



TEST OF PROFESSIONAL SKILLS

Assurance and Data

Total marks: 100

Wednesday 1 September 2021

3 hours 30 minutes

Notes to Candidates

This paper contains four questions and relevant appendices.

Please note you are only permitted to submit one Microsoft WORD document at the end of your exam. You are allowed to use Microsoft Excel during the exam HOWEVER you **MUST copy and paste your Microsoft Excel output(s) into your final word document. All Microsoft Excel output(s) included in Microsoft Word must be legible and viewable in their entirety.**

On submission of your response file you confirm it is your own work. It is not copied from any other person's work (published or unpublished) and any areas that have been copied from source materials have been acknowledged.

No part of this submission has been copied from the work of any other candidate, nor have you consulted or colluded with any other person on the content of your exam responses during the examination.

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.

You **MUST NOT** submit this question paper as part of your answer.

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QUESTION 1 (40 marks)

You are an audit senior working on the year-end audit of the financial statements of Chestnut Foodstuffs Limited ('Chestnut') for the year ended 31 July 2021. You are preparing to perform substantive analytical procedures over two account balances: revenue and trade payables.

Chestnut is a UK-based company that manufactures and sells a wide range of food additives, culinary powders, and yeasts to companies within the UK and the USA. Sales within the USA are all through Chestnut's US division, Chestnut USA.

The audit planning and interim work are complete, and work has been performed by the firm's audit data analytics team on the completeness and integrity of the data. As a result of this work it has been concluded that the controls over both revenue and trade payables are robust. The planned audit approach for revenue is to perform a substantive analytical review ('SAR'). Chestnut has been a client of the firm for a number of years and the performance materiality for the audit has been set at £550,000 with the tolerable error set at £45,000 (any errors above this amount require further audit procedures).

The chief accountant, Michael Sim, has provided a breakdown of the different categories of revenue (Appendix 1). Your audit manager, Ellie Crawford, has also provided you with notes of a meeting with Michael which set out further information on the various categories of revenue during the year (Appendix 2).

Ellie has asked you to perform the SAR to evaluate the reasonableness of the revenue figures. Based on this information, she would also like you to analyse the reasons for any variances between your expectations and the actual revenue for the year, for each category, and to recommend what further procedures would need to be performed to corroborate the reasons identified for each of the variances.

The trade payables balance has been assessed as a lower risk area for the audit and Ellie has decided that the audit team will look to utilise the firm's newly acquired audit data analytic software to perform substantive analytical review procedures over this balance for the purposes of the audit. Michael has provided the audit team with a download of transactions related to trade payables which will be used to perform the planned analysis.

As part of the audit team's interim work in early July 2021, procedures were performed to confirm the integrity of the data from a download of the trade payables ledger for the period 1 August 2020 to 30 June 2021.

The balances brought forward at 1 August 2020 per the final download have been reconciled to the interim audit work with no errors and therefore you are only required to perform procedures to confirm the integrity of the data recorded for July 2021 and the final trade payables balances as at 31 July 2021. The trade payables balance per the draft financial statements as at 31 July 2021 is £5,147,500.

Ellie has asked you to perform procedures to confirm the accuracy, validity and completeness of the schedule of transactions. She would like you to document the results of your procedures including any issues identified with the data provided and conclude on whether the data is appropriate for use by the audit team.

In order to assist with this exercise your audit data analytics team has completed the cleansing of the data provided and selected a sample of three trade payables balances as at 31 July 2021 from the download. Based on the volume of transactions in July 2021 and individual balances as at 31 July 2021 this sample is determined sufficient in order to form an opinion on the integrity of transactions in this period and the year end balances per Chestnut's trade payables ledger.

You have obtained extracts from the audit file concerning information related to trade payables and Michael has also provided the audit team supporting information concerning these balances including various screenshots from Chestnut's accounting system. He has also provided you with the last goods received note raised for each supplier account, extracts from the company's bank statements and a breakdown of Chestnut's goods received not invoiced accrual ('GRNI') as at 31 July 2021 (Appendix 3).

Required:

1. Prepare information, suitable for inclusion in an audit workpaper, in which you perform a substantive analytical review to evaluate the reasonableness of the revenue reported for each category of revenue.
(10 marks)
2. Prepare paragraphs for inclusion in a briefing note to Ellie in which you:
 - (a) analyse the potential reasons for any variances between the expected and actual revenue reported for each category; and
(9 marks)
 - (b) recommend what further procedures would need to be performed to corroborate the reasons for any identified variances.
(10 marks)
3. Perform the procedures to confirm the accuracy, validity and completeness of the information provided for the planned substantive analytical review of trade payables. Document the results of your procedures including any issues identified with the data and conclude on whether the data is appropriate for use by the audit team.
(11 marks)

(40 marks)

APPENDIX 1 (Question 1) - Breakdown of revenue with management notes provided by the Michael Sim, chief accountant at Chestnut

Revenue category	Description of category	Note	Per draft financial statements year ended 31 July 2021 £'000	Per audited financial statements year ended 31 July 2020 £'000
Culinary powders	Manufactured to customers' specifications. Products include vinegars and sweetener powders.	1	32,011	35,349
Speciality flours	Designed to be used within bakery mixes and cereal bars and comprise gluten-free rice flours and rice products.	2	4,170	3,281
Taste masking	Products designed and manufactured for pharmaceutical companies to mask the unpleasant taste of their pills.	3	3,007	2,587
Yeast extracts	Manufactured for use by customers within the ready meal manufacturing sector and to minimise the use of salt in production.	4	14,701	14,362
Enzymes	Manufactured for use in human foods and animal feeds.	5	11,260	8,784
Chestnut USA	Limited range of culinary powders sold. All powders have been approved by the US Food & Drug Administration.	6	14,296	13,326 (US dollars \$17,650)

Note:

1. Culinary powder prices were increased by an average of 2% on 1 January 2021, due to increased raw material prices.
2. All prices of speciality flours increased by 5% on 1 August 2020.
3. No price rise during the year. Overall sales volumes of taste masking products increased 15% year on year.
4. All prices of yeast extracts increased by 3% on 1 December 2020.
5. No price rises of enzymes during the year. Sales volumes increased 20% year on year. A new enzyme product was launched in March 2020.
6. Culinary powders sold through Chestnut USA had an average price rise of 4% from 1 January 2021.

APPENDIX 2 (Question 1) - Notes of the meeting between Michael Sim and Ellie Crawford

General

As Chestnut is involved in the production of ingredients for the food and pharmaceuticals industries its manufacturing sites were only shut for the minimal amount of time during March and April 2020, in order for the additional appropriate Health and Safety guidance relating to the COVID-19 pandemic to be complied with. Although there was a disruption to production, it was scaled up for a short time during 2020-21 so overall revenue to the year ended 31 July 2021 was on budget. The pandemic has not had any further impact on production during the year to 31 July 2021.

In line with government guidelines, most non-production department staff worked from home until Spring 2021. Therefore, the finance staff accessed the finance system remotely. Michael explained that during this period he increased his oversight of transactions to ensure they were appropriately recorded. He explained that no staff were furloughed as their workload remained constant through this time.

Culinary powders

Sales to manufacturers of foodstuffs for the hospitality sector were 40% lower for the six month period to 31 January 2021 than the same period in 2019-20. Sales to these manufacturers were £20,010k in the year to 31 July 2020. The majority of sales from February were at 2020 levels.

Although the average price rise was 2% across our range of 25 products, price increases varied from 1–7%. The biggest selling ranges, which are to manufacturers for the hospitality sector, had price increases of 1%.

Speciality flours

Demand for speciality flours remains strong with many traditional bakery manufacturers offering gluten free alternatives and as a result Chestnut was able to increase prices in August 2020.

During May 2021, following several months of negotiations, a new £3 million supply contract was signed with South-East Bakeries Limited ('South-East'). In order to guarantee supply and to assist with Chestnut's scaling up of production capacity, South-East agreed to pay £250k per month from May over the 12 month contract period to enable it to have the flexibility to draw down its speciality flour when needed. This is the first such flexible contract Chestnut has entered into and Michael highlighted that only £500k of speciality flour was supplied over the three months from May to July 2021.

APPENDIX 2 (Question 1) (continued)

Taste masking

Taste masking revenue is ahead of 2021 budget due to increased demand for products used in over-the-counter painkillers.

An order of the company's 'gelmask' product was returned at the beginning of August 2021 as it tested positive for contaminants on receipt by the customer. Gelmask is produced in large batches due to the expensive production costs and is sold to many customers. This is the first instance of contamination that management has been aware of since the company started selling this product. Review of the test results at Chestnut prior to dispatch indicated no contaminant, but on return, further tests carried out indicated some contamination and subsequently the batch was destroyed. A credit note was issued mid-August for £106k.

Yeast extracts

Due to price competition within this market, on 1 May 2021 Chestnut introduced, for the first time, a volume rebate scheme for all customers of yeast extracts. Rebates are calculated based on quarterly sales and are recognised on all sales over £125k within a quarter at two rates:

- 2% on sales of £125k-250k in a quarter
- 4% on any further sales above £250k in a quarter

Q4 rebates have not yet been paid, but are due on sales of £390k and £487k to Chestnut's customers Quicky Meals Ltd and Readymade Deserts Ltd respectively.

Enzymes

Enzymes revenue grew as customer demand has stayed strong for the company's existing products.

A new enzyme product was launched in March aimed at the animal feeds market. Unfortunately, total target sales of £1,850k for the new product were not achieved due to competitors lowering prices and only 35% of the target was expected to be achieved for the period to 31 July 2021. This included a surge of sales recorded in July 2021 following a new commission scheme introduced for the sales staff to increase revenue from this product.

Chestnut USA

Chestnut USA's transactions are recorded in USD within the general ledger and translated at the year-end into GBP for reporting purposes using the average rate for the year.

APPENDIX 2 (Question 1) (continued)

Michael provided a summary of the year-end exchange rates used by Chestnut in relation to its Chestnut USA sales. Year-end rates at 31 July 2021, and the average rate for the year from a reliable third party, as provided by Ellie, are also shown for comparison:

Currencies	Chestnut closing rate as at 31 July 2021 (Per Michael)	Chestnut average rate for the year to 31 July 2021 (Per Michael)	Closing rate as at 31 July 2021 (third party)	Average rate for the year to 31 July 2021 (third party)
GBP/USD \$	1.28	1.26	1.30	1.26

Ellie also confirmed that the price increases noted by Michael have already been agreed to documentation approved by Chestnut's board of directors.

APPENDIX 3 (Question 1) - Extract from audit file and information provided by Michael Sim, chief accountant at Chestnut

Extract from audit file concerning trade payables

Chestnut makes regular supplier payments with a BACS run completed on the 1st of the month to clear any balances due. The company also uses a sequential filing system to record supplier invoices in the trade payables ledger which are inputted on receipt of the supplier invoice based on the relevant goods received note ('GRN') number raised on receipt of goods.

A third-party exchange rate of 1.11 Euro: £1 is being used by the audit team for testing of all relevant balances as at 31 July 2021.

Information provided by Michael Sim

Section A – Screenshots from Chestnut's accounting system

Date selected	31.07.2021
Number of trade payables balances outstanding	26
Balance	£5,147,500
Transactions period	01.08.2020 – 31.07.2021
Number of transactions recorded	10,596

Section B – Extracts from supplier statements

Supplier account: Vital Vitamins Ltd

Summary of transactions from 1 July 2021 to 10 August 2021

Date	Transaction	Ref	DR	CR
01.07.2021	b/f			£609,000
03.07.2021	Bank payment	JOURN132	£609,000	
28.07.2021	Purchase	INV1736		£670,492
31.07.2021	Bank payment	PAY644	£670,492	

Supplier account: Sel de Dieppe S.A.R.L

Summary of transactions from 1 July 2021 to 10 August 2021

Date	Transaction	Ref	DR	CR
01.07.2021	b/f			£890,000
26.07.2021	Bank payment	PAY641	£880,892	
26.07.2021	Gain on exchange		£9,108	
31.07.2021	Purchase	INV1735		£740,357

APPENDIX 3 (Question 1) (continued)

Supplier account: Wholegrain Ltd

Summary of transactions from 1 July 2021 to 10 August 2021

Date	Transaction	Ref	DR	CR
01.07.2021	b/f			£590,041
27.07.2021	Bank payment	PAY642	£626,321	
31.07.2021	Purchase	INV1737		£590,684
03.08.2021	Bank payment	PAY645	£590,684	

Section C – Extracts of bank statement from Central Scotland Banking Services Ltd

Customer sort code 77-XX-XX

Account number 8546XXXX

Chestnut Foodstuffs Ltd

Date	Ref	DR	CR	Balance
25.07.2021	PAY639	£201,323		£2,662,993
26.07.2021	PAY641	£880,892		£1,782,101
27.07.2021	PAY642	£626,321		£1,155,780
27.07.2021	REC579		£759,764	£1,915,544
28.07.2021	PAY643	£91,000		£1,824,544
03.08.2021	PAY645	£590,684		£1,233,860
04.08.2021	REC580		£927,845	£2,161,705
05.08.2021	PAY646	£478,876		£1,682,829

Section D – Extracts from Goods Received Notes raised in July 2021

GRN 1,735
Supplier: Sel de
Dieppe S.A.R.L
Date: 31 July 2021

Goods received: July
GRN Value:
930,467 Euros

GRN 1,737
Supplier: Wholegrain
Ltd
Date: 31 July 2021

Goods received: July
GRN Value:
£590,684

GRN 1,739
Supplier: Vital
Vitamins Ltd
Date: 31 July 2021

Goods received: July
GRN Value:
£860,453

Section E – Breakdown of Goods Received Not Invoiced Accrual as at 31 July 2021

GRN 1738	£87,812
GRN 1739	£860,453

Total **£948,265**

QUESTION 2 (18 marks)

You are a data analysis consultant who has been tasked by your manager with performing data evaluation tasks as part of overall project work on two of your firm's clients.

Automobile Creative Finance Ltd ('Automobile')

Automobile is a consumer lending facility that provides car loans to individuals. Automobile finances the cost of any car up to the amount of £40,000 and works with 5 major dealerships across the UK to provide loans to their customers for the purchase of cars. The company is based in Leeds and has 50 staff. Automobile pays a commission of £1,000 per loan to the car dealerships. This agreement was set up 10 years ago when it funded 1,000 loans. The company are currently funding 3,000 loans through the dealerships, but have never renegotiated the commission fee. Profits generated through funding arrangements arise through the interest payable by customers on their loans less the indirect costs incurred from providing each loan.

Your manager has provided you with details of four planned business objectives being considered by Automobile's management, together with a key performance indicator ('KPI') for each which will be used to assess performance (Appendix 1). Your manager has asked you to evaluate whether or not the proposed KPI provides sufficient information to support the business in monitoring achievement of the relevant objective. For those for which it is not suitable, you have been asked to recommend appropriate actions to improve the relevance of the information gathered to monitor achievement of the objective.

TopTea Associates Ltd ('TopTea')

TopTea is a teabag-producing company based in Cardiff. It imports dried tea leaves from Sri Lanka, which are then put into individually-wrapped tea bags and packaged in boxes of various sizes. Purchases of tea leaves are invoiced in Sri Lanka Rupee and are payable within 60 days. The company sell to high-end hotels throughout the UK. The dried tea is shipped from Sri Lanka to various ports in England, where it is picked up by lorry and brought to the processing factory. Each driver has a route tracker in the lorry which shows timings and how many miles they are covering per journey.

You have been provided with four business KPIs for TopTea together with the data the company gathers to monitor each KPI (Appendix 2). Your manager has asked you to evaluate the data gathered and data capture methods, analysing whether they are relevant and appropriate to meet the needs of the KPI, and if not, to recommend any required actions to improve the data captured and/or data capture method to allow more effective assessment of the performance of the KPI.

Required:

1. Prepare information suitable for inclusion in a briefing note to your manager where for each proposed KPI for Automobile you:
 - (i) Evaluate whether the KPI would provide relevant information to monitor achievement of the objective; and
 - (ii) If applicable, recommend appropriate actions to be taken to improve the relevance of the information gathered to monitor achievement of the objective.

(10 marks)

2. Prepare information suitable for inclusion in a briefing note to your manager where for each KPI at TopTea, you:
 - (i) Evaluate the data gathered and data capture methods, analysing whether it is relevant and appropriate to meet the needs of the KPI; and
 - (ii) If applicable, recommend any actions to improve the data captured and/or data capture methods to allow more effective assessment of the performance of the KPI.

(8 marks)

(18 marks)

APPENDIX 1 (Question 2) – Business objectives and proposed key performance indicators (‘KPI’) for Automobile

The four planned business objectives of Automobile and proposed KPIs to monitor the objectives are as follows:

- 1) Improve the customer application process
 - ✓ KPI: Loan conversion rate - The loan conversion rate is the % of loans applied for that complete and are funded by Automobile
- 2) Reduce the level of loans defaulting: Automobile recognises bad debt after 60 days of missed payment
 - ✓ KPI: Bad debt ratio
- 3) Increase profitability on overall portfolio
 - ✓ KPI: Gross interest rate across loan portfolio - Gross interest rate is the average rate charged to customers
- 4) Reduce staff turnover
 - ✓ KPI: Compare number of vacancies on company website every 3 months

APPENDIX 2 (Question 2) – Key performance indicators (‘KPIs’) of TopTea and data gathered to assess

KPIs	Data gathered to assess
Customer numbers per region	<p>Each sales invoice raised by the company has the individual invoice number, unique customer number, address of the customer, and the region the customer is based in (eg Scotland, NE England).</p> <p>On a monthly basis a summary report is generated which details the total invoices raised per region.</p>
Fuel costs per journey	<p>On a weekly basis the UK government publish average UK retail petrol prices on the government website which are used to calculate costs.</p> <p>These fuel prices are input every week into an Excel spreadsheet, as well as the number of miles between the various ports and Cardiff (using Google to determine miles per journey).</p>
Gains/losses arising from fluctuations in Sri Lankan Rupee	<p>TopTea’s financial ledger is integrated with a reputable third-party exchange rate provider and automatically translates purchase invoices received to its ledger. Payment is made through TopTea’s bank by international transfer using the exchange rate set up the bank on that date.</p> <p>Each month a report is run from the general ledger highlighting any exchange gains or losses arising at the point of payment of supplier invoices for tea products from Sri Lanka.</p>
Expense claims per month	<p>Each week a PDF report is printed from the expenses systems that provides details of all the claims.</p> <p>These are then gathered into 13 four-week batches to show monthly results. The system has the capability to download reports into an Excel spreadsheet for any pre-determined time period.</p>

QUESTION 3 (21 marks)

It is August 2021 and you are the internal audit senior at a large asset rental business, Compressed Air Specialists Limited ('Compressed Air'). The business rents out diesel air compressors ('compressors') to the Oil and Gas offshore industry. The head office is based in Aberdeen, Scotland and serves a global customer base. The business has a fleet of around 3,000 compressors with a range of pressure capabilities. A number of these compressors are rented by customers on long term contracts. However, the company also has a number of high value compressors which were custom designed for a number of specialist projects.

As part of the internal audit plan for the year, your internal audit department director has requested that you undertake a review of the fixed asset management system used for compressors in order to identify any weaknesses, assess the related implications and make recommendations to mitigate the identified weaknesses. To obtain an understanding of the fixed asset management system, you have met with the Global Asset Services Director, Michelle Swart and the Fixed Assets Accountant, Jamie West and documented the fixed asset management system processes and other relevant information (Appendix 1).

Michelle also gave an overview of market performance and the outlook for Compressed Air. She noted the business is experiencing pressure from some customers to upgrade the compressor engines in order to comply with CO2 emission targets in certain overseas locations. There has also been decreased demand for its custom-designed compressors as projects have come to a close. The board of directors ('the board') is considering a long-term project to replace its fleet with new compressors, but is happy that its current fleet of compressors complies with stringent emission targets set under UK legislation following a review by the internal audit team in September 2020. The project is expected to be completed by 31 December 2022.

Required:

Prepare information suitable for inclusion in an internal audit report identifying any weaknesses in the fixed asset management system used for compressors, analysing the implications of each weakness and recommending improvements.

(21 marks)

APPENDIX 1 (Question 3) - Notes of meeting with Global Asset Services Director, Michelle Swart and Fixed Assets Accountant, Jamie West

AssetTracker

The company uses an off-the-shelf software, 'AssetTracker', which is not integrated with the general ledger. The system has capabilities which include monitoring asset utilisation, invoicing, tracking location of compressors and maintaining a fixed asset register. However, the tracking facility is dependent on AssetTracker having the correct information recorded in the system and there have been instances during the last 12 months where the company has struggled to find some older assets and compressors have been sent twice in error to clients. The system is Windows-based and access is granted to all employees within the finance and operations departments. Only specific individuals can make changes to master data, start/end rentals and invoice customers from the system. All other staff with access to the system have read-only access.

Acquiring fixed assets

A capital expenditure budget is compiled annually by the company's operations team with input from the business development team. Actual purchases during the year are initiated by the operations team through completion of a pre-numbered fixed asset acquisition form. This form is approved by the Operations Director before being sent to the buying department. The buyer cross checks the information on the fixed asset acquisition form to the approved budget before placing an order with a selected supplier. This is approved by the buying manager before being processed. The fixed asset acquisition form details key information such as the expected useful life of the compressor and its specification.

Depreciating fixed assets

The useful life of each compressor is assigned when the asset details are initially uploaded to AssetTracker. The information is based on historic useful lives of similar compressors. The depreciation charge is automatically calculated by the system.

All compressors are assigned a nil residual value in AssetTracker. The previous Operations Director put forward an analysis that showed compressors are disposed of for minimal proceeds when they are fully depreciated, and as a result the residual value was set at nil for all compressors. In the past two years, due to the increased value of scrap metal, Compressed Air has been able to dispose of fully depreciated compressors for between 10–15% of the original cost.

Disposing of fixed assets

There are minimal instances where compressors are disposed of before the end of their useful lives and sold directly to customers. For compressors identified for disposal, a pre-numbered disposal form is completed by the operations team and approved by the Global Asset Services Director, or their designate. Once the form is approved and a dispatch note completed when the acquirer of the asset picks it up/receives it, the disposal form is sent

APPENDIX 1 (Question 3) (continued)

to finance for processing. In certain instances disposals have been processed at least a month after the disposed compressor has been collected by the customer.

The board is aware that any compressors that do not meet changes in legislation around emission targets are likely to be disposed of and replaced as it would be too costly to modify these. The most recent change in UK legislation regarding emission targets for compressors was announced on 1 March 2021 and companies were given a twelve month period to 28 February 2022 to modify such assets or remove them from service.

Managing fixed assets

The policies and procedures manual states that the physical verification of compressors should be carried out on a rotational basis each quarter. The verification should include confirmation that the generator is functioning and 80% physical asset verification coverage is targeted on an annual basis. In the past six months there have been no asset verification exercises performed. Michelle claimed there has been no need to verify the compressors because of the good utilisation that has been achieved.

Michelle estimated that approximately 65% of the company's most popular compressors have continuously been out for rental and there is an argument that if the assets are being rented out and the customers paying for rentals, then the compressors must exist. Jamie pointed out there is a system generated fixed asset utilisation report and, although this report is seldom used by management, Jamie believes it would back up this assumption.

The compressors have serial numbers which are captured in most instances in AssetTracker. When a compressor is rented to a customer, the serial number is automatically raised within the contract and subsequent invoices, to allow tracking of the asset. Some of the older compressors, however, do not have their respective serial numbers captured in the register. Jamie noted due to budget constraints in previous years, a project to update the register with serial numbers was put on hold.

Maintaining fixed asset register and/or master file

Jamie makes changes to the master data (useful life, cost, specifications etc.) as required. Such changes are not frequent and where they are made, a master data change form is completed as a record of the change and filed. AssetTracker also has the capability to generate an exception report on a monthly basis which shows any changes to master data.

Every six months, the fixed asset register from AssetTracker is printed. Jamie performs a reconciliation of this fixed asset register to the general ledger and investigates any differences. Once differences are fully investigated and explained, the Finance Manager signs off the reconciliation. The Finance Manager also reviews any fixed asset master file changes for the past six months and sample checks them against the approved master data change forms.

QUESTION 4 (21 marks)

It is August 2021 and you are an assurance practitioner in McFly Assurance ('McFly'), a Scottish based accountancy and audit firm. McFly's external audit and other assurance teams work independently of each other. Nibbles Snacks Limited ('Nibbles'), a current audit client, has approached the firm regarding a potential additional assurance assignment.

Nibbles is a food production company operating from a large factory site on the west coast of Scotland. It prides itself in the use of local sustainable produce, and its low impact production facility which aids in maintaining sustainability in the local countryside. This is their main differentiator from other companies in the same industry and a key contributor to the significant market share that they enjoy.

As a food production company Nibbles must operate under the terms of an environmental licence issued by the Scottish Environmental Protection Agency (SEPA). This licence is termed a PPC licence and is issued under the PPC regime governed by the Pollution Prevention and Control (Scotland) Regulations 2012.

PPC licences are designed to control activities that could lead to pollution or environmental damage. SEPA performs compliance activities to check whether licence holders are meeting the terms of their licences. This Compliance Assessment Scheme (CAS) enables SEPA to assess and categorise the compliance of the licence holder.

In early 2020 Nibbles had a succession of pollution incidents, which combined with poor site management contributed to SEPA issuing a 'Very Poor' CAS score in its annual assessment in June 2021. These pollution incidents were included in complaints to SEPA from local residents regarding liquid pollutant discharges to a local river killing wild salmon stocks.

Nibbles worked with SEPA and an action plan with clear requirements was proposed. This included the preparation and delivery of a site improvement plan, including documentation of increased and appropriate staff training, and proactive monitoring of all liquid discharges to ensure they are within the required limits as set by SEPA.

Nibbles is required to submit a report to SEPA demonstrating its current compliance with the agreed action plan. This report will provide a point of reference for SEPA in its next Compliance Assessment in November 2021.

The small internal audit team at Nibbles has been key in the documentation and implementation of the SEPA action plan and the Head of Internal Audit is due to commence extended paternity leave in two weeks.

In your capacity as an assurance practitioner, Nibbles' board of directors ('the board') has asked you to review the corrective action plan and improvement to controls that Nibbles has put in place, and to give assurance that these are functioning correctly and achieving the required outcome. Nibbles has also been approached by a local TV station to participate in a documentary into the pollution in the local river and management intends to highlight the action plan and the assurance obtained from McFly to help assure the public that it is undertaking appropriate actions to address the failings.

McFly has previously undertaken an additional assurance engagement for Nibbles relating to an application for a Scottish Government Capital Grant in addition to the annual external audit. As a result, it was clear that not all of Nibble's directors were aware of the company's business targets and the commerciality of its underlying activities. Furthermore, it was clear that the board was not always in agreement on their long-term business goals and the need to remedy deficiencies in controls. For example, there were various objections to recommendations regarding improvements in control activities within the audit team's management letter.

Following a review of all the information provided, you have confirmed that this work fulfils the necessary elements to be classed as an assurance engagement, but have still to evaluate which type of assurance engagement would be suitable and the relevant risks associated with accepting this engagement. The board has agreed a flexible amount in its annual budget as a fee for this engagement, dependent on the work required.

You have also identified that due to a lack of expertise in your firm regarding assessment of pollution levels, it will be necessary to engage an external expert to ensure the actual levels are as reported to SEPA. The engagement team will place reliance on the work of the expert and the assurance report will be sent to SEPA to provide assurance of Nibbles compliance.

Following a recommendation from one of your colleagues you have approached a Scottish based consultant, McStag Environmental Services LLP ('McStag'), which should be able to provide the expertise required for this engagement. McStag is based in Inverness, but operates worldwide and has a wide range of inhouse environmental consultancy services, each employing specialists in their own field. McStag's employees have a wide diversity of degrees and experience and are affiliated to their own specialised professional institutes.

One of McStag's partners, Dr Joe Trout, is being proposed to undertake the work on behalf of McStag. He has a degree in Marine Science and 10 years post-doctorate expertise. Following a brief telephone chat, he is keen to undertake the assignment as he is familiar with Nibbles and would be happy to stay with his aunt and his cousin who live nearby and work at Nibble's production facility. The technical language used to explain his roles and responsibilities within McStag and relevance to the engagement was outside your comfort zone and your team have been unable to help in interpreting this.

An evaluation of McStag is required to be completed in order to confirm whether reliance can be placed on the organisation for the purposes of the assurance engagement.

Required:

1. Explain, with examples of relevant opinions, the two types of assurance engagement that could be undertaken for the proposed Nibbles engagement, concluding which would be the most suitable.

(5 marks)

2. (a) Evaluate the acceptance risks to your firm from accepting this assurance engagement.

(6 marks)

- (b) Recommend suitable actions or safeguards to put in place to mitigate the risks identified in 2(a).

(4 marks)

3. Evaluate the proposed external expert to confirm whether it is likely that reliance can be placed on his work and identify any further evidence required in order to form a conclusion.

(6 marks)

(21 marks)

————— End of Paper —————



TEST OF PROFESSIONAL SKILLS

August 2021
Assurance and Data

SOLUTION

This solution has been prepared by CA Learning 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 30 November 2020.

QUESTION 1 (40 marks) – Chestnut**Requirement 1 – Substantive analytical review ('SAR') audit work paper**

	All figures in £'000 unless otherwise noted.	Expectation £000
1.	<p>Culinary powders</p> <p>2020 revenue = 35,349 Add: Average price increase of 2% from 1/1/21 35,349 x 2% x 7/12 = £412</p> <p>Less: Lost sales to hospitality industry: 20,010 x 40% x 6/12 = (£4,002)</p>	31,759
2.	<p>Speciality flours</p> <p>2020 revenue = 3,281 Add price increase of 5% from 1/8/20 3,281 x 5% = 164 New contract 3 months 500k = 500</p>	3,945
3.	<p>Taste masking</p> <p>2020 revenue = £2,587 Add 15% increase in volume of sales 15% x 2,587 = 388 Less refund for contaminated goods (106)</p>	£2,869

4.	<p>Yeast extracts</p> <p>2020 revenue 14,362</p> <p>Increase in sales prices 3% from 1 December 2020</p> <p>3% x 8/12 x 14,362 = 287</p> <p>Less rebates paid:</p> <p>Q4 due to Quicky Meals 2% of 125 +</p> <p>4% of (390- 250) = (8)</p> <p>Q4 due to Readymade Deserts 2% of 125 +</p> <p>4% of (487-250) = (12)</p> <p>14,629</p>	
5.	<p>Enzymes</p> <p>2020 revenue 8,784</p> <p>Increase in sales volumes – 20%</p> <p>20% x 8,784 = 1,757</p> <p>New product revenue: 35% of forecast</p> <p>35% x 1,850= 648</p> <p>11,189</p>	
6.	<p>Chestnut USA</p> <p>2020 revenue USD 17,650</p> <p>Price increase of 4% from 1 January</p> <p>4% x 17,650 x 7/12 = 412</p> <p>Forecast sales in USD = 18062</p> <p>Translate to GBP using average rate for year of \$1.26: £1</p> <p>14,335</p>	

The difference between actual and expected revenue is as follows

	Expectation £000	Actual £000	Difference £000
Culinary products	31,759	32,011	252
Speciality flours	3,945	4,170	225
Taste masking	2,869	3,007	138
Yeast extracts	14,629	14,701	72
Enzymes	11,189	11,260	71
Chestnut USA	14,335	14,296	(39)

Conclusion

Tolerable error is £45,000. As the difference between our expectation and the actual expense for Chestnut USA is less than our tolerable error, no further analysis is required on this revenue. However, the differences for all other income streams are greater than the tolerable error, therefore further analysis and corroboration is required.

Requirement 2 – Analyse the reasons for variances and recommend further audit procedures

(a) Analyse reasons for variances	(b) Further audit procedures
<p><i>Culinary powders</i></p> <p>Our expectation includes an average price increase of 2%. However, the actual price increases range from 1-7% which may impact the accuracy of our calculation.</p> <p>Given the fall in sales to food manufacturers in the hospitality sector there may have been a change in sales mix which would have an impact on overall revenue.</p>	<p>Obtain a breakdown by product of sales volumes and revenue and compare to the prior year to determine if there has been a change in the sales mix.</p> <p>Using audit data analytic procedures recalculate the revenue expectation based on the revised sales mix.</p>
<p><i>Speciality flours</i></p> <p>Revenue from speciality flours is higher than our expectation which could be due to recognising £250k received each month from May to July (£750k) from South-East Bakeries ('South-East') rather than deferring £250k as a result of only £500k of sales actually being made in this period.</p> <p>This would result in revenue from specialty flours being overstated.</p>	<p>Obtain a copy of the contract between Chestnut and South-East to confirm details of the new contract including the terms and £250k payment per month.</p> <p>Inspect bank statements to confirm receipt of monies from customer and inspect inventory records to confirm volume and value of despatches from May to July 2021.</p>

<p><i>Taste masking</i></p> <p>Revenue may be higher than our expectation due to an increased overall demand from products used in over-the-counter painkillers. However, there is a risk that the contaminated goods returned in August 2021 have not been accounted for correctly resulting in revenue from taste masking being overstated.</p>	<p>Inspect documentation to confirm date of return, quantity, batch number, date of manufacture and original dispatch date and that the return of goods relates to sales made in the year to 31 July 2021.</p> <p>Inspect inventory records for any other sales of this product that may be contaminated and confirm with management whether a provision has been put in place for any other potential returns.</p>
<p><i>Yeast extracts</i></p> <p>This is the first time that a rebate scheme has been used by the company and there is a risk that these have not been accounted for correctly in the ledger.</p> <p>The company may also not have recognised the rebates payable in quarter 4 within the financial statements resulting in yeast revenue being overstated.</p>	<p>Inspect the terms and conditions of the volume rebate scheme to confirm date of commencement, rebate rates and trigger values.</p> <p>Using audit data analytics perform a recalculation of all qualifying rebates during the period 1 February to 31 July 2021 and update our calculation to include all rebates payable by the company.</p>
<p><i>Enzymes</i></p> <p>Revenue is higher than our expectation which is unusual given that a new product launched in the year has struggled.</p> <p>There was a surge in sales in July 2021 which may account for this increase. However this followed the implementation of a new commission scheme and there is a risk that false sales have been recorded in order to increase bonus payments and enzyme revenue is overstated.</p>	<p>For a sample of sales recorded in July confirm that the sale is genuine by reference to goods despatch notes prior to 31 July 2021 and subsequent receipt from customer.</p> <p>Review post year end credit notes issued to determine if any are issued to new enzyme customers and have been recorded to reverse revenue recorded in July 2021.</p>

Requirement 3 – Perform the procedures to confirm the accuracy, validity and completeness of the information provided for the planned substantive analytical review of trade payables. Document the results of your procedures including any issues identified with the data and conclude on whether the data is appropriate for use by the audit team.

Results

Data extracted from the ledger

The total balance of trade payables at 31 July 2021 per the extract is £5,147,500 and agrees to the draft financial statements.

Vital Vitamins Ltd

No supporting documentation has been made available for invoice 1,736 of £670,492. A copy of GRN1,736 is required before we can conclude on whether this transaction is valid.

The bank payments recorded as paid on 03 July 2021 and 31 July 2021 have not been verified to the bank statements . It is also noted that the reference for one of these payments is not in line with the normal format and may relate to journals posted by the finance team rather than an actual payment.

There is a risk that the balance per the ledger is understated and we will need to inspect copies of the supporting journal documentation to confirm the nature of this transaction.

The GRN 1,739 as received on 31 July is not on the ledger but agrees to the GRN recorded within the GRNI as at 31 July 2021.

Sel de Dieppe S.A.R.L

Bank payment PAY641 £880,892 has been agreed as paid per the bank statements. No documentation has been provided to confirm payment of balance of £740,357 as at 31 July 2021.

Invoice 1,735 for £740,357 does not agree to the GRN when translated using the provided exchange rate at 31.07.2021 with a difference of £97,902. This may indicate that an inappropriate exchange rate has been applied and the balance per the ledger is understated.

Wholegrain Ltd

Invoice 1,737 for £590,684 has been agreed to the supporting GRN and the post year end payment agreed as paid per the bank statements.

Bank payment PAY642 has been agreed as paid per the bank statements. However, this is in excess of the b/f balance as at 1 July 2021 by £36,280. This may indicate that the payment has been allocated to the wrong supplier account.

Conclusion

Due to the number of issues identified across the dataset, the auditor should not place reliance on the data extracted from the system.

QUESTION 2 (18 marks) – Automobile and TopTea

Requirement 1 – Prepare information suitable for inclusion in a briefing note to your manager where for each proposed KPI for Automobile you: evaluate whether the KPI would provide relevant information to monitor achievement of the objective; and, if applicable, recommend appropriate actions to be taken to improve the relevance of the information used to monitor achievement of the objective

Improving the customer application process

The conversion KPI is not relevant to monitoring the overall application process as this does not provide any detail on the overall application process and whether it is currently suitable.

Automobile could undertake the following actions to improve the relevance of the information used to monitor achievement of the objective:

- Provide customers with a survey to fill out at the end of the application asking for feedback ratings on the process.
- Perform analysis of the reasons for incomplete loans to identify any failings in Automobile processes and develop appropriate action plans.

Reduce defaulting loans

The bad debt ratio KPI is relevant as it will directly show if bad debt levels are increasing or decreasing depending on what actions the company are taking to address default levels.

No further actions required.

Increase profitability

The gross interest rate across loan portfolio is not relevant as this does not directly monitor if profits are improving as it does not provide information relating to direct costs / cost of funding. The gross interest rate may result in customers paying more, however the costs of funding may also be increasing thus profitability may stay static or decrease.

In order to monitor this objective, Automobile could undertake the following actions to improve the relevance of the information used to monitor achievement of the objective:

- Profit per customer – Calculate the average profit per customer in order to assess the average return on each loan after considering related costs.

- Analysis of variable costs – Analyse the indirect costs associated with provision of loans to identify any unusual or inconsistent areas of expense which require further investigation.

Improve staff turnover

Reviewing the current vacancies on the website is not relevant as this would not necessarily inform Automobile if staff turnover is improving or provide information as to any variables that are contributing towards staff turnover.

In order to monitor this objective, Automobile could undertake the following actions to improve the relevance of the information used to monitor achievement of the objective:

- Engaging with staff to help root out any underlying problems and causes of dissatisfaction. The company could look to do this with regular staff surveys.
- Ensure that every leaver undertakes an exit interview. This can reveal common reasons why staff leave and highlight any emerging patterns.

Requirement 2 - Prepare information suitable for inclusion in a briefing note to your manager where for each KPI at TopTea you: Evaluate the data gathered and data capture methods, analysing whether it is relevant and appropriate to meet the needs of the KPI; and, if applicable, recommend any actions to improve the data captured and/or data capture processes to allow more effective assessment of the performance of the KPI

Customer numbers per region

The data gathered and data capture method is not appropriate as the total invoices may not correlate with the actual number of customers in each region. Customers may have placed multiple orders and would result in the total invoices being higher than the number of individual customers.

Recommendation

The summary report should be updated to also include unique customer number. This can then be filtered in order to identify the number of individual customers per region to inform and monitor the KPI.

Fuel costs per journey

In its current form, the data gathered and data capture method is not appropriate as the average fuel prices from the UK government report will not provide an accurate measure of the actual fuel costs. The price of fuel could be higher or lower depending on where the lorry drivers stop to refuel. Furthermore, the miles calculated by Google may not be reflective of the actual route taken by drivers.

Recommendation

It would be more accurate to use fuel receipts to determine the true costs. In addition, each lorry has a tracker therefore accurate mileage data could be used rather than Google.

It is therefore recommended to use fuel receipts and route tracker downloads inputted into Excel to inform and monitor the KPI.

Gains/losses arising from fluctuations in Sri Lankan Rupee

In its current form the data gathered and the data capture method is appropriate to meet the needs of the KPI as the translation of invoices and payments is carried out automatically through appropriate third party rates. The report generated gathers information at point of payment which is appropriate to measure the KPI.

Recommendation

No recommended changes are required to this data capture method

Expense claims per month

In its current form, the data gathered and the data capture method is not relevant as the information is being sourced weekly and combined into 4 week periods rather than monthly. The data will therefore not show the expense information required to assess the key performance indicator.

Recommendation

A report should be run for each individual month as any pre-determined period can be set within the system in order to allow appropriate analysis.

QUESTION 3 (21 marks) - Compressed Air Specialists Limited

Requirement – Prepare information suitable for inclusion in an internal audit report identifying any weaknesses in the fixed asset management system used for compressors, analysing the implications of each weakness and recommending improvements.

	<i>Weakness</i>	<i>Implication</i>	<i>Recommendation</i>
1	Following changes in UK legislation the company has 12 months to modify or replace any assets that do not comply, but the board does not plan to complete its asset replacement project until 31 December 2022.	Any assets that do not meet relevant legislation will not be suitable for use and require disposal or impairment.	An assessment should be carried out over all compressors to confirm which require replacement and plans put in place to ensure that the necessary assets required to continue client services are in place by the end of February 2022
2	Fixed asset useful lives are not reviewed annually as required by financial reporting standards	The depreciation charge and closing balance of fixed assets could be misstated.	Management should formalise the annual review of the useful lives of the fixed assets and document the rationale and conclusions reached.
3	The residual values assigned to the generators are set as nil despite evidence that these have had a residual value in recent years.	The incorrect recognition of a residual value will result in depreciation charges being overstated and the carrying value of assets being incorrect.	Any potential estimated residual values of assets should be included on initial recording in the ledger and should be regularly reviewed to ensure remain pertinent.

	<i>Weakness</i>	<i>Implication</i>	<i>Recommendation</i>
4	There is a delay in processing fixed asset disposal forms in the general ledger.	Disposals could be recorded late resulting in overstatement of fixed assets.	Disposal forms should be processed in a timely manner in the month of disposal.
5	Certain compressors have not been physically verified during the current period.	Fixed assets could have been misappropriated or damaged resulting in the fixed asset balance being overstated.	Physical verification of compressors should be carried out on a quarterly basis in line with company policy ensuring that all assets are covered at least once over a 12 month period.
6	There are older assets in the register which are not tagged with serial numbers and there have been issues tracking assets in the last 12 months with duplicates sent in error.	Failure to appropriately track assets and sending of additional compressors to clients may impact the availability of assets for any new customers. It may also increase the risk of misappropriation of compressors which cannot be traced.	The fixed asset register should be updated to capture the serial numbers or other asset reference number to ensure these are easily identifiable and trackable.
7	The asset utilisation report is not regularly used to identify excess capacity in the fleet and the market has seen a reduction in demand for its high value custom compressors.	If there is insufficient demand for high value compressors or other compressors in use then this may be potential indicator of impairment.	The asset utilisation report should be generated and reviewed on a quarterly basis with any low utilised assets utilisation should reviewed for evidence of impairment.

	<i>Weakness</i>	<i>Implication</i>	<i>Recommendation</i>
8	The fixed asset register is only reconciled twice a year to the ledger balance.	Any errors between the ledger and fixed asset register will not be picked up in a timely manner and impact the accuracy of any financial information generated for reporting.	The fixed asset register should be reconciled on a monthly basis to the ledger with any differences investigated and resolved in a timely manner.
9	Changes to fixed asset master file data are not reviewed at point of input and only subject to sample check every six months.	Inappropriate changes to master data could go on undetected resulting in errors in the ledger.	The master file data form prepared by Jamie should be subject to approval by the Finance Manager before processing of any changes and a monthly report of changes processed generated and reviewed.

QUESTION 4 (21 marks) – Nibbles

Requirement 1 – Explain, with examples of relevant opinions, the two types of assurance engagement that could be undertaken for the proposed Nibbles engagement, concluding which would be the most suitable.

Reasonable assurance

This would be an engagement where we would reduce the risk to an acceptably low level in order to give reasonable assurance over whether the controls put in place by Nibbles are functioning correctly and achieving their required outcome as requested by SEPA.

The opinion would be a positive one. For example, ‘in our opinion, based on work carried out, the controls surrounding compliance with SEPA regulations at Nibbles are functioning correctly in all material aspects.’

As a positive opinion is given we would need to perform detailed testing over the controls to be able to reach a conclusion which is likely to be costly.

Limited assurance

This type of engagement provides more limited assurance to Nibbles as we would reduce the risk to an acceptable level, but offer a lower level of assurance than a reasonable assurance engagement.

The opinion would be a negative one. For example, ‘based on the specific and agreed procedures set out in this report nothing has come to our attention that causes us to believe that the controls surrounding compliance with SEPA regulations are not functioning correctly in all material aspects.’

We would carry out specific procedures over the controls, but the nature of the testing would be less extensive than under reasonable assurance and therefore less costly.

Conclusion

The directors of Nibbles have asked for an opinion, to ensure controls are “functioning correctly and achieving the required outcome”. Given the high level of assurance that the directors require in order to assist with business planning and risk mitigation it would point to a positive opinion being required. The board has also agreed a flexible amount in their annual budget so there are no apparent cost restrictions and therefore a reasonable assurance engagement would be suitable.

Requirement 2(a) and (b) – Evaluate the acceptance risks to your firm from accepting this assurance engagement. Recommend suitable actions or safeguards to put in place to mitigate the risks identified.

Requirement 2(a)		Requirement 2(b)
Fact	Evaluation	Actions to mitigate risk
<p><i>Head of internal audit</i></p> <p>The head of internal audit is due to go on extended paternity leave and internal audit has been key in the documentation and implementation of the SEPA plan.</p>	<p>The absence of the Head of Internal Audit could pose a threat to the availability of the necessary evidence required to evaluate the SEPA action plan impacting ability to complete the engagement.</p>	<p>Obtain assurance from the board of directors that all necessary documentation and personnel will be available to assist with the work required.</p> <p>Or</p> <p>Ensure a meeting is arranged with the Head of Internal Audit prior to their leave in order to obtain reassurance as to the availability of relevant data/documents from an alternative responsible person.</p>
<p><i>Expertise</i></p> <p>Although we are proposing to engage an expert to aid with assessing pollution levels there are concerns that the team may not understand the technical language used by the expert.</p>	<p>A lack of understanding of the language used by the expert may impact the ability of the team to evaluate the results of their work and whether it is suitable to place reliance on when forming an opinion over Nibbles corrective action plan..</p>	<p>The firm should engage an external resource to provide additional training to the engagement team to develop their understanding and awareness of the subject matter and relevant terminology used.</p>

<p><i>Exposure to reputational damage</i></p> <p>Nibbles management are planning to highlight the firm's assurance report in a TV documentary regarding pollution damage.</p>	<p>There is a risk the firm could incur reputational damage if future incidents were to occur due to the increased exposure arising from the TV documentary..</p>	<p>The firm should discuss plans to highlight the assurance report in the documentary with management to ensure that any such disclosure is appropriate and not detrimental to the firm's reputation.</p>
<p><i>Management integrity</i></p> <p>Prior dealings with the Board suggest that some management lack knowledge of the long term strategy of Nibbles and there are disagreements over business goals and actions to remedy deficiencies in controls.</p>	<p>Such disagreements and lack of knowledge may make it difficult for the team to gather the required evidence and information on the controls being considered in Nibbles' action plan.</p>	<p>Consider the integrity of management, and the availability of other evidence on the controls compliance if management cannot be relied upon.</p>

Requirement 2(a)

Requirement 2(b)

Requirement 3 – Evaluate the proposed external expert to confirm whether it is likely that reliance can be placed on their work and identify any further evidence required in order to form a conclusion.

Evaluation of the Expert

We will need to evaluate the competence, capabilities and objectivity of the expert Dr Joe Trout.

Competence and capability

Dr Joe Trout appears to be competent as he has a doctorate and a degree in marine science , however it is unclear how far this competence extends in relation to SEPA and their requirements over pollution levels .

We have also been unable to confirm the nature of his role due to lack of understanding of the technical language used.

We do not have any information available to assess any relevant experience of monitoring pollution levels and therefore there is a risk that he might not be capable of appropriately assessing whether they are in compliance with SEPA regulations.

We would need to clarify the nature of Dr Trout's role and responsibilities and whether he has appropriate knowledge regarding pollution levels to make him suitably qualified in assessing this work.

We would also need to investigate whether he has been involved in similar assessments in the past and relevant experience in this field.

Objectivity

Dr Trout has family members who live nearby and work at Nibbles production facility which may present a threat to his objectivity.

We will need to clarify the role and position of the family members to ensure that they do not have any involvement over the subject matter being assessed.

Marking Schedule Assurance Data August 2021 Question 1 – Chestnut Foodstuffs Ltd	Candidate No.	
	Batch No.	
	Marker No.	

	Marks available	Marker marks	Marks awarded
Requirement 1 – substantive analytical review			
Culinary powders			
Speciality flours			
Taste masking			
Yeast extracts			
Enzymes			
Chestnut USA			
Summary and conclusion			
Other			
Restricted to (12 marks available)	10		
Requirement 2(a) – analyse reasons for variances			
Culinary powders			
Speciality flours			
Taste masking			
Yeast extracts			
Enzymes			
Other			
Restricted to (10 marks available)	9		
Requirement 2(b) – recommend further procedures			
Culinary powders			
Speciality flours			
Taste masking			
Yeast extracts			
Enzymes			
Other			
Restricted to (10½ marks available)	10		
Requirement 3 – accuracy, validity and completeness of data			
Data extracted from ledger			
Vital Vitamins Ltd			
Sel de Dieppe S.A.R.L			
Wholegrain Ltd			
Conclusion			
Other			
Restricted to (11½ marks available)	11		
Total marks awarded	40		

Marking Schedule Assurance & Data August 2021 Question 2 – Automobile Creative Finance Ltd and TopTea Associates Ltd	Candidate No.	
	Batch No.	
	Marker No.	

	Marks available	Marker marks	Marks awarded
Requirement 1 – evaluate relevancy of KPI and recommend appropriate actions			
Improving the customer application process			
Reduce defaulting loans			
Increase profitability			
Improve staff turnover			
Other			
Restricted to (11½ marks available)	10		
Requirement 2 – Evaluate data gathered and data capture methods and recommend appropriate actions			
Customer numbers per region			
Fuel costs per journey			
Gains / Losses			
Expense claims per month			
Other			
Restricted to (9 marks available)	8		
Total mark awarded	18		

Marking Schedule	Candidate No.	
Assurance & Data	Batch No.	
August 2021	Marker No.	
Question 3 – Compressed Air Specialists Ltd		

	Marks available	Marker marks	Marks awarded
Requirement 1 – weakness/implication/recommended improvements fixed asset management system			
Modification /replacement of assets to meet changes in UK legislation			
Review of fixed asset useful lives			
No change to residual values			
Delay in processing fixed asset disposal forms			
Physical verification of compressors			
Not all assets tagged with serial numbers			
Usage of asset utilisation report			
Reconciliation of fixed asset register			
Review of changes to fixed asset master file data			
Other			
Restricted to (22½ marks available)	21		

Marking Schedule	Candidate No.	
Assurance and Data	Batch No.	
Question 4 – Nibbles Snacks Ltd	Marker No.	

	Marks available	Marker marks	Marks awarded
Requirements 1 – Types of assurance engagement			
Reasonable			
Limited			
Conclusion			
Other			
Restricted to (5½ marks available)	5		
Requirement 2(a) - evaluation of acceptance risks			
Head of internal audit			
Expertise			
Exposure to reputational damage			
Management integrity			
Other			
Restricted to (6 marks available)	6		
Requirement 2(b) - Recommended suitable actions or safeguards			
Head of internal audit			
Expertise			
Exposure to reputational damage			
Management integrity			
Restricted to (4 marks available)	4		
Requirement 3 – Evaluation of proposed external expert			
Evaluation			
Competence and capability			
Objectivity			
Other			
Restricted to (6½ marks available)	6		
Total mark awarded	21		