

## TEST OF PROFESSIONAL SKILLS

### Assurance and Data

Total marks: 100

Date: Thursday 1 September 2022. Time: 10:00 – 14:15

Duration: 4 hours plus 15 minutes break.

### Notes to Candidates

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

Please read each question carefully and follow the instructions fully with regards to response requirements. Candidates who do not provide their responses in the correct format may be penalised.

- You are 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.

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

**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.

**BLANK PAGE**

This page has been left blank.

## QUESTION 1 (40 marks)

It is August 2022. You are the audit manager on the audit of the financial statements of Hooper Nautical Group Ltd ('HNG') for the year ending 30 September 2022. HNG is based in Grantham, England and is a family-owned business with multiple subsidiaries in various industries. HNG has been a client of your firm for several years and you are currently working on the component audit of one of the group's subsidiaries, Fins and Stuff Ltd ('Fins').

Fins is a manufacturer and wholesaler of scuba-diving equipment. The main customers are large dive centres and the company trades internationally. Fins has a 30 September year end, in line with the parent company, and you are currently at the planning stage of this component audit.

Steven Barnes, the engagement audit partner, has provided you with the results of financial analysis (Appendix 1) carried out on the management accounts for the 10 month period ended 31 July 2022. This analysis was prepared by a member of your firm's audit data analytics team to aid the audit team in undertaking the planning analytical review of Fins.

Steven also recently held a meeting with Jennifer Fenney, the managing director of Fins, to discuss several matters arising during the year. Notes of this meeting are in Appendix 2.

Steven noted that Fins restructured its financing arrangements including renegotiating its bank loan and overdraft facilities. Following the restructure, the bank imposed a covenant for both facilities that the company must maintain an interest cover ratio of at least 3:1. The audit team has therefore identified interest expense as a material balance as part of the audit strategy. All balances covered by the analysis produced by the audit data analytics team are also considered material for the purposes of the audit.

Due to the change in financing arrangements, interest expense has been excluded from the analysis carried out by the audit data analytics team. Steven would like you, for the 10 month period to 31 July 2022, to calculate an expectation of the total interest expense of Fins and the variance, if any, against the actual interest expense per the company's management accounts.

He would also like you to evaluate the results of the audit data analytic exercise and your interest expense calculations for the purpose of the planning analytical review and further evaluate any additional audit risks identified from review of the information gathered.

Finally, Steven would like you to plan the overall audit approach to any audit risks identified.

**Required:**

1. For the 10 month period to 31 July 2022, calculate an expectation of the total interest expense of Fins and the variance, if any, against the actual interest expense per the company's management accounts. (Assume the base rate applicable during the period is 2.25%).

**(5 marks)**

2. a) Evaluate the results of the audit data analytic exercise and your calculations for requirement 1 for the purpose of the planning analytical review (note: no further expectations are required to be calculated).

**(17 marks)**

- b) Evaluate any additional audit risks identified from review of the information gathered.

**(5 marks)**

- c) Plan the overall audit approach for each audit risk identified as part of your analysis at requirements (a) and (b).

**(13 marks)**

**(40 marks)**

## **APPENDIX 1 (QUESTION 1) – Results of audit data analytic exercise for Fins**

Prepared by Amy Smith, audit data analytics manager, 5 August 2022

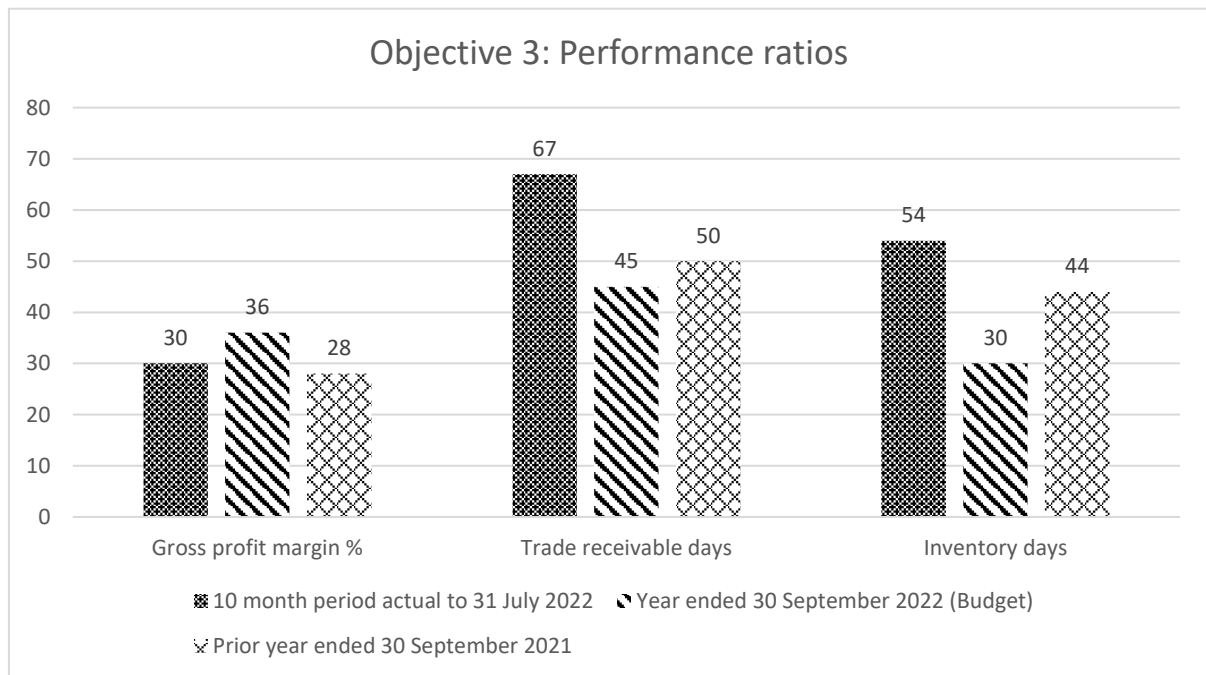
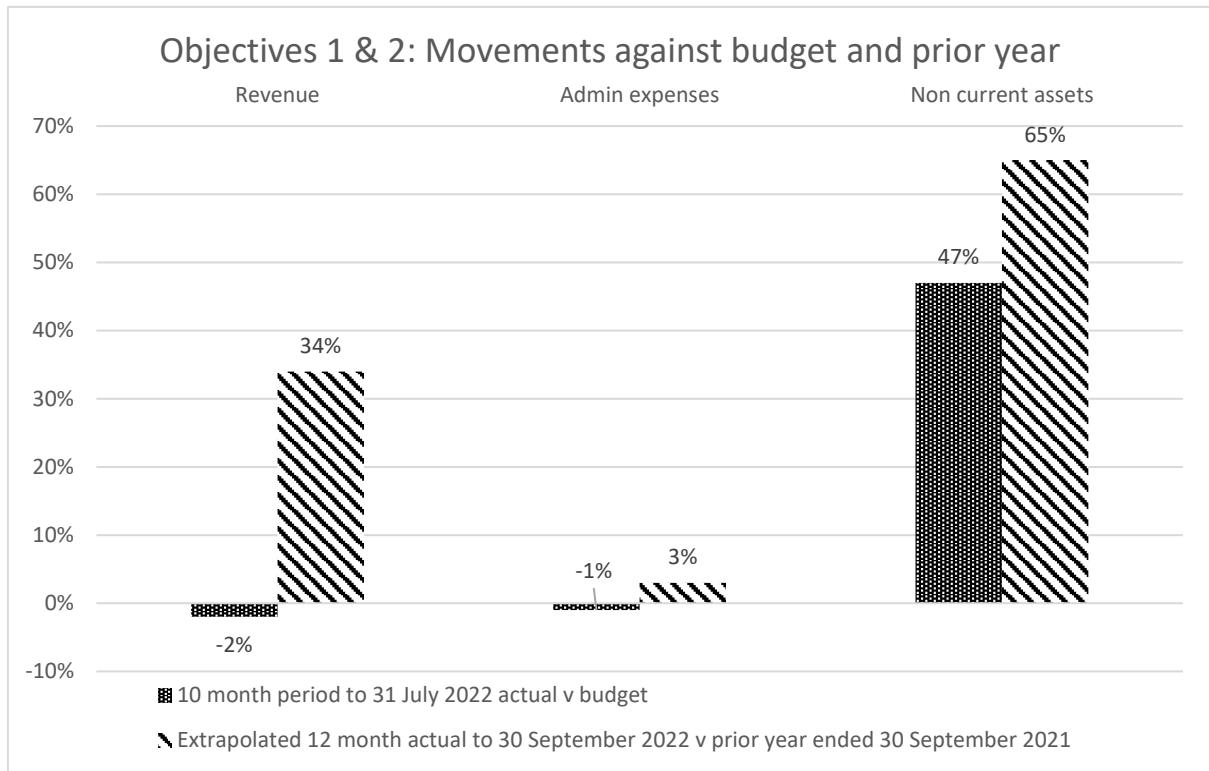
### **A. Objectives for data analytics**

- i) Calculate % movements between actual and budget performance for the 10 month period ended 31 July 2022.
- ii) Extrapolate for actual results for the 10 month period to 31 July 2022 for 12 months and calculate % movements between the extrapolated 12 month period to 30 September 2022 and the prior year ended 30 September 2021.
- iii) Calculate requested performance ratios for the 10 month period ended 31 July 2022, budget to 30 September 2022 and prior year ended 30 September 2021 (gross profit margin %, trade receivable days and inventory days).

**B. Cleansing of input data** – completed by A Smith, 5 August 2022. No issues to report.

**C. Completeness and integrity check of input data** – completed by A Smith, 5 August 2022. No issues to report.

## APPENDIX 1 (QUESTION 1) (continued)



## **APPENDIX 2 (QUESTION 1) – Minutes from the meeting between Steven Barnes and Jennifer Fenney, managing director of Fins, held on Tuesday 2 August 2022**

### **Interest expense**

The total interest expense for the 10 month period to 31 July 2022 per the management accounts was as follows:

<b>Interest expense</b>	<b>Actual 10 months to 31 July 2022</b>
Bank loan interest	£52,000
Bank overdraft interest	£8,341
Parent company loan interest	£12,000
<b>Total</b>	<b>£72,341</b>

### **Revenue and new product launch**

The sales prices for all products were increased in March 2022 to cover the sudden increase in material costs as a result of inflation in early 2022. While the company has managed to maintain steady sales during the year there have been issues with payment from scuba centres as many have failed to pay invoices within Fins' normal credit terms. This was due to temporary restrictions placed on the operation of the centres as a result of the Covid-19 pandemic reducing their cash inflow. To date three long term customers have gone into liquidation.

At the beginning of December 2021, Fins launched a new scuba breathing regulator made from carbon to give a much lighter feel to the equipment. However, initial sales have been disappointingly low since its release due to two factors.

Firstly, due to the price differential between this regulator and a standard regulator, with the carbon regulator retailing at a premium of 130% more than a standard regulator. The cost of materials for this product are much higher than those for a standard regulator, but the profit margin was forecast to be in line with current products.

Secondly, negative publicity regarding the efficiency of the new regulator and concerns regarding ineffective seals resulting in oxygen leakage. One of Fins' customers has started legal action against the company after a user of one of the new regulators was injured during a scuba trip. Fins has carried out an inspection of the product design and disputes the claim. To counteract any negative publicity, additional marketing was undertaken to help promote the product including a costly advertising campaign sponsoring a popular holiday television programme.

Spare production capacity was to be used to manufacture the product so there was no forecast for increased overhead costs because of this new product. The slow sales of the new regulator have resulted in an increase in inventory levels held by Fins.



## **APPENDIX 2 (QUESTION 1) (continued)**

### **New inventory management system**

Fins is in the process of developing a new integrated inventory management system. The project has taken longer than expected as it had to be restarted from scratch in January 2022 after it was discovered that the proposed system would not integrate appropriately with other elements of the company's systems.

The new system is expected to be fully completed by 31 January 2023. Once completed, it will be implemented by Fins using the direct implementation approach and, until that time, the existing system will continue to be used.

### **Bank lending facilities**

Fins has two lending facilities with its banking provider:

#### *Loan facility*

On 1 August 2021, Fins extended its existing loan to finance the cost of the new inventory management system, as well as funding the research for a new type of wetsuit insulation. The outstanding balance of £472,000 was consolidated within the new five-year facility with a total loan balance outstanding of £1,000,000. Interest for the new facility remains in line with the previous agreement at a fixed rate of 6.25%. The loan is due to be repaid in full by 30 September 2026.

#### *Overdraft facility*

In March 2022, the bank overdraft facility for the current account was renegotiated and agreed for the six months to 30 September 2022. The average overdraft balance has been around £175,000 throughout the 10 month period to 31 July 2022 and is expected to continue. It was noted that the agreed overdraft facility is £180,000 and the bank had initially requested to reduce this to £150,000.

The bank has agreed to maintain the facility at £180,000 until the year-end accounts are signed but has emphasised that, as the company breached its overdraft limit in February 2022, the account is being monitored carefully. Interest on the overdraft is charged at 4.75% above base rate from 1 April 2022 and was previously 2.75% above base rate.

### **Parent company loan**

Non-current liabilities includes an £800,000 unsecured loan from HNG's parent company which bears interest at 2% above base rate.

The parent company has indicated that it will continue to make these funds available to Fins for at least the next two years but has not yet provided any formal guarantee.

## **QUESTION 2 (20 marks)**

You are an internal audit manager working for PitchWave Streaming Limited ('PitchWave'). PitchWave is an on-demand music streaming service that allows users to browse through a catalogue of musical content and play on various electronic devices. The company is based in Bristol where it has a head office and a warehouse that stores its computer servers.

PitchWave has experienced exceptional growth over the past five years and is one of the top streaming companies globally. The company prides itself on having an extensive and continuously increasing catalogue of different music genres and actively seeks out new music styles to add to its catalogue to meet the changing tastes and preferences of its subscribers.

PitchWave enters into contracts with artists, which include record labels, publishers and authors, for streaming their music and content on the PitchWave platform. Royalties are paid to the artists based on how frequently music content is streamed, with the royalty rate paid depending on the individual contract terms.

As part of the internal audit plan for the year, you have been tasked with undertaking a review of the company's processes, including those relating to data management for customer subscriptions, maintenance of music catalogues and contracts and how the artists receive royalties from their music.

David Stewart, PitchWave's Head of IT, has provided you with an overview of the company's processes in relation to customer subscriptions, maintenance of music catalogues and contracts and royalty payments (Appendix 1).

### **Required:**

Prepare information, suitable for inclusion in an internal audit report, identifying any weaknesses in PitchWave's processes around customer subscriptions, music catalogues, contracts and royalty payments, analysing the implications of each weakness and recommending improvements.

**(20 marks)**

## APPENDIX 1 (QUESTION 2) – Overview of PitchWave’s processes provided by David Stewart, Head of IT

### *Subscription models*

There are two subscription models available to the company’s customers.

1. A free service supported by advertising  
Subscribers can browse through the catalogue of music and play it for free. Income is generated through advertising as this streaming service comes with advertisements between songs.
2. A premium service for which customers pay a monthly subscription  
Subscribers can access uninterrupted music for a single user account of £9.99 a month or a family package, which allows up to four users, for £19.99 a month.

David highlighted that most of PitchWave’s subscribers hold premium accounts, with around half of these being “family accounts”. Family account holders can add up to three additional members to their account, allowing each person to use the streaming service on their own devices.

Over the past six months, the data manager highlighted to David that there has been a significant jump in the overall number of songs played which has not correlated with an increase in the number of account holders, which has remained stable. Upon investigation, it was discovered that, following a software update, an unlimited number of users could be added to a family account.

### *Music catalogues*

The music catalogues are maintained by a team of five catalogue data assistants who report to a catalogue data manager. The data assistants have full access to all the music data and can add and remove songs from servers. All other staff are limited to read-only access of the music catalogue. David noted that an audit log report of changes to music data is generated automatically on a weekly basis. The data manager reviews a sample of these reports every six months.

The current servers, based at Bristol, store all of the music catalogues. David noted that the servers are almost at capacity and customers have recently been complaining about slower service and buffering during songs. An IT team member has established that the buffering is due to the servers being overloaded due to the increased volume of subscribers streaming content at the same time.

## APPENDIX 1 (QUESTION 2) (continued)

A separate server holds all subscriber data. This includes data entered on account creation such as the customer's name, account number, age, favourite genres of music and bank details for both free service and premium service customers. Once entered, this information cannot be amended, with the exception of bank details which can be amended by customers only. David mentioned that it holds information on active accounts as well as closed accounts, but the latter data is anonymised in line with Pitchwave's data retention policy.

PitchWave's board of directors are keen to carry out analysis over its subscribers' music preferences to aid one of the company's strategic objectives to target new artists to bring into the company's music catalogues and further grow the content available to subscribers. David is planning to carry out analysis over the subscribers' 'favourite genres of music' selections held within customer accounts to aid with this analysis.

PitchWave has a disaster recovery plan which includes procedures around data back-up. All music catalogue data is backed up on a weekly basis and stored offsite on a secure independent server. However due to limited storage capacity, customer data is currently not included as part of the back-up process.

### *Contracts and royalties*

Before any music is available on the platform, contracts are agreed and signed by both Pitchwave and the artist. The contract details the royalty paid per song stream, the payment timings and any relevant legal information. Once a contract has been signed the data is entered into the company's Royalty Management system ('RoyaltyManagement').

Contracts are reviewed every three to five years, depending on the artist, with the renewal date specifically mentioned in each contract. This gives each party the opportunity to renegotiate terms or terminate the contract.

The renewal date is entered into RoyaltyManagement and, once this date has passed, the system automatically suspends the artist's account to avoid payment being made if terms have changed. If the contract is renewed, the account needs to be manually reactivated.

Under the terms of the artist contracts, subscribers must have access to music at all times, unless disruption to access is caused by exceptional circumstances, and this remains in place while the contract renewal process is ongoing. In the event that the artist has notified PitchWave that the contract will not be renewed, access to the music by subscribers is suspended on the renewal date.

In line with industry practice, royalties are paid to artists quarterly. Each quarter, RoyaltyManagement generates a report of royalties due to artists. The software takes the royalty paid per song stream agreed in the contract combined with how often the song has been streamed during the quarter to calculate the royalty due. The data manager reviews and approves this report.

## **APPENDIX 1 (QUESTION 2) (continued)**

As the RoyaltyManagement software does not interface with Pitchwave's finance software, the report is sent to a finance assistant who has to manually update the purchase ledger. This can be a lengthy process and the finance assistant regularly tasks office juniors to help.

The finance manager reviews the payment run report to check for any unusual items before payments are made. However, due to time constraints, the finance manager does not agree any payments back to the original RoyaltyManagement report.

### QUESTION 3 (16 marks)

You are a data analysis consultant recently engaged by the board of trustees ('the board') of The Black Tower ('The Tower').

The Tower is a small local charity formed ten years ago to protect and run a local medieval castle which is recognised as a national monument.

The Tower's facilities include a visitor centre and restaurant. Revenue is generated from five revenue streams: visitor admission; annual membership subscriptions; guided tours of the castle; sales of food and drink from The Tower's restaurant; and from private events.

The Tower has received a lot of interest in the news following filming of a ghost hunting documentary where the producers claimed to have heard voices in the castle's famous dark dungeon.

The board has recently agreed The Tower's strategic plan for the next 12 months. Within the plan are four objectives which the trustees wish to focus on in order to increase revenue for the charity and maintain suitable cashflow. To help monitor the performance of the objectives, a key performance indicator ('KPI') has been set for each objective which will be reviewed by the board at its quarterly meetings. The objectives and associated KPIs are as follows:

Objective	KPI
1. Improve revenue for each individual revenue stream	Monthly revenue movement for each of the five revenue streams
2. Increase number of visitors each month	Total number of visitors per month
3. Improve customer satisfaction month on month	Customer satisfaction on scale of one to five stars
4. Minimum of 10% profit margin on each private function	Cost per private function compared to fixed package revenue

The board wants to ensure that the data gathered by The Tower is appropriate in order to assess the performance of the listed KPIs. Therefore, they have asked you, for each of the four KPIs, to analyse the data capture considerations, evaluate the data capture method used by The Tower and whether it is appropriate to meet the needs of the KPI and, if applicable, to recommend relevant data capture methods that would be most appropriate in order for management to assess each KPI. To assist with your analysis, further background information on the activities of The Tower and planned quarterly reporting to the board on the KPIs has been provided in Appendix 1.

**Required:**

1. Prepare information suitable for inclusion in a briefing note to the board of trustees where, for each of the identified KPIs, you:

a) Using the four areas of understanding of data capture, analyse the data capture considerations for each of the identified KPIs.

**(7 marks)**

b) Evaluate the data capture method, analysing whether the data is appropriate to meet the needs of the KPI.

**(5 marks)**

c) Recommend, where applicable, the relevant data capture methods and or data that would be most appropriate in order for management to assess each of the identified KPIs.

**(4 marks)**

**(16 marks)**

## **APPENDIX 1 (QUESTION 3) – Background to The Tower operations and planned reporting to the board**

The Tower is open from 10am to 5pm, 7 days a week. With The Tower being a significant landmark there is much local support for the charity. Locals and tourists will often pledge support to The Tower by becoming 'Friends of The Tower' and paying a yearly subscription which allows them unlimited access and a 10% discount at The Tower's restaurant.

Due to the castle having a number of antiques which are roped off from visitors for security, visitor numbers are limited each day and visitors must pre-book their tickets, including any tours online. The Tower's restaurant can only be accessed by visitors who have booked tickets. Annual subscriptions are also purchased online. The tickets are then sent to the email address used at the time of booking. This does not apply to Friends of The Tower who can pre-book or visit the castle without booking at any time after 1pm.

Each visitor to The Tower must pass through a turnstile at the front entrance to access the castle and its restaurant. Once a visitor has exited the castle through a separate gate they are unable to re-enter. At the end of each month a member of The Tower's operations team calculates the total number of visitors using the current total per the turnstile less the brought forward total from the previous month. This is verified by a colleague before emailing to The Tower's accounts manager.

Every visitor to The Tower is encouraged to complete an online customer satisfaction survey which is emailed automatically to customers following the day of their visit. The survey features five questions which the visitors rate one to five stars. The survey covers warmth of welcome, cleanliness of facilities, quality of tour guide, quality of food in restaurant and accessibility of facilities. The survey template allows customers to add additional comments in a free form box to explain any questions where they have not marked 'five stars' as their answer or add any other relevant comments.

The Tower operates an accounting software package which is integrated with the online booking system. The accounts manager has set up the accounting software to group revenue into three categories for reporting purposes: visitor admission, including annual membership subscriptions and guided tours, restaurant food and drink and private events.

The accounting software package produces a summary pdf report detailing the total revenue from each category and any increase or decrease compared to the previous month, budget and prior financial year.

The Tower offers the booking of the castle for weddings as a fixed cost package and, during the summer, there can be as many as three weddings a week. This is the only private event currently offered. The Tower's wedding planners work with local businesses to provide a full wedding service including photographer, suitable cars, catering and entertainment.



## **APPENDIX 1 (QUESTION 3) (continued)**

The Tower receives full payment of each package sold and then the local businesses invoice The Tower for all of the services they provided during each month, at the end of the month. Invoices are required to be supplied by email in a prescribed format which can be captured by the charity's accounting software package. The invoice includes the supplier name, the total number of services provided for that month and the total amount payable to the supplier by The Tower.

## QUESTION 4 (24 marks)

You are an audit senior at Miller and Associates Chartered Accountants ('Miller'). Your firm has recently been appointed as external auditor of the International Farming Equipment Supplies Group Limited ('IFES') for the year ended 31 December 2022.

IFES manufactures and distributes farming machinery and comprises of a non-trading parent and four subsidiaries based in the United Kingdom, France and the USA.

A summary of the group and its activities together with extracts from the group's forecast financial performance has been provided to you (Appendix 1) by Mark Smith, the group engagement partner. Mark has asked that you document, together with explanations, the classification and overall scope of audit work required for each of the components of the IFES group. He notes that the parent company will require a full audit, so you do not need to cover this as part of your work.

Mark has determined that the group audit team should seek to place reliance, if possible, on the group wide controls and those relating to the consolidation process as part of the group audit strategy. As part of the planning process, you have held a call with Janet Li, IFES's group financial controller to discuss the group wide controls and consolidation process (Appendix 2). Mark has asked you to design tests of control to confirm the operating effectiveness of the group wide controls and controls over the consolidation process.

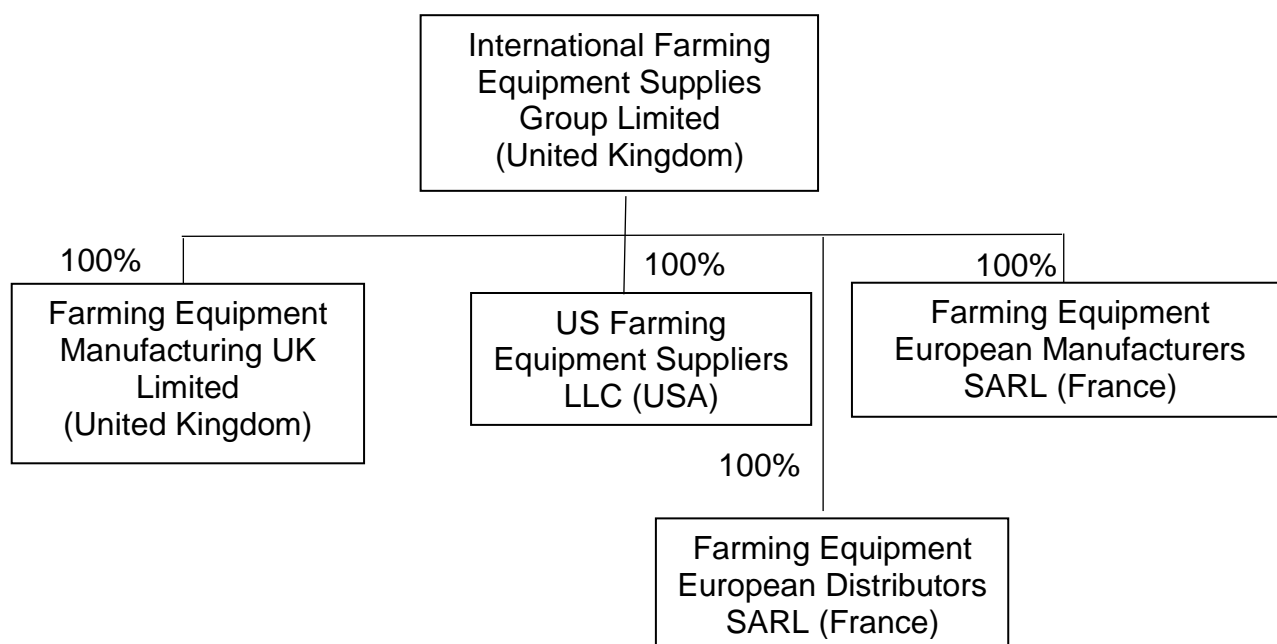
Finally, during the group audit planning meeting, Mark requested that Tony Mendoza, the audit junior, draft group instructions to be distributed to all component auditors as part of the group audit planning. You have now received Tony's working draft of the group instructions (Appendix 3) and Mark has asked you to evaluate the group audit instructions, analysing any identified deficiencies. Tony was advised to not include information on the scope of work for each component as this will be added once you have completed the work in this area. He has also yet to complete the following sections of the group instructions and, therefore, these do not need to be considered as part of your current evaluation:

- Group structure
- Related party details
- Details of the engagement and client team members
- Budget and fee allocation
- Group reporting framework
- Standard reporting packages
- Key dates for the engagement, including reporting packages

**Required:**

1. Document, together with explanations, the classification and overall scope of work required for each of the components of IFES group.  
(6 marks)
  2. Design tests of control to confirm the operating effectiveness of IFES's group controls and controls over the consolidation process.  
(12 marks)
  3. Evaluate the draft group audit instructions.  
(6 marks)
- (24 marks)

**APPENDIX 1 (QUESTION 4) – IFES group structure and extracts from forecast financial performance for the year ending 31 December 2022**



Group company	Background and activities
International Farming Equipment Supplies Group Limited ('IFES')	The parent company which operates as a holding company but does not trade. It employs a group management team and manages the group treasury function. Costs incurred by the holding company are recovered through management charges to the group subsidiaries.
Farming Equipment Manufacturing UK Limited ('FEMU')	<p>This subsidiary manufactures and sells farming machinery from its production plant in Manchester, England.</p> <p>The subsidiary also supplies farming equipment to its other group members at cost plus a margin of 5% for distribution in Europe and the USA.</p>
Farming Equipment European Distributors SARL ('FEED')	<p>This subsidiary distributes machines purchased from FEMU to customers across Europe.</p> <p>All sales and associated financial records are recorded in Euros.</p> <p>Earlier this year, the tax authorities in France initiated a transfer pricing investigation into the arrangement with FEMU. Initial indications are that there could be a historic tax liability of around 4m Euros. The group has engaged local tax lawyers to assist in this matter.</p>

## APPENDIX 1 (QUESTION 4) (CONTINUED)

Farming Equipment European Manufacturing SARL ('FEEM')	This subsidiary was incorporated in May 2022 with plans to establish a manufacturing facility in Europe in order to expand production volume and aid with faster distribution networks within the European Union.
US Farming Equipment Suppliers LLC ('UFES')	This subsidiary is based in Phoenix, Arizona in the USA and was acquired in November 2021. The acquisition included the company's offices, senior management and sales teams. It distributes farming machinery purchased from FEMU to customers in the USA. All financial transactions are recorded in US Dollars.

The components based in the UK and France are audited by the local offices of Miller. The firm does not have any offices in the USA and the board of directors of IFES has decided to retain the services of the subsidiary's previous audit firm based in Phoenix.

### ***Extracts of forecast financial performance (excluding IFES as the non-trading parent company) for the year ending 31 December 2022***

	Notes	Revenue	Profit/loss before tax
		£'000	£'000
Farming Equipment Manufacturing UK Limited		132,443	27,989
Farming Equipment European Distributors SARL		17,444	8,458
Farming Equipment European Manufacturers SARL	1	0	(950)
US Farming Equipment Suppliers LLC	2	5,799	1,340
<b>Total</b>		<b>155,686</b>	<b>36,837</b>

### **Notes**

1. The company is forecast to make a loss as a site for the manufacturing plant is still to be secured and costs to date relate to legal and architect costs.
2. The company was acquired from a third party in November 2021 with goodwill arising of £6m. A detailed due diligence was performed which has been made available to the team and does not identify any significant areas of concern with the component's operations or control environment. However, sales performance has been poorer than expected following increased competition in the USA market.

## **APPENDIX 2 (QUESTION 4) – IFES group wide controls and consolidation process**

### **Extract from telephone call notes with Janet Li, IFES group financial controller**

Janet noted there was a comprehensive group oversight process in place that supports monitoring of group financial performance and reliability of group financial reporting.

#### *Monthly management meetings*

On a monthly basis, each subsidiary management team has a performance call which Janet attends together with the group chief executive, group chief financial officer and the group internal audit manager.

The agenda typically covers a broad range of issues such as financial performance against budget, health and safety, staff matters and market outlook. A formal standing agenda is emailed in advance of the meeting together with an information pack. There are no formal minutes retained for the meetings.

#### *Group internal audit team*

The group internal audit team has an annual internal audit plan which includes an annual review of the operating effectiveness of the control environment at each subsidiary entity as well as specific individual reviews of financial processes and controls at each subsidiary that are conducted over the three-year internal audit plan period.

#### *Group consolidation processes*

On the 15<sup>th</sup> of each month, the group financial accountant, Amir Jones, sends out an email with an attached standard reporting pack to the subsidiary financial controllers outlining the expectations for the month-end group reporting and timetable. This email also sets out any key issues or judgments that are expected to impact the subsidiary.

Each subsidiary submits the monthly standard reporting pack to Amir. The reporting pack is accompanied by a checklist that is signed by the subsidiary's financial controller and general manager. The checklist confirms that the financial controller and general manager are satisfied that the financial reporting pack agrees to the underlying financial records and sub-ledgers and that they have undertaken a review to ensure correct presentation in line with local accounting reporting standards. All subsidiaries, with the exception of US Farming Equipment Suppliers LLC, report under IFRS.

The reporting package is prepared in the local functional currency for each subsidiary. Amir obtains exchange rates for the month from a reputable third-party source and obtains email approval from Janet that these latest exchange rates can be used in the consolidation file. The standard financial reporting packs are populated into an Excel based consolidation spreadsheet using macros and the currency conversions to £ sterling are calculated automatically.

## APPENDIX 2 (QUESTION 4) (continued)

With regards to the US subsidiary, Amir has to perform additional procedures to convert the information from US GAAP to IFRS. He performs this using an accounting policy alignment checklist with supporting calculations in an Excel spreadsheet which he sends to Janet for discussion and approval.

Amir compiles a number of general consolidation adjustments which include elimination of intercompany sales. Once completed, the summary consolidated financial statements for the period to date are created by Amir and subject to review and approval by Janet.

### *Year-end consolidation*

At the year-end Amir extracts the data from the consolidation spreadsheet to prepare the full year financial statements. There are a number of judgemental matters that impact the year-end consolidated accounts including assessment of goodwill impairment. Amir compiles a detailed assessment of any judgemental matters for submission to the CFO along with the draft consolidated financial statements. These are reviewed and approved by the CFO, together with the draft consolidated financial statements, with any queries investigated by Amir before being released with the draft financial statements to other senior management team members for consideration.

### APPENDIX 3 (QUESTION 4) – Draft IFES group audit instructions

Subject: International Farming Equipment Supplies Group Limited ('IFES') audit instructions  
- draft August 2022

#### Engagement scope

These instructions are in connection with the IFES group audit. Miller and Associates Chartered Accountants has been appointed as the group auditor for the year ending 31 December 2022 and is writing to you in your capacity as an auditor of a component of IFES.

#### Planned procedures

Our audit approach is expected to be the same as last year. There are no significant changes in the control environment, so we expect a group wide controls-based audit.

#### Materiality

Group materiality has been set at £5.5m with a trivial threshold of £275,000 (5%), determined based on forecast profit before tax for the year ending 31 December 2022. Component audit teams should determine materiality for their components on a similar basis.

#### Reporting timetable

The following reporting documents to the group team are due on following dates:

Reporting document	Due date
Acknowledgement of receipt of group audit instructions	On receipt of instructions
Confirmation of component auditor independence, experience, competence, skills and resources and professional body	15 January 2023
Component auditor planning memorandum	15 January 2023
Component auditor summary memorandum	28 February 2023
Component schedule of uncorrected audit adjustments	28 February 2023

#### Our planned involvement in your work

As part of our group audit oversight, we plan to be involved in your audit in one of the following ways: -

- Taking part in local component planning meetings
- Taking part in local component audit close meetings

We will notify you of our planned involvement in separate communication. If any of the matters noted above cause issues for you in terms of your local data protection regulations, please let us know as soon as possible.

————— End of Paper —————





---

## TEST OF PROFESSIONAL SKILLS

August 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 30 November 2021.

**QUESTION 1 (40 marks) – Fins and Stuff Ltd****Requirement 1 – Calculation of expected interest charges**

Interest charges	Calculation	Expected result
Bank Loan	$\text{£1m} \times 6.25\% \times 10/12$	£52,083
Bank overdraft	$\text{£175k} \times 5\% \times 6/12$ £4,375 $\text{£175k} \times 7\% \times 4/12$ £4,083	£8,458
Shareholder Loan	$\text{£800k} \times 4.25\% \times 10/12$	£28,333
<b>Total expected finance costs</b>		£88,874
<b>Total per management accounts</b>		£72,341
<b>Difference</b>		£16,533

## **Requirements 2 (a) / (c) – Evaluation of the results of the analytical review and plan overall audit approach for each audit risk identified**

### **Revenue**

Actual revenue is 2% lower than budget but the forecast to 30 September 2022 is 34% higher than the prior year.

This increase, compared to the prior year, is likely to be due to the launch of the new breathing regulator which retails at a higher premium price than its other products and an increase in sales prices for the other products. However, sales for the new regulator have been lower than expected and the performance only marginally below budget appears unusual. There is a risk that revenue has been overstated in the year.

#### *Audit approach*

Increased testing should be carried out over revenue including increased sample sizes and cut-off testing.

Review a breakdown of product sales against budget to confirm actual sales performance of the new regulator in comparison to budget.

### **Gross profit**

Actual gross profit margin has increased to 30% compared to the prior year of 28% but is below budget of 36%.

The new breathing regulator launched during the year was forecast to have a similar profit margin to other products and therefore the decrease against budget appears unusual. The price increases for the product lines are also expected to have been offset by the increase in material costs. There is a risk that cost of sales is understated or that revenue is overstated.

#### *Audit approach*

Inspect documentary evidence including sales and purchase invoices to confirm any changes in sales prices and supplier costs during the year.

### **Administration expenses**

Forecast administration expenses are 1% lower than budget but 3% higher than the prior year. Although largely in line with the budget, this appears unusual given the increased marketing activity undertaken to counter the negative publicity received for the new product. There is a risk that administration expenses have been understated.

#### *Audit approach*

Analytically review administration expenses on a line-by-line basis comparing to both budget and prior year and investigate any unusual movements.

Obtain a breakdown of marketing expenses to confirm the inclusion of the additional marketing costs incurred.

## **Interest expense**

Our expectation of total interest expense is higher than the total interest charges per the management accounts.

The variance is mainly the result of the shareholder loan interest which is lower than expectation and may indicate that shareholder loan interest charges are understated.

However, as the bank has imposed a new covenant on the company following restructure of its loan and bank facilities, there is a risk that this has been fraudulently misstated.

### *Audit approach*

- Increase the level of professional scepticism within the audit team
- Increase the level of experience within the engagement team
- Increase unpredictability in audit testing
- Consider the appropriateness of accounting policies and whether any bias exists

## **Non-current assets**

Actual non-current assets are 47% higher than budget and 65% higher than the prior year. This is likely to be, in part, related to the expenditure on the new integrated inventory management system.

However, it is noted that the project was required to be restarted in January and therefore it is likely that an element of cost incurred to date is required to be written off. Therefore there is a risk that non-current assets may be overstated.

### *Audit approach*

Review a breakdown of capitalised costs in relation to the new inventory management system confirming any costs relating to the development of the initial system have been written off.

Discuss the stage of development with management to ensure it meets the criteria for capitalisation under the accounting standards.

## **Trade receivables**

Trade receivables days have increased to 67 days compared to budget of 45 days and prior year of 50 days.

The high trade receivables days may be in part due to customers taking longer to pay due to a decrease in their cashflow following Covid-19 restrictions and some customers going into liquidation. There is a risk that trade receivables may be overstated if balances are not deemed to be recoverable.

#### *Audit approach*

Enquire with management over the status of discussions with customers who have exceeded their credit terms.

Inspect post year-end cash receipts and customer correspondence to quantify the value of any debt which may not be recoverable and ensure an appropriate provision exists.

#### **Inventory**

Inventory days have increased to 54 days compared to budget of 30 days and prior year of 44 days.

This is likely due to Fins building up inventory of the new regulators where sales have been below expected performance as a result of the price increases and a claim that the product is defective. There is a risk that this product may not be sellable, requiring provision, and inventory is therefore overstated.

#### *Audit approach*

Review management procedures over identifying and providing for slow moving inventory.

Inspect the results of management's investigation into the product defect claims confirming that there is no evidence of defect that would suggest that the new regulator is not fit for use.

#### **Requirement 2(b) – Additional audit risks**

##### **Going concern**

The company has increased its level of debt funding during the year and the bank has only extended its overdraft facility to the end of the current financial year following a breach of the facility earlier in the year. The company is also experiencing problems with payment of its trade receivables due to cash flow issues by its customers and HNG's parent company has not provided formal support that it will continue to provide financial support for the next two years.

There is a risk that Fins may not be a going concern if the overdraft facility is not renewed.

#### *Audit approach*

- Confirm with management that they have considered the impact of these matters in their assessment of going concern.
- Review management's assessment method and any underlying data and assumptions e.g. cash flow forecasts produced by management and consider whether the assumptions and underlying data on which they are based are reasonable (particularly in terms of the timings of cash received from customers).
- Review any correspondence with the bank regarding confirmation of future funding and any terms or conditions attached to the overdraft funding.
- Request written representations from management regarding their future plans.

#### **Disclosure of loan**

The parent company has provided an unsecured loan for the next two years but no formal guarantee has yet been provided.

There is a risk that this may require to be classified as a current liability if no guarantee is received and the liability incorrectly disclosed in the financial statements.

#### *Audit approach*

Review the loan agreement and confirm whether formal agreement has been obtained that the loan facility will be provided for a minimum period of 2 years.

#### **Legal action**

One of Fins' customers is currently taking legal action following claims that its products are defective.

There is a risk that an appropriate provision or contingent liability for this claim has not been recognised within the financial statements.

#### *Audit approach*

Inspect correspondence with Fins' lawyer to confirm the value of the legal claim and the likelihood of it being successful.

## QUESTION 2 (20 marks) – PitchWave Streaming Ltd

Weakness	Implication	Recommendation
Following a software update, an unlimited number of users can be added to a family account when it should be capped at four.	The company may lose potential revenue as new users might attach themselves to an existing family account to avoid paying subscriptions.	The software issue should be rectified immediately and any accounts with more than four users suspended until investigated.
A sample of audit log reports are only reviewed by the data manager every six months.	Songs could be removed from the catalogue in error and not identified in a timely manner. Removing music may result in a breach of artist contracts which may then incur penalties or compensation.	The data manager should review the audit log reports on a weekly basis to ensure that any removal of songs is appropriate and any issues are resolved in a timely manner.
The servers are almost at capacity, but PitchWave continues to increase its music catalogue.	In the event the server capacity is not increased then PitchWave will not be able to add further music to its catalogues impacting the ability of the company to meet its strategic objectives.	The existing capacity of the servers should be expanded.
Servers are currently overloaded causing subscribers to experience buffering which disrupts the listening experience.	If the service is not reliable and customers are experiencing issues whilst listening to content, they will look for refunds or stop their monthly subscription with PitchWave. This will adversely affect the revenue generated from customers.	Expand capacity of servers or install new servers to ensure that the number of current customers (and future growth) can use the service appropriately without issues arising.

The database holds bank details for free service subscribers.	Data must be relevant to the needs of the business and the bank details for free service subscribers would not be classed as relevant for PitchWave's purposes.	Data cleansing should be performed to remove the irrelevant data and subscribers only asked for bank information when they sign up to the premium subscription service.
David is planning on carrying out analysis of subscribers' 'favourite genre of music' to help the board inform its strategic decisions. However, this data is entered when subscribers first set up their account and cannot be amended.	Tastes in music may change among subscribers after first setting up their account and therefore the information held may not be relevant or appropriate for management to place reliance on.	Subscribers should have the ability to amend their account information to update their music preferences.  Management should also consider analysing volumes of streams by different music types in order to inform their strategic decisions.
Customer data is not backed up under the disaster recovery plan.	Not backing up customer data and omitting from the DRP may result in inability to continue operations in the event of a disaster.	Customer data should be backed up weekly alongside other data and stored in the secure offsite facility.
The RoyaltyManagement system automatically suspends accounts once the contract renewal date has passed.  However, music is available to subscribers for any contracts undergoing renewal negotiations which may take up to three months.	There is a risk that royalty payments due to artists during the renewal period are missed resulting in a breach of contract with artists.	Accounts should not be suspended at point of renewal and should only be restricted once it has been confirmed that the renewal will not take place with royalty payments continuing in the interim period.



<p>The RoyaltyManagement software does not interface with the finance software and therefore the payments due are manually entered into the purchase ledger.</p> <p>Finance manager does not reconcile royalty payments in the payment run report to the RoyaltyManagement report.</p>	<p>Any errors between the payment run report and the RoyaltyManagement report will not be picked up and could result in artists receiving incorrect royalties.</p>	<p>The finance manager should reconcile royalty payments to the RoyaltyManagement report before processing.</p>

### QUESTION 3 (16 marks) – The Black Tower

#### 1. Monthly revenue movement for each of the five revenue streams

##### (a) Data capture considerations

Form	A pdf report detailing revenue from three category areas
Source	Accounting software which is integrated with online booking system
Depth	High level as details total revenue from three categories rather than breakdown of individual transactions
Quantity	Monthly reports available to be analysed

(b) Evaluation – The data gathered for this KPI is not appropriate as the monthly reports group revenue into three categories rather than the actual five streams required for analysis. This, therefore, does not allow the KPI to be reported correctly as income for admissions, subscriptions and guided tours is collated together and the board cannot consider each income stream individually.

(c) Recommendation – The accounting package should be updated to separate out income for all five revenue streams and the changes reflected in the pdf report.

#### 2. Total number of visitors per month

##### (a) Data capture considerations

Form	Calculated number of visitors for month
Source	Manual calculation by operations team using turnstile records
Depth	High level as contains total number of visitors only
Quantity	Monthly calculations available for consideration by board

(b) Evaluation – In its current form the data capture method is likely to be appropriate as it provides the total number of visitors per month in line with the KPI.

(c) Recommendation – No changes are required to this data capture.

#### 3. Customer satisfaction on scale of one to five stars

(a) Data capture considerations

Form	Customers completing a survey emailed to them is online data which will be in a selected number format with the ability to add additional detail
Source	Direct from customers completing the survey
Depth	Detailed as customers answer pre-populated questions but also have ability to add further detail to provide rationale for their answers
Quantity	Varies depending on the number of customers answering the survey but is restricted to those visitors who have pre-booked tickets

(b) Evaluation – The data gathered for this KPI is appropriate as the survey results will determine levels of satisfaction in five areas likely to be of use to the board considering customer satisfaction as well as providing specific feedback for lower scoring areas. If one area is performing poorly, this could be a focus for the charity going forward.

However, as Friends of The Tower may visit the Tower after 1pm without booking, there is a risk that not all visitors are given the opportunity to complete the survey.

(c) Recommendation – Surveys should also be sent to Friends of The Tower on a periodic basis to ensure all visitors have an opportunity to submit feedback.

#### 4. Cost per private function

(a) Data capture considerations

Form	Invoices are received in a prescribed format
Source	Prescribed invoices received through email from suppliers
Depth	High level with key useful information being the financial information
Quantity	Monthly invoices received

(b) Evaluation – The data gathered for this KPI is not appropriate as the invoices do not currently provide the individual costs for each function. Therefore, it is not possible for the overall costs per each function held at the Tower to be compared against the fixed package costs and the margin assessed.

(c) Recommendation – The invoices received from each supplier should be itemised with details of the relevant function that each item relates to. The accounts team should then use the accounting package to calculate the total cost of each individual function for comparison against the fixed package revenue.

**QUESTION 4 (24 marks) – International Farming Equipment Supplies Group Limited**

**Requirement 1 – Document, together with explanations, the classification and overall scope of work required for each of the components IFES group**

<b>Component</b>	<b>Classification</b>	<b>Reason for classification</b>	<b>Scope of work</b>
Farming Equipment Manufacturing UK Limited	Significant	The component is financially significant to the group generating 85% of group revenue.	Full scope audit to component materiality.
Farming Equipment European Distributors SARL	Significant	The company is individually financially less significant. However there is a potential risk of material misstatement around provisions as a result of the investigation into transfer pricing.	Audit of provisions.
Farming Equipment European Manufacturing SARL	Non-significant	The component is individually financially less significant with no significant risks.	If group wide controls are determined to be effective, can rely on group analytical review procedures.
US Farming Equipment Suppliers LLC	Significant	While the component does not appear to be financially significant there is a risk of material misstatement of goodwill recognised in the group financial statements arising from poor sales performance.	Full scope audit to component materiality.

## **Requirement 2 – Design tests of control to confirm the operating effectiveness of IFES group wide controls and controls over the consolidation process**

1. Attend and observe a monthly performance call for each subsidiary confirming attendance by the CEO, CFO, Janet and group internal audit manager and relevant discussion and action of standing agenda.
2. Inspect a copy of the standing agenda and information pack to confirm that it includes coverage of relevant information, including that related to financial performance.
3. Inspect a copy of the internal audit plan confirming that all subsidiaries are subject to review as part of the annual internal audit cycle.
4. Inspect a copy of the group reporting instructions email and standard reporting pack sent to subsidiary financial controllers in advance of month end confirming that they are appropriate and suitable for submission of financial information required for the consolidation.
5. Inspect a sample of consolidation checklists submitted by each subsidiary confirming approval by the subsidiary's financial controller and general manager.
6. Reperform a sample of foreign currency conversions calculated by the Excel consolidation spreadsheet to confirm translated correctly.
7. Inspect a copy of the email evidence from Janet approving the exchange rates used in the consolidation.
8. Compare the accounting policy alignment checklist to IFRS accounting standards to ensure it addresses the differences between US GAAP and IFRS.
9. Inspect a copy of the accounting policy alignment checklist and Excel adjustments completed by Amir and confirming evidence of sign off and review by Janet.
10. Reperform a sample of consolidation adjustments compiled by Amir to verify their completeness and accuracy.
11. Inspect a sample of monthly consolidated management accounts confirming approved by Janet.
12. Inspect the assessment of judgemental matters prepared by Amir and confirm reviewed by the CFO with any queries investigated in a timely manner prior to release to senior management team members.
13. Inspect a copy of the draft consolidated financial statements confirming approved by the CFO.

### Requirement 3 – Evaluate the draft group audit instructions

Issue	Evaluation
This is the first year that Miller and Associates Chartered Accountants has been appointed as group auditor and, therefore, the audit approach cannot be based on prior year.	The group engagement team should perform planning procedures that consider current year developments in order to develop a tailored approach to the current year group audit.
The due dates for the component auditor confirmations and the component auditor planning memorandum forms are after the year end.	These documents are important to the planning of the group audit planning and risk assessments. They also ensure the group audit team can assess the experience and competence of the component auditor in a timely manner.
Component materiality has not been communicated to the component auditors.	ISA (UK) 600 requires the group auditor to calculate and communicate a component materiality to component teams.
The planned involvement in component audit work is vague and restricts the level of involvement the group auditor is able to have in the audit of the component.	ISA (UK) 600 requires the group auditor to review the component auditor's documentation of identified significant risks of material misstatement as well as evaluate the appropriateness of any further audit procedures to be performed. The group auditor should have the ability to review parts of the component auditors documentation and, if applicable, be able to perform further audit procedures.

<b>Marking Schedule</b>  <b>Assurance and Data</b>  <b>August 2022</b>  <b>Question 1 – Fins and Stuff Ltd</b>	<b>Candidate No.</b>	
	<b>Batch No.</b>	
	<b>Marker No.</b>	

	Marks available	Marker marks	Marks awarded
<b>Requirement 1 – Calculation of expected finance costs</b>			
Bank Loan			
Bank Overdraft			
Shareholder Loan			
Total and variance			
<b>Restricted to (6 marks available)</b>	<b>5</b>		
<b>Requirement 2(a) – Evaluation of the results of the analytical review</b>			
Revenue			
Gross profit			
Administration expenses			
Interest charges			
Non-current assets			
Trade receivables			
Inventory			
<b>Restricted to (18½ marks available)</b>	<b>17</b>		
<b>Requirement 2(b) – Evaluation of additional audit risks</b>			
Going concern			
Disclosure of loan			
Legal action - provision			
Other			
<b>Restricted to (5½ marks available)</b>	<b>5</b>		
<b>Requirement 2(c) – Design the overall audit approach</b>			
Revenue			
Gross profit			
Administration expenses			
Interest charges			
Non-current assets			
Trade receivables			
Inventory			
Going concern			
Disclosure of loan			
Legal action			
Other			
<b>Restricted to (14½ marks available)</b>	<b>13</b>		
<b>Total marks awarded</b>	<b>40</b>		

<b>Marking Schedule</b>  <b>Assurance and Data</b>  <b>August 2022</b>  <b>Question 2 – PitchWave Streaming Ltd</b>	<b>Candidate No.</b>	
	<b>Batch No.</b>	
	<b>Marker No.</b>	

	Marks available	Marker marks	Marks awarded
<b>Requirement 1 – PitchWave Data Management</b>			
Unlimited users for family accounts			
Audit log reports only reviewed every six months			
Servers at capacity			
Servers overloaded causing poor experience			
Bank details held for free service subscribers			
Historical data for analysis			
Customer data not backed up			
Account suspension for contracts past renewal date			
RoyaltyManagement software does not interface with finance software			
Other			
<b>Restricted to (23 marks available)</b>	<b>20</b>		



<b>Marking Schedule</b>	<b>Candidate No.</b>	
<b>Assurance and Data</b>	<b>Batch No.</b>	
<b>August 2022</b>	<b>Marker No.</b>	
<b>Question 3 – The Black Tower</b>		

	Marks available	Marker marks	Marks awarded
<b>Requirement 1(a) – Data capture considerations</b>			
Monthly revenue movement for each of the five revenue streams			
Total number of visitors per month			
Customer satisfaction on scale of one to five stars			
Cost per private function			
<b>Restricted to (8 marks available)</b>	<b>7</b>		
<b>Requirement 1(b) – Evaluation</b>			
Monthly revenue movement for each of the five revenue streams			
Total number of visitors per month			
Customer satisfaction on scale of one to five stars			
Cost per private function			
<b>Restricted to (6 marks available)</b>	<b>5</b>		
<b>Requirement 1(c) – Recommendation</b>			
Monthly revenue movement for each of the five revenue streams			
Total number of visitors per month			
Customer satisfaction on scale of one to five stars			
Cost per private function			
<b>Restricted to (4½ marks available)</b>	<b>4</b>		
<b>Total marks awarded</b>	<b>16</b>		

<b>Marking Schedule</b>  <b>Assurance and Data</b>  <b>August 2022</b>  <b>Question 4 – International Farming Equipment Supplies Group</b>	<b>Candidate No.</b>	
	<b>Batch No.</b>	
	<b>Marker No.</b>	

	Marks available	Marker marks	Marks awarded
<b>Requirement 1 – Document, together with explanations, the classification and overall scope of work required for each of the components of IFES group</b>			
Farming Equipment Manufacturing Company Limited			
Farming Equipment European Distributors EURL			
Farming Equipment European Manufacturing EURL			
US Farming Equipment Supplier LLC			
<b>Restricted to (7 marks available)</b>	<b>6</b>		
<b>Requirement 2 – Design tests of control to confirm the operating effectiveness of IFES group controls and controls over the consolidation process</b>			
Attendance/observation of monthly performance call			
Inspection of standing agenda and information pack			
Inspection of internal audit plan			
Inspection of group reporting instructions and reporting pack			
Inspection of consolidation checklists			
Reperformance of foreign currency conversions			
Inspection approval of exchange rates			
Compare accounting policy alignment checklist			
Inspection of accounting policy alignment checklist and Excel adjustments			
Reperformance of consolidation adjustments			
Inspection monthly consolidated management accounts			
Inspection of assessment of judgemental matters			
Inspection approval draft consolidated financial statements			
Other			
<b>Restricted to (12½ marks available)</b>	<b>12</b>		
<b>Requirement 3 – Evaluate the group audit instructions</b>			
Audit approach based on prior year			
Due dates for component auditor confirmations			
Communication component materiality			
Planned involvement in component auditor work			
Other			
<b>Restricted to (7 marks available)</b>			
<b>Total marks awarded</b>	<b>24</b>		