



TEST OF PROFESSIONAL SKILLS

Assurance and Data

Total marks: 100

Date: Thursday 15 December 2022. Time: 10:00 – 14:15

Duration: 4 hours plus 15 minutes break.

Notes to Candidates

This paper contains four exam sections and appendices. Candidates should attempt all four sections.

Please read each section carefully and follow the instructions fully. Candidates who do not provide their responses in the correct format may be penalised.

- **You are permitted to use Microsoft Excel during the exam HOWEVER you MUST copy and paste your Microsoft Excel output(s) into the relevant response area in the exam platform.**
- **It is your responsibility to ensure that all content copied into the exam platform is legible prior to submitting your exam.**

In submitting this exam, you confirm that your conduct throughout the exam adheres to the ICAS Academic Integrity Policy.

You confirm that you did NOT act in any way that would constitute cheating, misrepresentation or unfairness including, but not limited to, using unauthorised aids and assistance, impersonating another person, and committing plagiarism.

You agree that ICAS will check your work for plagiarism, and you confirm that you understand that assessed work that has been shown to have been plagiarised will be penalised.

15-minute mandatory break

The duration of the exam is **4 hours**, however a 15-minute **mandatory** 'on camera' wellbeing break has been allocated which means the total duration of the exam session will be 4 hours and 15 minutes (excluding print and submission time).

The break can be taken at a time to suit you but we **strongly advise that you take the break mid-way through the exam. The break must be taken in one interval.** This 15-minute break is not counted as exam time and cannot be used to continue writing your exam, reviewing your answers, reading your open-book materials, or reading the exam paper. Please note that **it is your responsibility to time your break.**

Below is guidance on what is and is not permitted during the break. Any evidence of non-permitted actions will be deemed a breach of the ICAS Academic Integrity Policy and may be considered as cheating and subject to a marking penalty.

Please continue reading the guidance BUT do not read the exam questions prior to the start time.

Permitted	NOT Permitted
Inform the remote invigilator that you are taking your 15-minute 'on camera' break (put your hand up and say "15-minute wellbeing break").	Continue typing your exam responses.
Move away from your screen (to give your eyes a rest) but remain in full view of your camera.	Read your open-book material or any course related materials. Read/review your exam script OR exam paper.
Use the time to drink or eat any refreshments that you have taken into the exam (you must take these in prior to the exam start time).	Leave the room for the entire duration of the break.
Use the time to stand up, walk around and sit elsewhere, so long as you remain in view of the camera.	Turn off your camera.
Use the time to take the usual bathroom break and inform the remote invigilator.	Take the break 'off camera' or go 'off camera' except for the usual bathroom break.
Take the 15-minute break in one interval and ensure that you time your break.	Communicate with anyone except the remote invigilator or an ICAS member of staff who is supporting the administration of the exams.
	Access the internet OR use your phone.
	Contact or collude with any third parties, either in person or electronically (e.g. email, voice, chat, and other digital communication methods).
	Shut down your exam.
	Leave the examination environment to fetch additional food or drink.

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SECTION 1 (40 marks)

You are an audit manager at A&A Chartered Accountants. You are currently undertaking the audit of Thistle Steel Manufacturers plc ('TSM') for the year ended 31 October 2022. TSM is a large steel manufacturer based in Glasgow, Scotland. Your team is at the substantive testing stage of the audit and you are currently testing payroll.

TSM's payroll is split into three categories:

- Administration staff – employees in sales and administration teams
- Production staff – employees within the company's manufacturing plant including contractors
- Executive staff – executive directors' remuneration

An extract from the TSM trial balance as at 31 October 2022 has been provided together with the cost components for each payroll category and the average employee numbers as at 31 October 2022 and 31 October 2021 (Appendix 1). The employee numbers have been agreed by your audit team to employee records and can therefore be relied upon for the purposes of your audit testing.

Your audit partner, Trisha Reynolds, has asked you to perform a substantive analytical review ('SAR') to evaluate the reasonableness of the cost components for each payroll category relating to administration and production staff. Executive directors' remuneration is being considered separately by the audit team and does not need to be covered as part of your work. She would like you to analyse the reasons for any difference between your expectations and the actual costs for the year ended 31 October 2022 and outline any further procedures the firm would need to consider to confirm the reasons for any identified variances.

To assist with your work you have extracted information from the prior year audit file in relation to payroll together with background information provided by TSM's payroll manager regarding payroll costs during 2021/22 (Appendix 2).

The tolerable error for the SAR is £30,000.

Following the recent liquidation of one of the company's key iron ore suppliers and uncertainty over its plans to open a coking coal plant, an audit risk has been identified by the audit team over TSM's going concern status.

TSM's finance director has provided you with the company's cash flow forecasts for the year ended 31 October 2023 to support management's going concern assessment together with commentary on the underlying assumptions used (Appendix 3). Your audit partner has asked you to analyse TSM's cashflow forecasts and evaluate the reasonableness of the assumptions. Further information on TSM's activities for 2022/23 has also been provided (Appendix 4) to assist you with your analysis.

The financial statements are planned to be signed by the board of directors ('the board') on 28 February 2023.

QUESTIONS:

QUESTION 1 – Perform a substantive analytical review to evaluate the reasonableness of each payroll category relating to administration and production staff for the year ended 31 October 2022.

(9 marks)

QUESTION 2 – Analyse the reasons for any variances between the expectations and actual payroll costs for the year.

(7 marks)

QUESTION 3 – Recommend what further procedures would need to be performed to confirm the identified reasons for any differences between expected and actual payroll costs.

(9 marks)

QUESTION 4 – Analyse the cashflow forecasts provided and evaluate the reasonableness of the assumptions and information provided.

(15 marks)

(40 marks)

APPENDIX 1 (SECTION 1) – Extract of payroll costs from the trial balance and employee numbers

Payroll costs extracted from the trial balance for the year ended 31 October 2022.

	Administration Staff £	Production staff £
Basic salary	10,086,730	43,630,502
Employers National Insurance contributions	1,181,328	5,621,918
Employers pension contributions	1,163,287	5,204,421
Contractors	-	8,377,172
Total	12,431,345	62,834,013

Employee numbers

	2022 Average No of Employees	2021 Average No of Employees
Administration	128	140
Production	1,375	1,345
Contractors	385	403

APPENDIX 2 (SECTION 1) – Extracts from prior year audit file and notes from enquiries with TSM's payroll manager

Extracts from prior year audit file

- Administration staff receive a fixed salary whereas production staff are paid an hourly rate which varies depending on their grade level.
- For the year ended 31 October 2021, administration staff earned an average salary of £66,000 per annum and production staff earned average total pay of £30,576 per annum.
- The company contributes 12% of employees' basic earnings towards the pension scheme.
- Employers National Insurance contributions are 13% of basic earnings. (Note: The audit team is to assume 13% Employers National Insurance for the purpose of the substantive analytical review).
- Production staff are entitled to an annual bonus based on company performance. For the year ended 31 October 2021 there was no bonus paid as the bonus criteria had not been achieved as a result of overall profitability being below budget. Bonuses are normally accrued at year end and paid in the following February after year end with any Employers National Insurance or pension contributions recognised at the point of payment in line with HMRC requirements.
- The company frequently uses contractors during its peak production season from June to July each year. HMRC have agreed that these contractors are self-employed and therefore are not eligible for the company's pension scheme or subject to Employers National Insurance.
- The company is due to provide private medical cover as an optional taxable benefit to all administration staff from 1 November 2021. This will cover the employee only and the estimated taxable benefit is £880 per employee. The cost will be recorded within administrative staff basic salaries and this benefit is not subject to pension contributions, but will be subject to Employers National Insurance.

Background information provided by TSM's payroll manager

Administration and production staff were awarded 3% and 5% respective pay rises during 2021/22. These were implemented on 1 November 2021 for administration staff and 1 April 2022 for production staff.

Following review of the draft results for 31 October 2021, TSM's board agreed to award a bonus to all production staff, excluding contractors, of £1,500 per person. The cost has not yet been accrued for in the general ledger and is payable in February 2023.

The company continued to make use of contractors during the peak production season from June to July. The prior year total cost of the contractors' payroll was £8,524,490. The pay rates for contractors remained roughly in line with the prior year. However, in August 2022 a specialist team of contractors were engaged as part of a project to recommend a strategy for reducing carbon emissions generated from TSM's production operations. The cost of these contractors was significantly higher than those normally engaged to aid with peak production.

APPENDIX 2 (SECTION 1) (continued)

In January 2022 it was noted that an error had been made by a member of the finance team processing applications from administration staff for the newly introduced private healthcare benefit. A number of employees had added family members which had been accepted and paid for by the company. It was agreed that the company would incur this cost for 2021/22 but any employees wishing to keep family members on their policy in 2022/23 would have the additional cost deducted from their salary over a period of 12 months.

In January 2022 TSM's board decided to outsource the company's marketing and promotions team. This resulted in 12 employees from the administration staff payroll being made redundant in April 2022. This was calculated in accordance with the company's redundancy policy and resulted in eight long service members of staff receiving statutory redundancy payments in excess of £30,000 which were then subject to Employers National Insurance and employers pension contributions.

APPENDIX 3 (SECTION 1) – Cash flow forecast for the year ending 31 October 2023
prepared by TSM's finance director

	Notes	Quarter ending 31-Jan-23 £'m	Quarter ending 30-Apr-23 £'m	Quarter ending 31-Jul-23 £'m	Quarter ending 31-Oct-23 £'m
Receipts					
Customer receipts	1	140	180	200	220
VAT receipts		-	8	-	8
Government subsidies	2	3	5	3	4
Total receipts		143	193	203	232
Payments					
Production payroll costs	3	(13)	(14)	(22)	(14)
Production materials		(110)	(185)	(195)	(155)
Administration/executive payroll	3	(4)	(5)	(5)	(4)
Administration and finance costs	4	(2)	(2)	(2)	(2)
VAT payments		(3)	-	(5)	-
Total payments		(132)	(206)	(229)	(175)
Net cash inflow/(outflow)		11	(13)	(26)	57
Opening cash balance/(overdraft)		5	16	3	(23)
Closing cash balance/(overdraft)		16	3	(23)	34

Notes:

1. Demand for steel is forecast to grow as the global economy emerges out of the Covid-19 downturn. TSM customers currently have credit terms of 30 days.
2. Government subsidies are in respect of payroll support for the UK steel industry given recent challenges. The receipts are subject to satisfactory completion of an ongoing audit by the UK Government inspectors and an unsatisfactory outcome from the audit would result in the payments being stopped. Management are certain there will be no adverse findings from this audit and therefore the receipts will continue.
3. Headcount is forecast to be constant through the year for production and administration staff and in line with 2021/22. The total forecast cost of executive director remuneration, including relevant Employers National Insurance and employers pension contributions is £6 million.
4. Administration costs relate to general expenditure, but do not include finance costs.
5. The company renewed its current overdraft facility on 1 November 2022 and it is due to be reviewed again on 31 October 2024. The overdraft limit is £21 million and the current rate of interest on the overdraft is 7% per annum.

APPENDIX 4 (SECTION 1) – TSM's key activities for 2022/23, prepared by TSM's finance director

The price of steel is forecast to increase by 40% from January 2023 and remain steady at £1,300 per tonne until at least December 2023. This will drive a significant increase in revenue including a forecast 35% increase in profits for the company and is supported by the latest independent market intelligence reports.

In November 2022, one of TSM's major iron ore suppliers in Australia went into liquidation. To remedy the long-term supply of iron ore, the company has entered into a three-year fixed price agreement with a new iron ore supplier in Bolivia.

Under this supply agreement the company will buy a fixed quantity of iron ore at US\$200 per tonne starting in the quarter ending 31 July 2023. This will allow the company to increase production and also fill the supply shortfall arising from the Australian supplier going into liquidation. The first deliveries from the Bolivian supplier are scheduled for the quarter ending 30 April 2023 and the agreed price is higher than that previously agreed with the Australian supplier. Production for the first half of the year is planned to be fulfilled from existing iron ore inventories and short-term supply agreements with various other international iron ore mining companies.

TSM recently made a presentation to its environmental regulator, The Environment Agency. As part of the presentation, the company made a commitment to convert some of its existing production facilities to reduce the level of carbon emissions by 50%. This conversion is projected to cost £15-18m with initial payments planned for the quarter ending 31 July 2023. The expenditure is subject to approval by the board and securing the required external funding and has been excluded from the cash flow forecasts.

The UK government is currently considering levying a carbon tax of 20% of gross revenue with the outcome of this likely to be determined by 31 July 2023 and effective 1 August 2023.

SECTION 2 (18 marks)

You are an audit manager in Fogel LLP ('Fogel'), a firm of chartered accountants. You have recently been assigned to the audit of Japanese Exports Group Ltd ('Japanese Exports'), a newly acquired client of Fogel. As Japanese Exports is a new client, your work at this stage is acceptance focused.

Japanese Exports is a UK-based group with a parent holding company and three subsidiaries, one of which is located in Japan. The Japanese subsidiary will be audited by a local audit firm and Fogel are seeking to place reliance on its work. The local audit firm is regulated by the Japanese Institute of Certified Public Accountants and your audit partner has confirmed that there are no known issues in relation to regulatory compliance.

Your audit partner has provided you with information from his initial meeting with the finance director of Japanese Exports (Appendix 1) and has asked you to prepare a briefing note for him in which you evaluate the acceptance risks to be considered. He is aware that the use of a component auditor is a potential acceptance risk and this does not need to be covered as part of your briefing note.

However, he has provided you with background information regarding the component auditor (Appendix 2) and would like you to include within your briefing note, an evaluation of the relevant matters that should be considered when determining whether reliance can be placed on the component auditor. He would also like you to conclude, based on your analysis, whether it is likely that reliance can be placed on the component auditor.

QUESTIONS:

Prepare information suitable for inclusion in a briefing note to the audit partner in which you:

QUESTION 5 – Evaluate the acceptance risks in relation to Japanese Exports Group Ltd.

(11 marks)

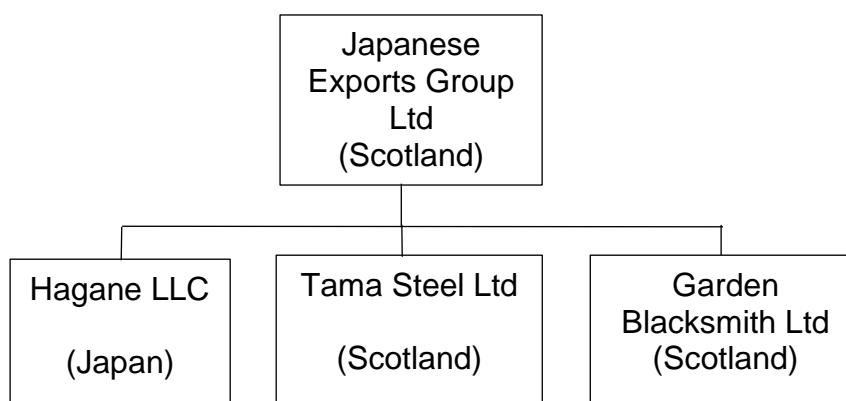
QUESTION 6 – Evaluate the matters that should be considered to determine whether reliance can be placed on the component auditor and conclude on whether it is likely that reliance can be placed on the component auditor.

(7 marks)

(18 marks)

APPENDIX 1 (SECTION 2) – Notes from the planning meeting with Japanese Exports provided by audit partner

Background on the Group



Japanese Exports is a Scottish based parent company with three wholly owned subsidiaries: Hagane LLC ('Hagane'), Tama Steel Ltd ('Tama') and Garden Blacksmith Ltd ('Garden').

The board of directors of Japanese Exports is a mixture of Scottish and Japanese nationals, some of which are based in rural Japan, to demonstrate the multi-cultural nature of the operations and Group.

Japanese Exports was established in 1996 following a holiday to Japan where the founder, Justin Smith, was impressed by the quality of Japanese steel and, in particular, the garden shears and knives made in small family businesses.

Hagane is an unlisted company in Japan that specialises in the manufacture of kitchen knives and garden equipment. Japanese blacksmiths use a traditional and unique manufacturing process that goes back generations and the manufactured Japanese steel is world famous for its quality, strength and longevity. As a result, products made with Japanese steel attract premium selling prices.

Tama imports goods manufactured by Hagane and sells to the UK market. A number of goods have attracted a cult following in horticultural and culinary arenas and are known as a 'product for life'.

Garden is a registered charity established in conjunction with a major horticultural training school in Japan. It facilitates the exchange of students from Scotland and Japan to learn the skills and cultures of both countries.

APPENDIX 1 (SECTION 2) (continued)

The previous auditors of Japanese Exports resigned suddenly part way through the current financial year and Fogel has been appointed as the new auditors. One of Fogel's senior audit partners heard a rumour that the reason for the resignation was an inability to access information from Hagane and its external auditors in a timely manner which resulted in significant delays in issuing the group audit report.

There has been an allegation of inappropriate use of funds, by a junior employee within Garden, during a recent six-month exchange of students between Scotland and Japan. This has resulted in adverse press coverage largely due to one of the charity trustees being a prominent member of the UK Government. The trustees of Garden have taken a very proactive stance to these allegations and have appointed an independent law firm to investigate. All individuals involved in the allegations are currently on paid leave at home.

In November 2022, Japanese Exports renegotiated their financing facility with their UK based bank. This followed a breach of the group's overdraft facility which has been utilised near its limit for a number of years. At this stage no further details of the facility have been made available to Fogel.

There are no native Japanese speakers in the current audit engagement team for the group audit although, within the wider Fogel office, there is one qualified CA who is both an English and Japanese speaker.

APPENDIX 2 (SECTION 2) – Information about the component auditor of Hagane provided by audit partner

Hagane is to be audited by Kansa Partners ('Kansa'), a large independent accountancy firm in Japan who have performed the audit for a number of years and are familiar with the Japanese Exports' group structure and reporting requirements.

Under the statutory requirements of the Japanese Companies Act, Hagane requires an annual audit to be undertaken in Japan.

The Kansa audit engagement team are all members of the Japanese Institute of Certified Public Accountants. The selection of Kansa as the audit firm was initially based on a family member of Hagane being employed by Kansa. This association between Kansa and Hagane means the auditors will not be changed.

SECTION 3 (24 marks)

You have recently joined the internal audit department of Spin Home Bikes Ltd ('Spin'). You previously worked in a large audit firm where you were a data champion due to your experience in using automated tools and techniques, including audit data analytics ('ADAs').

Spin is an exercise bike manufacturer based in Manchester, England. The company manufactures exercise bikes which it sells to individuals as well as gyms around the UK. Spin has a large manufacturing plant and a head office on the outskirts of Manchester and employs 340 people. Spin has an excellent reputation in producing high quality exercise bikes starting with its original product, Turbo, which can be found in many gyms around the UK.

Spin's finance director, Ewa Szubert, has recently asked the internal audit department to complete two pieces of work and you have been assigned to these.

Data capture

In addition to its original exercise bike, Spin launched a new product called Vision in August 2022. Vision is an exercise bike with an attached touch screen monitor allowing the user to follow a pre-recorded virtual spin class whilst exercising. When Vision was launched, there were only two instructors recording spin class videos, however five additional instructors were recruited in November 2022 and each instructor uploads between three and five videos a week based on their contract.

Customers pay a one-off fee for the bike and a monthly subscription charge of £20 to access the spin class content. This subscription also provides access to a catalogue of music and music genre playlists to listen to when exercising.

The product has been extremely successful and Spin implemented a number of new data capture and management processes to allow it to successfully manage data related to Vision.

Ewa has asked you to undertake a review of Vision's data capture and management processes (Appendix 1). She has asked you to identify the weaknesses, including any weaknesses concerning the quality of the data captured, evaluate the implications and recommend improvements to Spin's data capture and management processes for Vision.

Financial statement audit

Ewa has also advised you that Spin's external auditor is due to commence their planning for the external audit for the year ended 31 March 2023. As part of the audit work for this year, the external audit team plans to use ADAs to evaluate and test the balances concerning payroll and directors' remuneration. The external audit team is planning to place reliance on Spin's payroll system ('SPS') which was designed internally two years ago. SPS has the ability to run custom reports on areas such as joiners and leavers and departmental employee numbers. All reports can be run for any selected timeframe but typically show annual or monthly information.

You have been provided with some outputs from SPS including screenshots from reports generated, as well as an extract of raw data from the payroll system (Appendix 2). Ewa

would like you to review this information and highlight any potential concerns over the validity, accuracy and completeness of the data. She would also like you to evaluate the impact that this may have on the external auditor's work. Where you have identified issues, Ewa would also like you to note, where applicable, any further information the external auditor may request or steps Spin should take to rectify any issues identified ahead of the audit team commencing their fieldwork for the final audit in May 2023.

QUESTIONS:

QUESTION 7 – Prepare information in a suitable format for Ewa in which you identify the weaknesses, including any weaknesses concerning the quality of the data captured, evaluate the implications and recommend improvements to Spin's data capture and management processes for Vision.

(12 marks)

QUESTION 8 – Prepare information suitable for inclusion in a briefing note in which you:

- a. Analyse and evaluate the results of the outputs from SPS to highlight any concerns over the validity, accuracy and completeness of the data relating to payroll and the impact this may have on the external auditor's work; and
- b. describe, where applicable, what further information the external auditor may request or the steps that Spin should take to rectify any issues identified.

(12 marks)

(24 marks)

APPENDIX 1 (SECTION 3) – Data capture and management processes for Vision provided by Ewa Szubert, finance director

Orders and delivery

All exercise bike customer orders are made through Spin's website. Customers can also purchase "add on" items for example water bottles, bike shoes and headphones, all of which are delivered along with the exercise bike. Once the customer has selected which type of bike they want, an estimated delivery date is shown. The estimated date is provided based on historic purchase trends and stock availability for Spin's Turbo exercise bike model.

A 10% deposit is taken at the time of the order and the remaining balance is payable on delivery using the payment details provided for the deposit. Due to the popularity of Vision, delivery has been taking up to three months and customers have been complaining that this was a lot longer than the estimated date shown prior to purchase.

Customer information

When a customer sets up their Vision bike they are required to set up a user profile using the exercise bike's attached touch screen monitor which connects to their home Wifi or internet router. As part of the profile set up customers are required to add in personal data and preferences including household income, subscription payment details, preferred music genres, preferred class lengths and an opt in for receipt of an annual customer survey. The data held is then used by Spin to recommend to each customer available classes for viewing and music playlists.

All profile data collected is stored at the head office in Manchester on a cloud-based server. The information is backed up daily and adequate firewalls are in place to protect the data from outside security breaches.

Product development

Due to the high demand for Vision products and strong sales, the board of directors is keen to ensure that customers continue to be satisfied and pay the monthly subscription. A record is kept of all the classes on the network and how many times each pre-recorded class has been viewed. Spin's product development team has been tasked with reviewing the current class schedules and total virtual classes viewed per instructor in order to assess popularity and recommend an optimal volume of new weekly classes available.

Customer survey

A survey is sent by email to all Spin customers who have opted in every year to get feedback on the products and monitor customer satisfaction. The survey includes no personal or sensitive data and has 10 scaled questions (a 1-5 scale) covering order/delivery, product satisfaction, pricing and virtual class offering. Each question also includes an optional free-form text box to allow customers to add any additional comments to support the score selected. All questions must be completed as part of the survey by customers regardless of which of Spin's exercise bikes they own. The survey results are collated and manually input into a spreadsheet which is provided to Spin's board of directors in order to identify any action areas for improvement.

APPENDIX 2 (SECTION 3) – SPS outputs provided by Ewa Szubert

(i) Raw data extract from payroll system for 12 months to 30 November 2022

Report summary: Annual

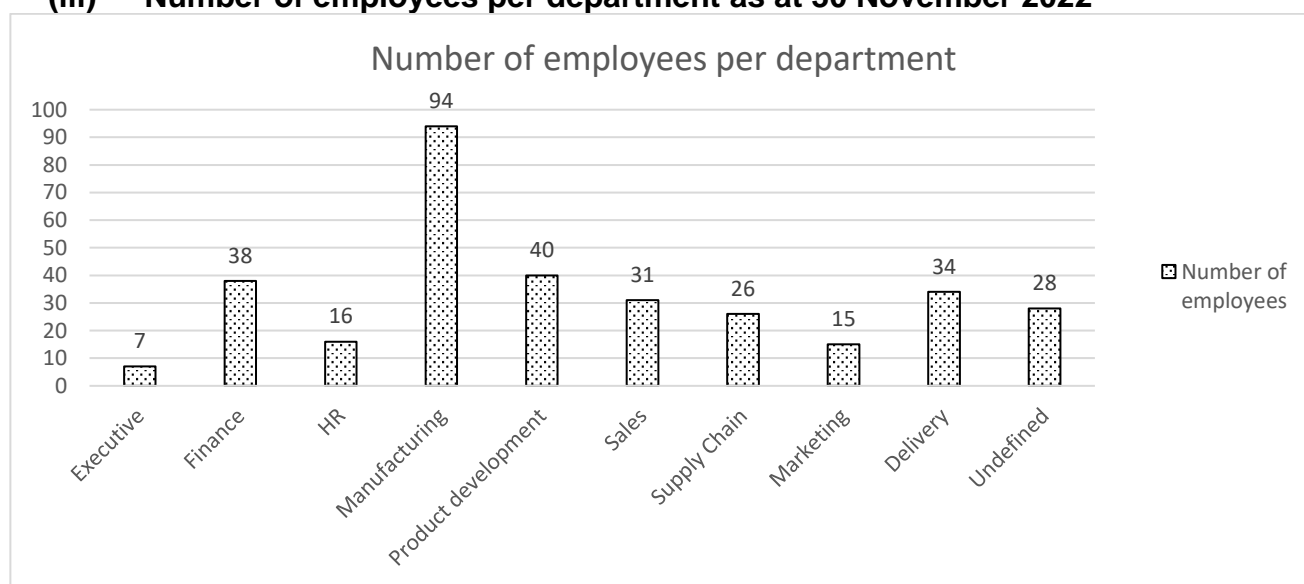
	EE number	Gross Pay (£)	EE Pension (£)	EE NI & PAYE (£)	Net Pay (£)	ER Pension (£)
Ted Roy	256	£50,200	£4,016	£12,401	£33,783	-
Blair Daniel	59	-	-	-	-	-
Daniel Blair	60	£26,750	£802	£4,897	£21,051	-
Rachel Gillingham	145	£35,000	£2,625	£7,537	£24,838	-
Zoe Aitken	134	£21,800	£1,090	£3,313	£17,397	-
Eleanor Li	286	£47,800	£1,633	£4,780	£41,387	-

(ii) Starters and leavers for October 2022

Report Summary: Monthly

Name	Status	Location	Annual salary	Start Date
Craig Brookes	Starter	Manufacturing	£30,000	17/10/2022
Hilary Lee	Starter	Finance	£42,500	06/10/2022
Nick Littlejohn	Leaver	Manufacturing	£28,000	-
Hester Roulston	Leaver	HR	£25,000	-
Mo Salmon	Starter	Executive	£80,000	04/09/2022

(iii) Number of employees per department as at 30 November 2022



SECTION 4 (18 marks)

You are the audit manager working on the audit of the financial statements of XSRisk Limited ('XSRisk') for the year ended 31 August 2022.

XSRisk is a UK-wide insurance broker that offers insurance brokerage services to small and medium-sized businesses and private clients. XSRisk brokers a range of insurance products including office and cyber insurance for a range of industries, mainly within the construction and healthcare sectors.

The audit fieldwork has now been completed and you are considering a number of outstanding matters which were discussed at a meeting (Appendix 1) between your audit partner, Brian Newman, and XSRisk's finance director, Chloe Jones. You note from the audit file that overall materiality for this year's audit has been set at £58,000, with a trivial threshold of £4,000.

QUESTIONS:

QUESTION 9 – Evaluate each of the outstanding matters noted in Appendix 1 explaining any impact on the financial statements.

(6 marks)

QUESTION 10 – Design audit procedures to gather audit evidence to resolve each of the outstanding matters.

(6 marks)

QUESTION 11 – Prepare a summary of audit misstatements noting, where applicable, any potential adjustments arising from the outstanding matters and conclude, with explanation, on which items may require adjustment.

(6 marks)

(18 marks)

APPENDIX 1 (SECTION 4) - Notes from meeting regarding outstanding points with Chloe Jones

Outstanding matter for discussion	Notes from discussion with Chloe Jones
<p><i>Bonus accrual</i></p> <p>Bonuses are earned by all staff based on both individual and company performance. The bonus accrual at 31 August 2022 was £185,000 including £40,000 for individual performance and £145,000 for company performance. Bonuses are due to be paid to employees in January 2023.</p> <p>During audit fieldwork, the audit team tested the accuracy of the individual's element of the bonus with reference to the bonus scheme criteria and concluded that the bonus was accurately calculated and accrued under the bonus scheme criteria. The team also agreed the bonuses are payable as they were approved by the board of directors ('the board') pre-year end.</p> <p>However, the audit team's expectation of the company performance element of accrued bonuses was calculated at £102,500 based on the bonus scheme criteria and the draft financial statements.</p>	<p>The company performance element of the bonus accrual was calculated and accrued based on budget performance. However, quarter four performance was poorer than budget.</p> <p>The bonus has now been recalculated based on the updated financial statements with the amount confirmed as payable by the board for the company performance element as £110,000.</p>
<p><i>Financial Conduct Authority ('FCA') investigation</i></p> <p>In September 2022 the FCA began an investigation regarding XSRisk's compliance with management of client monies during the year ended 31 August 2022. The investigation is still to be completed but discussions with the FCA's compliance officer noted the report is due by the end of December 2022.</p> <p>A provision for £105,000 has been included in the current year financial statements by management comprising £35,000 for fees and £70,000 for fines.</p>	<p>A provisional report from the FCA has been received. It includes a fine of £120,000 for breaches in FCA regulations. The board, on advice from the company's lawyers, will accept this fine.</p> <p>Our lawyers now estimate their total fees to be £45,000.</p>

APPENDIX 1 (SECTION 4) (continued)

<p><i>Property, plant and equipment ('PPE')</i></p> <p>The results of our audit data analytics testing exercise over PPE additions concluded that new furniture costing £4,500 for the company's Glasgow office was recorded twice through the nominal ledger.</p> <p>The cost was correctly recorded through the separate, standalone, asset register.</p>	<p>A journal to adjust this error was processed in November 2022 with the incorrect outstanding trade creditor balance relating to this purchase removed.</p>
<p><i>Customer in administration</i></p> <p>In April 2022, one of the company's customers, Paveway Construction and Paving Ltd ('Paveway'), went into administration. As at 31 August 2022 there was an outstanding balance within the trade receivables ledger of £120,000 and no post year-end receipts were identified during audit testing up to 30 November 2022.</p>	<p>Paveway's creditors agreed an offer from the administrator on 3 December 2022 for settlement of outstanding balances at 12 pence to the pound. This has not yet been recognised in the financial statements.</p>

————— End of Paper —————



TEST OF PROFESSIONAL SKILLS

December 2022
Assurance and Data

SOLUTION

This solution has been prepared by CA Education as a complete solution and includes explanatory notes where appropriate. As such, the solution is more detailed than would be expected of a candidate in the allocated time.

This solution is prepared based on a cut-off date of 31 August 2021.

SECTION 1 (40 marks) – Thistle Steel Manufacturers

QUESTION 1 – Perform a substantive analytical review to evaluate the reasonableness of each cost component for each category of payroll for the year ended 31 October 2022

Administration Staff £

Administration basic pay

Prior average basic pay increased by 3% on 1 November 2021

£66,000 x 1.03 x 128 employees 8,701,440

Private healthcare benefit

128 employees x £880 112,640

Total **8,814,080**

Administration pension

12% of basic earnings (excludes private healthcare benefit)

12% x 8,701,440 1,044,173

Administration Employers National Insurance

13% of basic earnings (including private healthcare benefit)

13% x £8,814,080 1,145,830

Production Staff

Production basic pay

Prior average basic pay increased by 5% on 1 April 2022

£30,576 x 1,375 employees x 5/12 months 17,517,500

£30,576 x 1.05 x 1,375 employees x 7/12 months 25,750,725

Total excluding bonus **43,268,225**

Bonus £1,500 x 1,375 employees 2,062,500

Total **45,330,725**

Production pension

12% of basic earnings excluding bonus

12% x £43,268,255 5,192,187

Production Employers National Insurance

13% of basic earnings

13% x £43,268,225 5,624,869

Contractors

Prior year average x current year number of contractors

8,524,490/403 x 385 8,143,744

Summary of expectation vs actual payroll costs

Payroll cost component	Expectation	Actual	Variance
	£	£	£
Administration basic salary	8,814,080	10,086,730	1,272,650
Administration Employers National Insurance contributions	1,145,830	1,181,328	35,498
Administration pension contributions	1,044,173	1,163,287	119,114
Production basic salary	45,330,725	43,630,502	(1,700,223)
Production Employers National Insurance contributions	5,624,869	5,621,918	(2,951)
Production pension contributions	5,192,187	5,204,421	12,234
Contractors	8,143,744	8,377,172	233,428

Conclusion

Tolerable error is £30,000. Further analysis and corroboration is required on all cost components except production Employers National Insurance contributions and production pension contributions.

QUESTION 2 – Analyse the reasons for any variances between the expectations and actual payroll costs for the year	QUESTION 3 – Recommend what further procedures would need to be performed to confirm the identified reasons for any differences between expected and actual payroll costs
<p><i>Private healthcare benefit</i></p> <p>The SAR expectation for administration payroll includes health care benefits introduced for all administration payroll staff in November 2021.</p> <p>However, management has advised that an error was made during 2022/23 with additional costs being incurred by the company in respect of family members which will result in actual costs being higher than our expectation.</p>	<p>Confirm the number of employees who elected to take the new benefit and the actual cost incurred per employee.</p> <p>Calculate the total paid during the year and include within the SAR.</p>
<p><i>Statutory redundancy payments</i></p> <p>12 employees from the company's marketing and promotion's team received redundancy payments in April 2022 which is not reflected in our expectation.</p>	<p>Obtain confirmation of the total redundancy payments made in April 2022 and include within the SAR.</p> <p>Recalculate a sample of statutory redundancy payment calculations to confirm calculated in accordance with the company's redundancy policy and relevant legislation.</p>
<p><i>Administration payroll Employers National Insurance and pension contributions</i></p> <p>Employers National Insurance and pension contributions per the SAR are too low as the administration payroll cost calculated is too low.</p>	<p>This should be recalculated using a revised estimated payroll cost recognising elements of statutory redundancy pay and private healthcare benefits subject to National Insurance contributions and pensionable elements of statutory redundancy costs.</p>
<p><i>Hourly pay rates</i></p> <p>The use of average total pay for production staff does not take into account that hourly pay rates vary between staff depending on their grade level.</p>	<p>Confirm the average hourly pay rates to payroll reports to determine if the average total pay used is too high or low and adjust the SAR accordingly.</p>

QUESTION 2 – Analyse the reasons for any variances between the expectations and actual payroll costs for the year	QUESTION 3 – Recommend what further procedures would need to be performed to confirm the identified reasons for any differences between expected and actual payroll costs
<p>This may have the effect of increasing or decreasing our expectation of production pay depending on actual rates and any turnover of staff during the year.</p>	
<p><i>Bonus accrual</i></p> <p>The annual bonus included within the SAR has not yet been accounted for by management resulting in a variance between our expectation of production staff payroll costs and the value within the nominal ledger.</p>	<p>Obtain a list of all employees awarded bonuses and confirm an adjustment has been raised by management to recognise the bonus accrual.</p> <p>Confirm approval of the bonus by the board to meeting minutes.</p>
<p><i>Contractors' costs</i></p> <p>The company continued to employ contractors during peak production season from June to July with payrates roughly in line with 2021.</p> <p>However, additional contractors were also engaged in August 2022 as part of a project at significantly higher rates which will result in the actual contractor pay being higher than expectation.</p>	<p>Inspect contract agreements for contractors engaged as part of the production season and project to confirm pay rates.</p> <p>Using data analytics recalculate expectation of contractors pay based on actual contractors engaged and agreed pay rates.</p>

QUESTION 4 – Analyse the cashflow forecasts provided and evaluate the reasonableness of the assumptions and information provided.

1. *Period of forecast*

The cashflow forecasts are for 12 months from the year end not for a full 12 months after the proposed approval date of the company's financial statements (28 February 2023). To ensure compliance with ISA (UK) 570 we are required to gain assurance that the management's assessment has covered a period of at least 12 months from the balance sheet signing date.

2. *Quarterly cash flow projections and breach of overdraft*

The cash flow projections are quarterly which are not sufficient for management to effectively control cash flows. A breach of the overdraft facility has been identified during quarter 3 and there is a risk that the limit may have been further breached between quarter ends resulting in a withdrawal of the overdraft facility.

3. *Increase in customer receipts*

Customer receipts are projected to increase by 28.5% in the second quarter and by 57% by quarter 4. This increase would appear reasonable given the forecast increase in demand in steel as well as the forecast increase in prices from January 2023. The timing of cash flows under TSM's credit terms would likely support the forecast increase from the second quarter.

4. *Government subsidies*

The cash receipts for government subsidies are not certain and are subject to completion of an audit. The inclusion of these subsidies may overstate the projected cash forecasts and result in failure to meet cash outflow commitments.

5. *Production materials*

The cost of production materials is forecast to increase 68% from the first quarter of the year to the second quarter. and reduce by 21% in quarter 4. The increase may be a result of the new supply agreement for iron ore which is at a higher price than the previous Australian supplier. However, as the price is fixed for three years this would not support a reduction in costs in quarter 4 and this requires further investigation.

6. *Production payroll*

Despite headcount forecast to be constant, there is an increase in production payroll costs in quarter ending 31 July 2023. However this appears reasonable given that the company traditionally hires contractors to support peak production during this period.

7. *Overdraft interest*

Despite the anticipated drawdown on the overdraft facility the cash projections do not appear to include interest payments. This is not judged to be reasonable as the company is forecasting that it will utilise its overdraft facility in quarter 3. The omission of this cost currently overstates the projected cashflow position.

8. *Taxation*

The company is forecasting a 35% increase in profits as a result of an increase in the price of steel. However, the projections appear to exclude taxation and estimated tax cash outflows should be included within the cashflow as forecast costs may be understated.

9. *Regulatory approval*

The UK government is considering introducing a carbon tax from 1 August 2023. The likelihood of carbon tax needs to be assessed and, to the extent it is likely to be implemented, it should be included in the cash flow forecasts.

10. *Capital expenditure*

The company requires additional capital expenditure of £15-18m to convert certain parts of the plant to comply with carbon emissions targets and a further £35m to construct a coking coal plant. Both amounts are not included in the cash flow projections. The omission of capital expenditure understates the projected cash expenditure.

SECTION 2 (18 marks) – Japanese Exports Group

QUESTION 5 – Prepare information suitable for inclusion in a briefing note to the audit partner in which you evaluate the acceptance risks in relation to Japanese Exports Group Ltd (Note: the risk of using a component auditor is not to be considered since the audit partner has stated that it does not need to be covered).

Identification of risk	Evaluation of risk
<p><i>Resignation of previous auditors</i></p> <p>Japanese Exports' previous auditor resigned part way through the year.</p>	<p>It will be necessary to contact the previous auditors to determine their reasons for resigning. Although we are aware of a rumour around the resignation there may be further reasons which could impact our decision to accept the engagement.</p>
<p><i>Overseas locations</i></p> <p>The audit is fairly complex with overseas locations and subsidiaries involved.</p>	<p>There is a risk that we may not have sufficient resources to complete the audit or gather evidence from the various subsidiaries and locations to inform the audit opinion.</p>
<p><i>Charity status</i></p> <p>Garden is a registered charity that is required to comply with various laws and regulations relating to charities.</p>	<p>The statutes and regulations relevant to Garden, including the charities SORP, will require to be applied. There is a risk that we do not have the relevant expertise within the audit team to audit such a subsidiary.</p>
<p><i>Japanese subsidiary</i></p> <p>Hagane is located in Japan. There will be various Japanese laws and regulations that impact on the operations of this company.</p>	<p>There is the risk that we do not have sufficient knowledge and understanding or experience of these Japanese regulations.</p>
<p><i>Board of directors</i></p> <p>The board are not all based in the UK and several directors are located in rural Japan.</p>	<p>We will require to undertake client identification procedures for all directors. This may be problematic given the location of some of the directors in rural Japan.</p>

<i>Adverse press</i>	
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There has been an allegation of inappropriate use of funds within Garden.	The potential inappropriate use of funds in Garden may damage the reputation of Japanese Exports and consequently our reputation if we are associated with the group as external auditors.
<i>Financing facility</i> The group renegotiated its financing facility following a breach and has been near the limit of its overdraft for a number of years.	There may be concerns over the legal and financial stability of Japanese Exports and we should consider the risk of becoming involved with such a client as it may impact our reputation to be associated with a failing group.
<i>Language barrier</i> There are no native Japanese speakers in the current audit team for the group audit.	The group engagement team may face issues in understanding and reviewing audit evidence from Japan and the group's overseas directors if it is not provided in English which would impact the engagement team's ability to complete the audit.

QUESTION 6 – Using the information provided in Appendix 2, prepare information suitable for inclusion in a briefing note in which you evaluate the matters that should be considered to determine whether reliance can be placed on the component auditor and conclude on whether it is likely that reliance can be placed on the component auditor

Ethical requirements

We need to consider whether the component auditor understands and will comply with the ethical requirements applicable to the group audit, particularly independence.

There is a family connection between the component auditor and Hagane. This raises concerns over the independence of the component auditor which could impact our ability to place reliance on its work.

Professional competence

We need to consider the component auditor's professional competence.

The component auditor engagement team are all Certified Public Accountants and the firm is familiar with the Japanese Exports group structure and reporting requirements which would indicate that they have sufficient competence to undertake the audit engagement.

Group team involvement with component auditor

We need to consider whether the group engagement team of Japanese Exports will be able to be involved in the work of Kansa to the extent they consider necessary.

The prior auditor allegedly resigned due to issues obtaining information from Hagane and the component auditor. This indicates that the group audit team may not be able to access information or be involved in the work of the component auditor.

Regulatory environment

The group audit team needs to consider whether Kansa works in a regulatory environment that actively oversees auditors.

The component auditor is regulated by the Japanese Institute of Certified Public Accountants and there are no known issues with regulatory compliance.

Conclusion

Due to concerns over the independence of the component auditor and the group teams potential issues in being involved in the work of the component auditor it is unlikely that reliance can be placed on the component auditor.

SECTION 3 (24 marks)

QUESTION 7 – Prepare information in a suitable format for Ewa in which you identify the weaknesses, including any weaknesses concerning the quality of the data captured, evaluate the implications and recommend improvements to Spin's data capture and management processes for Vision.

Weakness	Implication	Recommendation
The estimated delivery date for Vision exercise bikes is based on purchase trends for Spin's Turbo exercise bike and customers have been complaining that deliveries are taking much longer than the estimated delivery date.	Delays in despatch and receipt of goods by customers is likely to lead to cancellation of orders and reduced revenue for the company.	The delivery date should reflect real time Vision stock levels and normal manufacturing timescales rather than being based on information related to Turbo.
When setting up a profile for the Vision bike customers are asked to enter personal information on household income.	Data must be relevant to the needs of the business and it is unlikely that household income is relevant for Spin to make recommendations on available virtual classes and music playlists.	Data cleansing should be performed and all irrelevant data such as household income should be removed. The household income question should be removed from the profile set up process.
The product development team is reviewing the popularity of classes based on total views of virtual classes per instructor. However, not all instructors have been with Spin for the same time or are currently contracted to upload the same number of weekly recordings.	The volume of data available for assessment is very low and does not provide any accurate means of assessing the popularity of each instructor.	The product development team should delay their assessment until sufficient time has passed and the volume of data collected is appropriate in order to assess each instructor's popularity.

Customers must answer all questions within the survey regardless of which exercise bike they own.	Non-Vision customers completing the survey may be providing responses to questions on virtual classes of which they have no experience or knowledge which will result in information gained over this area being unreliable.	The survey should be updated to make questions optional, based on the exercise bike held by the customer and a check carried out over any responses received in relation to virtual classes to ensure that the customer owns a Vision exercise bike.
The results of completed surveys are collated and entered manually into a spreadsheet.	Manual entry of data creates risk of human error as well as being a cumbersome way of capturing the data. This increases the risk of error which may impact the appropriateness of decisions made by Spin's board of directors.	The survey data should be downloaded and collated automatically to remove the risk of errors arising from manual processing.

QUESTION 8

- (a) **Analyse and evaluate the results of the outputs from SPS to highlight any concerns over the validity, accuracy and completeness of the data relating to payroll and the impact this may have on the external auditor's work; and**
- (b) **Describe, where applicable, what further information the external auditor may request or the steps that Spin should take to rectify any issues identified**

Raw data extract

There are no employer pension contributions shown. The external auditor may wish to use this information to determine if pension contributions are correct for a sample of employees and currently, as there are no values, they would be unable to perform this area of audit work.

Blair Daniel has no payroll data other than an employee number of 59 and it is likely this has been an error and a new entry has been created with the correct details of Daniel Blair. The external auditor will need an accurate listing of active employees from the payroll listing in order to perform audit testing over individual transactions which will not be possible if false or duplicate employees are included.

Prior to the external auditor commencing fieldwork, a data cleansing exercise must be performed on the raw data to ensure employer pension contributions are included and only current employees are listed.

Starters and leavers report

The report does not show the date which two employees left the business. The report is also a monthly summary for October 2022, but shows a starter who joined the company on 4 September 2022.

The external auditor may look to use this report to test starters and leavers during the year and confirm that they have been correctly accounted for within the payroll records. If the report is unable to recognise starters and leavers in the correct period or includes missing data then the external auditor will be unable to rely on this data for the purpose of audit testing.

The summary report should include leaving dates for departing employees.

Ahead of the external auditor commencing the audit, the report should be fixed to ensure only dates within the selected range are displayed. A review of all starters and leavers

should be carried out to ensure that relevant starting and leaving dates have been recorded.

Number of employees per department

The total number of employees per the report is 329 whereas the total number of employees should be 340. The breakdown of employees per department also includes 28 employees classed as undefined.

The employee numbers may be used by the external auditor to assess payroll costs as well as check for any anomalies to prior years. If employee numbers are incomplete then they will not be able to rely on these figures for the purpose of audit testing.

The difference in total employee numbers should be investigated and rectified to ensure that the underlying data is complete and number of employees ties back to SPS total employees of 340.

Any employees who do not have a department assigned in the master data should be updated with a department to ensure that no employees remain undefined within the payroll system.

SECTION 4 (18 marks) – XSRisk Limited

QUESTION 9 – Evaluation of outstanding matters	QUESTION 10 – Audit procedures
<p><i>Bonus accrual</i></p> <p>The company performance element of the bonus accrual was calculated based on budget company performance rather than actual company performance, resulting in an over accrual of £35,000.</p> <p>The bonus accrual is currently overstated.</p>	<p>Obtain a copy of the final company bonus calculation and, with reference to the Bonus Scheme criteria, reperform the calculation to confirm that this has been calculated correctly.</p> <p>Inspect a copy of the board minutes confirming approval of the final bonus payable.</p>
<p><i>FCA investigation</i></p> <p>The company has received notification of a fine of £120,000 relating to non-compliance with management of client monies during the year ended 31 August 2022 with estimated legal fees of £45,000. This has been confirmed by the company's lawyers and, as the event is probable, it should be provided for in the financial statements.</p> <p>However, the company has only recognised a provision of £105,000 resulting in provisions being understated by £60,000.</p>	<p>Obtain a copy of the FCA report and inspect to confirm the value of the fine.</p> <p>Review correspondence with XSRisk's lawyers to confirm the level of estimated fees and, if necessary, resend our lawyers letter to obtain confirmation of this.</p>
<p><i>Property, plant and equipment ('PPE')</i></p> <p>An addition for PPE, relating to furniture, has been recognised twice in the nominal ledger in error resulting in the PPE balance being overstated.</p>	<p>Inspect the journal and nominal ledger to confirm that the duplicate furniture addition has been removed from PPE post year end.</p>
<p><i>Customer in administration</i></p> <p>One of the company's customers went into administration with a balance due of £120,000 as at 31 August 2022. However, the balance recoverable has been confirmed by the administrator at 12 pence in the pound (£14,400).</p> <p>As the customer was in financial difficulty before the year end, the irrecoverable balance should be provided for as trade receivables are currently overstated by £105,600.</p>	<p>Inspect correspondence from the administrator confirming the settlement offer at 12 pence in the pound.</p>

QUESTION 11 – Summary of audit misstatements

XSRisk Limited					
Year end: 31 August 2022					
Summary of audit misstatements					
Financial Statement Account		Dr	Cr	Material	Adjusted
		£	£		
1	SPL - Payroll		35,000	N	N Note 1
	Accruals	35,000			
	being reduction in bonus accrual				
2	SPL - legal costs	£60,000		Y	Y Note 2
	Provisions		£60,000		
	being adjustment to provision for FCA investigation				
3	Trade Creditors	4,500		N	N Note 3
	PPE		4,500		
	Being removal of duplicate PPE addition				
4	SPL - Bad debts	105,600		Y	Y Note 4
	Trade Receivables		105,600		
	Being write-off of Paveway irrecoverable balance				
Summary and Conclusion					
Adjusted differences in SPL		£165,600 DR		Unadjusted differences are judged to be immaterial.	
Unadjusted differences in SPL		£35,000 CR			
Adjusted differences in net assets		£165,600 CR			
Unadjusted differences in net assets		£35,000 DR			

Note 1

The bonus accrual is currently overstated as a result of actual company performance and therefore the financial statements are misstated. However, this is not material and no adjustment is required.

Note 2

As the fine relates to activity carried out by the company during the current financial year and has been confirmed as probable it is an adjusting event and the financial statements are misstated. As this misstatement is individually greater than overall materiality it should be adjusted.

Note 3

As it has been identified that a duplicate transaction has been included, the accounts are misstated. However, this is not material and therefore no adjustment is required.

Note 4

As the company was in financial difficulty at the year-end the confirmation of the irrecoverable element of the outstanding event is an adjusting event and the financial statements are misstated. As this misstatement is individually greater than overall materiality it should be adjusted.

Marking Schedule	Candidate No.	
Assurance and Data	Batch No.	
December 2022	Marker No.	
SECTION 1 – Thistle Steel Manufacturers plc		

	Marks available	Marks awarded
QUESTION 1 – Perform a substantive analytical (payroll)		
Administration basic pay		
Administration National Insurance Contributions		
Administration Pension Contributions		
Production basic pay		
Production National Insurance Contributions		
Production Pension contributions		
Contractors' costs		
Summary of expectation vs actual		
Conclusion		
Restricted to (9 marks available)	9	
QUESTION 2 – Analyse the reasons for any variances between expectations and payroll costs for the year		
Private healthcare benefit		
Statutory redundancy payments		
Administration payroll Employers National Insurance and Pension contributions		
Hourly pay rates		
Bonus accrual		
Contractor's costs		
Other		
Restricted to (8 marks available)	7	
QUESTION 3 – Recommend further procedures to confirm reasons for differences in expected and payroll costs		
Private healthcare benefit		
Statutory redundancy payments		
Administration payroll Employers National Insurance and Pension contributions		
Hourly pay rates		
Bonus accrual		
Contractor's costs		
Other		
Restricted to (10 marks available)	9	

QUESTION 4 – Analyse the cashflow forecasts provided and evaluate the information provided		
Period of forecast		
Quarterly cash flow forecasts and breach of overdraft		
Increase in customer receipts		
Government subsidies		
Production materials		
Production payroll		
Overdraft interest		
Taxation		
Regulatory approval		
Capital expenditure		
Other		
Restricted to (17½ marks available)	15	
Total marks awarded	40	

Marking Schedule	Candidate No.	
Assurance and Data	Batch No.	
December 2022	Marker No.	
SECTION 2 – Japanese Exports		

	Marks available	Marks awarded
QUESTION 5 – Acceptance Risks		
Resignation of previous auditors		
Overseas location		
Charity status		
Japanese subsidiary		
Board of directors		
Adverse press		
Financing facility		
Language barrier		
Other		
Restricted to (12 marks available)	11	
QUESTION 6 – Component Auditor		
Ethical requirements		
Professional competence		
Group team involvement with component auditor		
Regulatory environment		
Conclusion		
Other		
Restricted to (8 marks available)	7	
Total marks awarded	18	

Marking Schedule	Candidate No.	
Assurance Data	Batch No.	
December 2022	Marker No.	
SECTION 3 – Spin		

	Marks available	Marks awarded
QUESTION 7 – Weaknesses/ Implication/ Recommendation in data management processes		
Estimate delivery date inaccurate		
Irrelevant data requested regarding household income		
Volume of data available to assess instructor popularity too low		
Questionnaire must be completed in full		
Manual collation and entry of results to spreadsheet		
Other		
Restricted to (13½ marks available)	12	
QUESTION 8 – Analysis and evaluation of outputs from SPS, impact on auditors		
No pension contributions shown		
Error with employee name		
Data cleaning exercise required on raw data		
Starters and leavers report		
Number of employees per department		
Other		
Restricted to (13½ marks available)	12	
Total marks awarded	24	

Marking Schedule	Candidate No.	
Assurance and Data	Batch No.	
December 2022	Marker No.	
SECTION 4 – XSRisk Limited		

	Marks available	Marks awarded
QUESTION 9 – Evaluation of outstanding matter		
Bonus accrual		
FCA investigation		
Property, plant and equipment		
Customer in administration		
Restricted to (7 marks available)	6	
QUESTION 10 – Audit evidence		
Bonus accrual		
FCA investigation		
Property, plant and equipment		
Customer in administration		
Restricted to (6 marks available)	6	
QUESTION 11 – Summary of audit adjustments		
Bonus accrual		
FCA investigation		
Property, plant and equipment		
Customer in administration		
Conclusion		
Restricted to (6½ marks available)	6	
Total marks awarded	18	