a fire that destroyed KEAL's Kicukiro warehouse, which held 35% of the Group's year-end inventory by value (goods with a carrying amount of FRW 2,380 million). Preliminary findings shared informally by the insurer's forensic assessor suggest the fault may be linked to overloading of an electrical circuit following the unapproved installation of a cold-storage unit for a new line of refrigerated goods, and the assessor has also noted that the warehouse's automatic sprinkler system had been out of service for repair since mid-November 2025, which may amount to a breach of a fire-safety warranty in the insurance policy. An insurance claim has been lodged for the full carrying amount of the destroyed inventory plus the cost of the damaged racking and warehouse fittings; the insurer has not yet confirmed whether, and to what extent, the claim will be honored.

Major customer placed into administration

Kigali Retail Chains Ltd, a wholesale customer owing KEAL FRW 850 million at 31 December 2025 (recognized in full, with no impairment), had struggled with cash flow and missed payments in the second half of 2025. It was placed into administration on 15 February 2026, with unsecured creditors expected to recover less than 20% of amounts owed. Only 30% of the balance is covered by trade credit insurance, and two other wholesale customers in the same sub-sector are showing similar signs of distress, though neither has yet defaulted.

Required:

a) Using the information in the scenario on KEAL's operations, its new sales channel and its foreign currency exposure:

i) Discuss FIVE risks of material misstatement in KEAL's financial statements for the year ended 31 December 2025, and for each risk identified, describe the auditor's planned response. (10 Marks)

ii) Compute preliminary materiality benchmark from the draft figures provided, and justify why the audit team should adopt it for the remainder of the engagement. (2 Marks)

b) In respect of KEAL's inventory, its purchasing arrangement with Rift Valley Hardware Supplies Ltd, and the new Smart Stock warehouse management system:

i) Describe SIX substantive procedures the audit team should perform to obtain sufficient appropriate audit evidence over the existence and valuation of inventory following the fire at the Kicukiro warehouse. (6 Marks)

ii) Describe FOUR substantive procedures the audit team should perform over the purchasing arrangement with Rift Valley Hardware Supplies Ltd. (4 Marks)

iii) explain FOUR ways Computer Assisted Audit Technique (CAATs) could be used to interrogate Smart Stock data recorded since its implementation on 1 October 2025 (4 Marks)

c) In respect of going concern and the events occurring after 31 December 2025:

i) Evaluate FIVE indicators arising from the scenario that cast doubt on KEAL's ability to continue as a going concern. (5 Marks)

ii) In line with ISA 560, **discuss the auditor's responsibility to identify events arising between 31 December 2025 and the signing of the auditor's report, and explain how the warehouse fire and the administration of Kigali Retail Chains Ltd affect the date on which that report may be signed.** (6 Marks)

iii) Identify THREE matters relating to the warehouse fire and the administration of Kigali retail chains ltd on which the auditor should obtain written representations from KEAL's management. (3 Marks)

d) Assume that, despite the evidence obtained, KEAL's directors refuse to recognize any impairment of the fire-damaged inventory and are reluctant to provide adequate disclosure of the going concern uncertainty arising from the loan covenant breach:

i) Discuss the effect of each of these two unresolved matters on the auditor's report, justifying the type of opinion that would be appropriate in each case. (7 Marks)

ii) Identify ONE Key Audit Matter arising from this scenario and outline how it should be described in the auditor's report. (3 Marks)

(Total: 50 Marks)

SECTION B

QUESTION TWO

Nyungwe Highlands Coffee Growers Cooperative Ltd (NHCG) is an agricultural cooperative in Southern Province, Rwanda with 3,200 smallholder farmer members who grow Arabica coffee cherry on individually owned plots averaging 0.4 hectares each, held under customary land tenure. NHCG was established 18 years ago with donor support and has grown into one of the largest coffee cooperatives in the region, with annual export revenue of approximately FRW 6.1 billion.

NHCG operates two coffee washing stations, an eastern station and a western station, where members deliver ripe cherry during the March to June harvest season for weighing, pulping and processing into green coffee, and an export division that sells the processed coffee, principally to Alpine Roasters Ltd, a specialty coffee roaster based in Switzerland that has accounted for approximately 40% of NHCG's export revenue for the past 4 years under a Fairtrade-certified supply agreement. The Cooperative is governed by a nine-member board elected by the membership and managed day to day by a General Manager; Rugwiro & Partners is not the statutory auditor of NHCG (which falls below the statutory audit threshold) but has been approached by the Cooperative's board to provide several assurance-related services in connection with the matters described below.

Member accounts and delivery volumes

Members are paid for their cherry deliveries based on the kilograms recorded at each washing station's weighbridge, a mechanical scale whose readings are transcribed manually into a paper delivery register by a station clerk before being entered into the Cooperative's accounting records. There is no independent check of the transcription from the weighbridge to the register, and several board members have privately questioned whether recorded delivery volumes accurately reflect what members actually bring to the stations, particularly during the peak weeks of the harvest when queues are longest and clerks are under the most pressure. The Cooperative's board wants your firm to prepare a compilation of the annual member accounts (summarizing each member's deliveries and payments) for circulation to members ahead of the annual general meeting, and separately wants your firm to perform an agreed-upon procedures engagement to verify a sample of recorded delivery volumes at the two washing stations against the underlying weighbridge tickets and payment vouchers.

Irrigation-expansion loan

NHCG is negotiating a FRW 1.2 billion loan with the Rwanda Development Bank to fund an irrigation-expansion project covering an additional 450 hectares of member plots, intended to reduce the Cooperative's vulnerability to the increasingly erratic rainfall patterns observed over the past five seasons. NHCG has one existing loan, taken out four years ago to fund washing-station equipment, which has been serviced without default. Because individual members' land cannot be mortgaged under customary tenure rules, the bank has asked the Cooperative to pledge future export receivables as collateral, an arrangement the board is still negotiating. The bank has requested an independent examination of a 3-year cash flow forecast prepared by NHCG's management, covering the years 2026 to 2028, with key assumptions relating to expected rainfall and cherry yield per hectare, projected green coffee prices (which have been highly volatile on the world market over the past two years), and the financing cost of the proposed loan.

Suspected diversion of the government input subsidy

NHCG participates in a scheme administered by the National Agricultural Export Development Board (NAEB), under which subsidized fertilizer and other agricultural inputs are distributed to smallholder members at 60% of the market cost, with the Cooperative acting as NAEB's distribution agent and maintaining a distribution ledger recording each member's quarterly allocation and signature of receipt. A whistle-blower report received by the board submitted by an estate manager at the rival eastern station, alleges that Mr. Jean-Damascene Habimana, the estate manager responsible for the western station's catchment area, has for at least two distribution cycles been recording fictitious allocations of subsidized fertilizer to members who, in fact, received nothing, forging their signatures in the distribution ledger and reselling the diverted fertilizer through a local agro-input trader to third parties outside the scheme for personal gain. A preliminary reconciliation by the Cooperative's internal bookkeeper found that physical fertilizer stock on hand was approximately 30% lower than the distribution ledger implied it should be.

Export buyer's sustainability and traceability requirement

Alpine Roasters Ltd has informed NHCG that, from the next contract renewal continued off-take agreements representing approximately 40% of the Cooperative's total revenue, will be conditional on NHCG providing an independently assured sustainability and traceability report covering water usage and waste management at the washing stations, labour and worker-welfare conditions on member plots and at the stations, and the carbon footprint of coffee processing and transport to port. This new requirement is driven partly by the European Union's deforestation and due diligence regulations, which require Alpine Roasters Ltd to obtain geolocation data and verified sustainability information for every parcel of coffee it imports. NHCG's existing Fairtrade certification does not, on its own, satisfy the specific water, labour and carbon-footprint assurance that Alpine Roasters Ltd is now requesting.

Required:

a) In respect of the Cooperative's request for a compilation of the annual member accounts and an agreed-upon procedures engagement over recorded delivery volumes:

i) Explain the level of assurance, if any, provided by each of the two engagements. (4 Marks)

ii) Describe the form of report that would be issued for each engagement, applying your answer to NHCG's specific requests. (2 Marks)

b) In respect of the proposed engagement to examine NHCG's 3-year cash flow forecast supporting the irrigation-expansion loan:

i) Identify FOUR matters the firm should consider before accepting the engagement. (4 Marks)

ii) Describe THREE procedures the firm should perform to evaluate the reasonableness of the key assumptions underlying the forecast namely rainfall and yield, coffee prices, and financing costs. (3 Marks)

c) In respect of the suspected diversion of the government input subsidy by the estate manager:

i) Explain THREE stages of a forensic investigation into the suspected fraud applying each stage to the facts of the case. (3 Marks)

ii) Identify THREE sources of evidence the investigator would examine. (3 Marks)

d) In respect of the sustainability and traceability report requested by Alpine Roasters Ltd:

i) Suggest FOUR performance indicators that would be appropriate for NHCG to report on, having regard to Alpine Roasters Ltd.'s stated concerns. (4 Marks)

ii) Discuss the form and content of the independent verification (assurance) statement that your firm could provide on the report. (2 Marks)

(Total: 25 Marks)

QUESTION THREE

Umoja Steel Fabricators Ltd (USF) manufactures structural steel components, roofing sheets and fencing products for the Rwandan and regional construction industry, from a single factory in the Kigali Special Economic Zone. USF was founded eighteen years ago by the Rusanganwa family, who retain 80% of the shares; the remaining 20% is held by a private equity investor, Great Lakes Growth Fund LLP, which appointed a non-executive director to USF's board when it invested five years ago.

The factory employs 260 staff across two production lines and has an unremarkable health and safety record. Your firm, Rugwiro & Partners, has been the external auditor of USF for the past six years, and the current engagement partner has led the audit for the last four of those years, meaning that partner rotation under the firm's policy and the International Code of Ethics will need to be considered in the near future.

In addition to the annual audit, the firm has for the past three years prepared USF's corporate income tax computations and filings and has, on an ad hoc basis, assisted with payroll tax calculations for USF's factory workforce; total fees earned from USF (audit and non-audit) represented approximately 18% of Rugwiro & Partners' total fee income in the past financial year. USF's Finance Director, Ms. Solange Uwase, was until two years ago an audit manager employed by Rugwiro & Partners and worked on the USF engagement team for three years before joining USF directly. The audit for the year ended 31 December 2025 is currently in progress, and the following matters have come to the attention of the engagement partner.

Procurement appointment

Jean Bosco, the younger brother of the engagement partner on the USF audit, was appointed three months ago as USF's procurement manager, with responsibility for sourcing scrap steel and other raw materials, negotiating supplier contracts, and authorizing the write-off of substandard or damaged raw material as scrap, a function that is directly relevant to several material account balances in the financial statements including cost of sales, inventory and trade payables.

Proposed success-related fee

USF is applying to Shield Bank for renewal of a FRW 3.5 billion working-capital facility, and the audited financial statements for the year ended 31 December 2025 will form part of the loan renewal application. USF's finance director has proposed to the engagement partner that 30% of this year's audit fee be made contingent on the bank approving the facility renewal, on the basis that "the audit is really being done for the bank's benefit this year, so the firm should share the risk."

Request to design a costing system

Separately, USF's management has asked the firm to design and implement a new standard costing system for its production lines, to replace a costing spreadsheet that management acknowledges is now unreliable. The new system would generate the standard cost data subsequently used, among other things, to value work-in-progress and finished goods inventory in the financial statements the firm audits, and USF has asked that the same audit senior currently on the engagement lead the design work, given her familiarity with USF's operations.

Invitation to tender for a competitor's audit

Kivu Metal Works Ltd, USF's principal competitor in the structural steel and roofing-sheet market, has invited Rugwiro & Partners to tender for its external audit for the year ending 31 December 2026. Kivu Metal Works Ltd banks with Shield Bank, the same bank that provides USF's working-capital facility, and is also a client of the tax department in Rugwiro & Partners' regional office, which currently prepares Kivu Metal Works Ltd.'s annual tax returns.

Suspected fraud and reliance by a third party

During the current year's audit fieldwork, the team discovered that Vincent Nshuti, USF's production manager, had for at least 18 months been recording fictitious sales of scrap steel off-cuts to a fabricated customer account and diverting the resulting cash receipts, totaling approximately FRW 210 million, for his personal benefit. The scheme was possible because the scrap yard has no weighbridge or independent recording of scrap volumes, gate passes for scrap leaving the factory are prepared and authorized manually by the production manager himself, and Mr. Nshuti was also responsible for authorizing the write-off of substandard steel to scrap, which he then sold through the fictitious account. The fraud came to light only after an anonymous call to USF's newly established whistle-blower hotline.

Separately, it has come to light that Shield Bank extended the existing working-capital facility to USF 12 months ago partly in reliance on the prior year's signed audited financial statements, which expressed an unmodified opinion; Shield Bank has since suffered a loss of approximately FRW 900 million when USF's cash flow deteriorated during 2025 and USF defaulted on scheduled loan repayments and the bank's legal department has begun making enquiries of Rugwiro & Partners about the basis for the prior year's audit opinion.

Prior-year engagement file review

A hot review of the prior year's (2024) engagement file, carried out as part of this year's planning and prompted by a recent ICPAR practice-monitoring visit that raised general concerns about the firm's quality management arrangements, reveals no evidence that an engagement quality review was performed for that audit, despite USF meeting the firm's own criteria for a listed-entity-equivalent risk rating. The review also shows that a significant judgement concerning the impairment of an idle rolling machine, which reduced the prior year's profit before tax by FRW 180 million, was signed off by a first-year trainee, with no documented evidence of review by a more senior or experienced member of the engagement team before the prior year's file was archived.

Required:

a) **Identify and evaluate the ethical threats arising for Rugwiro & Partners from USF's procurement appointment, the proposed success-related fee, and the request to design the costing system, and conclude whether the firm can continue to act as auditor of USF.** (7 Marks)

b) **Identify FOUR matters the firm should consider in deciding whether to tender for the audit of Kivu Metal Works Ltd, and justify the decision you recommend.** (5 Marks)

c) In respect of the fraud committed by Vincent Nshuti and the resulting loss suffered by Shield Bank:

i) **Distinguish the respective responsibilities of USF's management and of Rugwiro & Partners for the prevention and detection of this type of fraud.** (3 Marks)

ii) **Discuss whether Rugwiro & Partners is likely to be found negligent to Shield Bank in respect of the loss it has suffered.** (3 Marks)

iii) **Recommend THREE ways in which the firm can limit its exposure to claims of this nature in future engagements.** (3 Marks)

d) **Identify the firm level and engagement level quality management deficiencies revealed by the prior year's engagement file review, and recommend policies and procedures that should have prevented each deficiency.** (4 Marks)

(Total: 25 Marks)

QUESTION FOUR

Amber Hospitality Group Plc owns and operates 7 hotels across the East African region through its subsidiaries: Amber Hotels Rwanda Ltd (4 hotels in Kigali and Musanze), Amber Hotels DRC SARL (2 hotels in Goma and Bukavu, in the Democratic Republic of Congo), and Amber Hotels Uganda Ltd (a single hotel in Entebbe). The Group listed its shares on the Rwanda Stock Exchange 6 months ago, raising FRW 14 billion of new capital reserved for the refurbishment of its two oldest hotels and for further regional expansion and as a result of the listing, is now required to comply with the Capital Markets Authority Corporate Governance Code (the CMA code) for the first time. Prior to listing, the board comprised only the three founding-family executive directors; two independent non-executive directors have since been appointed, but the board has not yet finalized the composition of its board committees. Your firm, Rugwiro & Partners, is the group engagement auditor for the year ending 31 December 2026.

Group revenue streams

The Group earns contract-based revenue from corporate event and conference packages, typically ranging from single-day meetings to multi-day residential conferences booked months in advance with non-refundable deposits, under which performance obligations are satisfied and revenue recognized over the period of the contracted event or retainer rather than at a single point in time. The Group leases the buildings for six of its seven hotels under long-term leases of between ten and fifteen years, recognizing material right of use lease assets and corresponding lease liabilities; the lease for the larger of the two DRC hotels was renegotiated during the year, with the landlord agreeing to a temporary rent reduction linked to regional security conditions in exchange for a two-year extension of the lease term, a modification which management has not yet reflected in the lease liability. In addition, the Group operates "Amber Rewards", a customer loyalty-points programme under which guests earn points on qualifying stays that can be redeemed against future stays or upgrades; the deferred revenue liability recognized in respect of unredeemed points has grown by 35% over the past two years and is calculated using a breakage assumption, the estimated proportion of points that will never be redeemed that has not been updated since the programme was launched three years ago.

Group structure and component auditors

Amber Hotels DRC SARL is a financially significant component of the Group, contributing 28% of consolidated revenue, and is audited by a local firm in Goma that applies the national auditing standards issued by the professional accountancy body in the Democratic Republic of Congo, which have not fully adopted the clarified and revised suite of International Standards on Auditing currently applied by the group engagement team. The DRC hotels also transact substantially in Congolese francs and US dollars, giving rise to significant currency translation risk on consolidation, and operate in a region that has, at various points during the year, experienced localized security instability affecting

occupancy rates. Amber Hotels Uganda Ltd is not individually material to the Group and has not been separately audited.

Internal audit function

The Group operates an internal audit function of four staff, headed by a Chief Internal Auditor who reports administratively and functionally to the Group Finance Director rather than to the Audit Committee and whose annual work plan and budget are approved by the Group Finance Director. Internal audit reports for the first three quarters of the year were not shared with the Audit Committee until after the Committee's meetings had already taken place, and the Chief Internal Auditor has also at the Group Finance Director's request, spent approximately 20% of his time in the current year assisting operational management in redesigning the cash-handling procedures at the DRC hotels, following an anonymous tip received on the Group's ethics hotline alleging that front-desk staff at one DRC hotel had been under-recording cash room revenue in the property management system and pocketing the difference. Separately, management is considering co-sourcing part of the internal audit function, specifically internal audit coverage of the two DRC hotels to a third-party accounting firm, in order to increase capacity and provide French-speaking resources familiar with the DRC regulatory environment.

Required:

a) Explain TWO requirements of the CMA Code relevant to the composition and role of the Audit Committee that the Group must now satisfy following its listing, and briefly explain why each requirement is relevant to Rugwiro & Partners as external auditor. (4 Marks)

b) For each of the following THREE Group's balances (contract-based conference and event revenue, right of use lease assets and liabilities, and the Amber Rewards loyalty points liability), **Describe substantive procedures the audit team should perform linking each procedure to the assertion it addresses.** (6 Marks)

c) In respect of the Group's internal audit function and the proposed co-sourcing arrangement for the DRC internal audit coverage:

i) Evaluate whether the group external audit team can place reliance on the work of the internal audit function, having regard to its current reporting line. (5 Marks)

ii) Discuss the impact of the proposed co-sourcing arrangement on the group external audit strategy. (3 Marks)

d) In respect of Amber Hotels DRC SARL and Amber Hotels Uganda Ltd as components of the Group:

i) Explain the group engagement team's responsibilities for determining the significance of each component. (3 Marks)

ii) Describe the procedures the group engagement team should perform on the work of the component auditor of Amber Hotels DRC SARL, given that the component auditor applies different auditing standards. (4 Marks)

(Total: 25 Marks)

End of question paper

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