



# Anatomy of an Audit File

# **INTERNATIONAL STANDARD ON AUDITING 230**

## **AUDIT DOCUMENTATION**

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

- A3. Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:
- Audit programs.
  - Analyses.
  - Issues memoranda.
  - Summaries of significant matters.
  - Letters of confirmation and representation.
  - Checklists.
  - Correspondence (including e-mail) concerning significant matters.

## Some characteristics of a good working paper

On the basis of the discussion above, a good working paper should meet the requirements of ISA 230 by displaying the following characteristics:

- It should state a clear audit objective, usually in terms of an audit assertion (for example, 'to ensure the completeness of trade payables').
- It should fully state the year/period end (eg 31 October 20X9), so that the working paper is not confused with documentation belonging to a different year/period.
- It should state the full extent of the test (ie how many items were tested and how this number was determined). This will enable the preparer, and any subsequent reviewers, to determine the sufficiency of the audit evidence provided by the working paper.
- Where there is necessary reference to another working paper, the full reference of that other working paper must be given. A statement that details of testing can be found on 'another working paper' is insufficient.
- The working paper should clearly and objectively state the results of the test, without bias, and based on the facts documented.
- The conclusions reached should be consistent with the results of the test and should be able to withstand independent scrutiny.
- The working paper should be clearly referenced so that it can be filed appropriately and found easily when required at a later date.
- It should be signed by the person who prepares it so that queries can be directed to the appropriate person.
- It should be signed and dated by any person who reviews it, in order to meet the quality control requirements of the review.

The reviewer of audit working papers should ensure that every paper has these characteristics. If any relevant characteristic is judged absent, then this should result in an audit review point (ie a comment by the reviewer directing the original preparer to rectify the fault on the working paper).



1.0 Setting Up



2.0 Risk Assessment



3.0 Testing



4.0 Completion



5.0 Permanent Folder

# ***Achtung!***

- At this point in time, it is highly recommended that you get in the habit of:
  - 1) Taking down notes
  - 2) Keeping track of your notes
  - 3) Reason is... *PBC list* and *Tracker*

# **PBC List (“Prepared by Client”)**

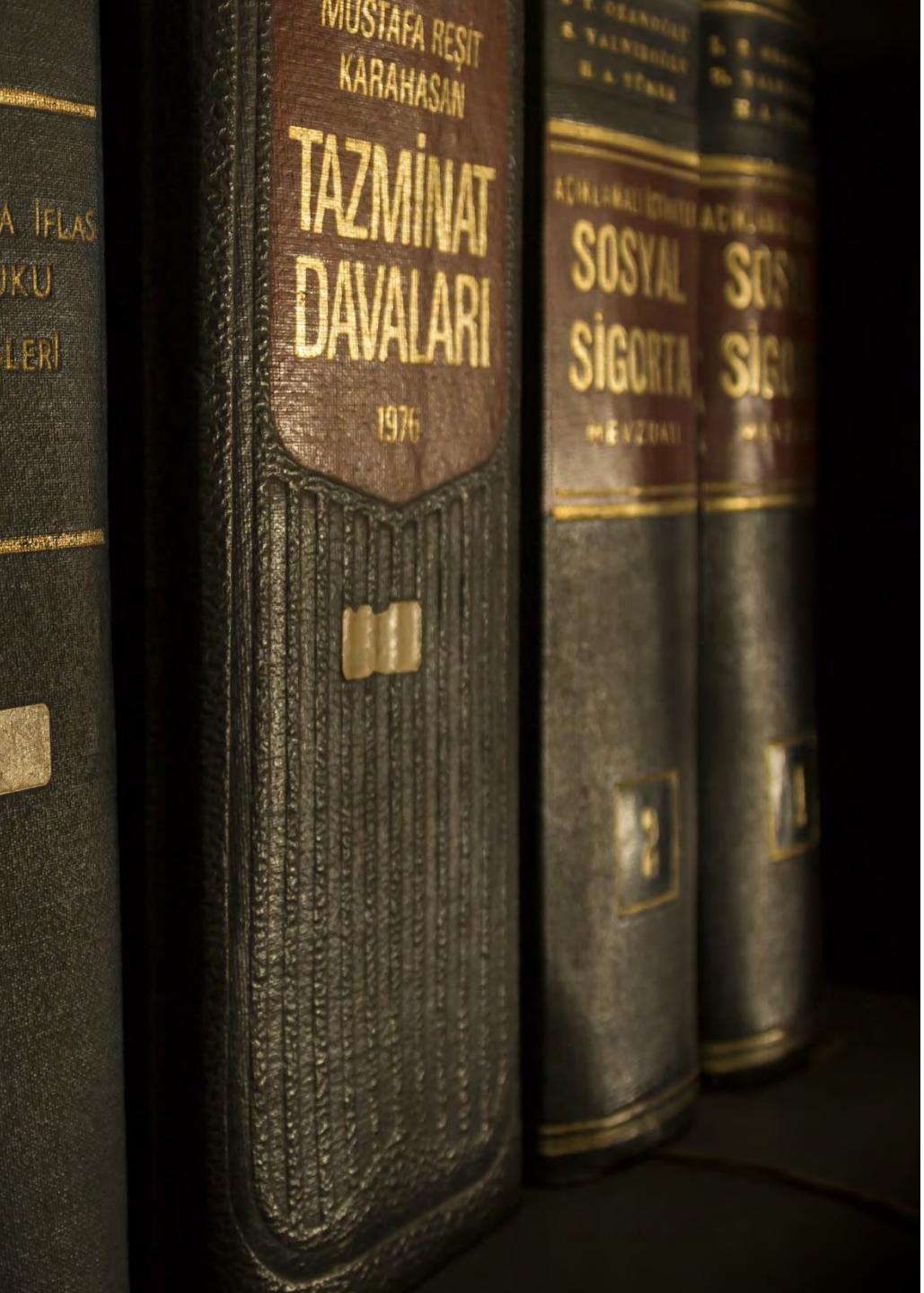
- Due to “time constraints”, many clients will request that you prepare a PBC list
- In actual fact, the PBC list is the client’s measure of ensuring you don’t just swing by every now and then to ask for documents or enquiries – which a) irritates them, and b) catches them off-guard... prompting common responses like: “Shouldn’t you know that already?” “Didn’t you ask that before?” “I think you should ask ZZZ (soccer game starts)” “I’ll get back to you soon.”
- This checklist ensures that both parties will know what is needed and whether or not it has been delivered – good for follow-up purposes. *Yeah, always follow-up!!*

# *Tracker*

- A “Tracker” is a running list of discoveries of nature such as:
  - Significant (financial statement-level) risk;
  - Audit misstatement (transactions and disclosures requiring adjustments, as simple as debit and credit);
  - Control deficiency;
  - Actual or suspected non-compliance (illegal acts or fraud);
  - Significant unusual transaction;
  - Related-party transactions;
  - Consultation and other matters (to record details of an ad-hoc interview).

# *Tracker*

- Tracker items form the basis of modification with regards to the nature, timing and extent of procedures performed.
- Items in the Tracker will be taken to a Summary of Unadjusted/-corrected Audit Misstatements (SUAM), or differences (SUD) if not resolved – which is usually the case in our simulation if we are unable to complete the audit before the final interview with the auditees to confirm and sign-off on all these adjustments.



# Headers

# **ABC & CO**

*Chartered Accountants*

SUNWAY TES SDN BHD

Audit for the period ended 31 December 2019

Materiality: RM1,000; PM: RM500

Subject: Test of Details - Revenue

Source: Sales Listing as at 31.12.2019

# **ABC & CO**

*Chartered Accountants*

A-3-03 & A-3-05

SME Technopreneur Centre 2 Cyberjaya

2260, Jalan Usahawan 1

63000 Cyberjaya, Selangor.

# **Activity**

- Design your own header, and keep it until the audit simulation.



Signing  
Off

Ref No.	
Reviewed by:	
Date:	
Prepared by:	
Date:	

# **AUDITOR'S COPY / CLIENT'S COPY**

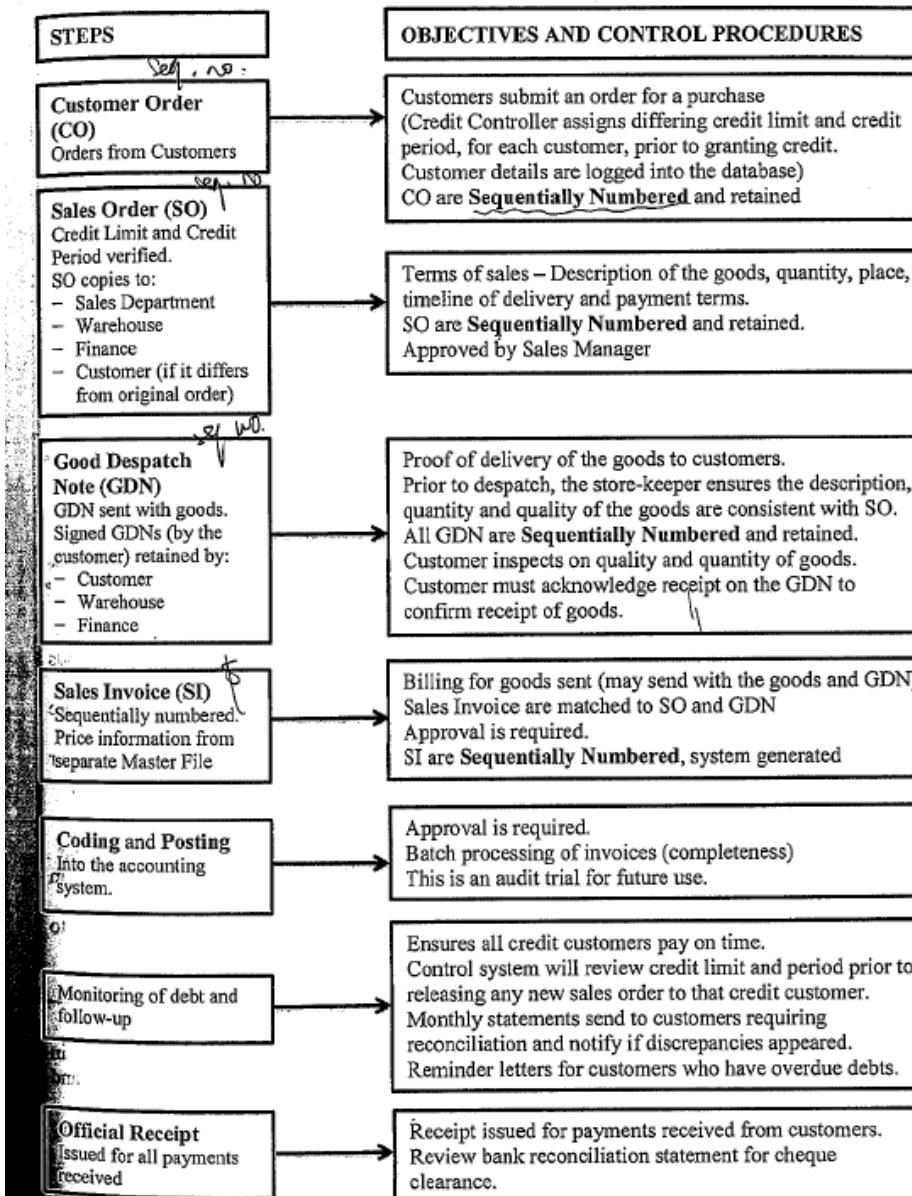
Ref No.	<b>1.1.001</b>
Reviewed by:	JANE DOES
Date:	26/12/2018
Prepared by:	JOHN DONE
Date:	23/12/2018

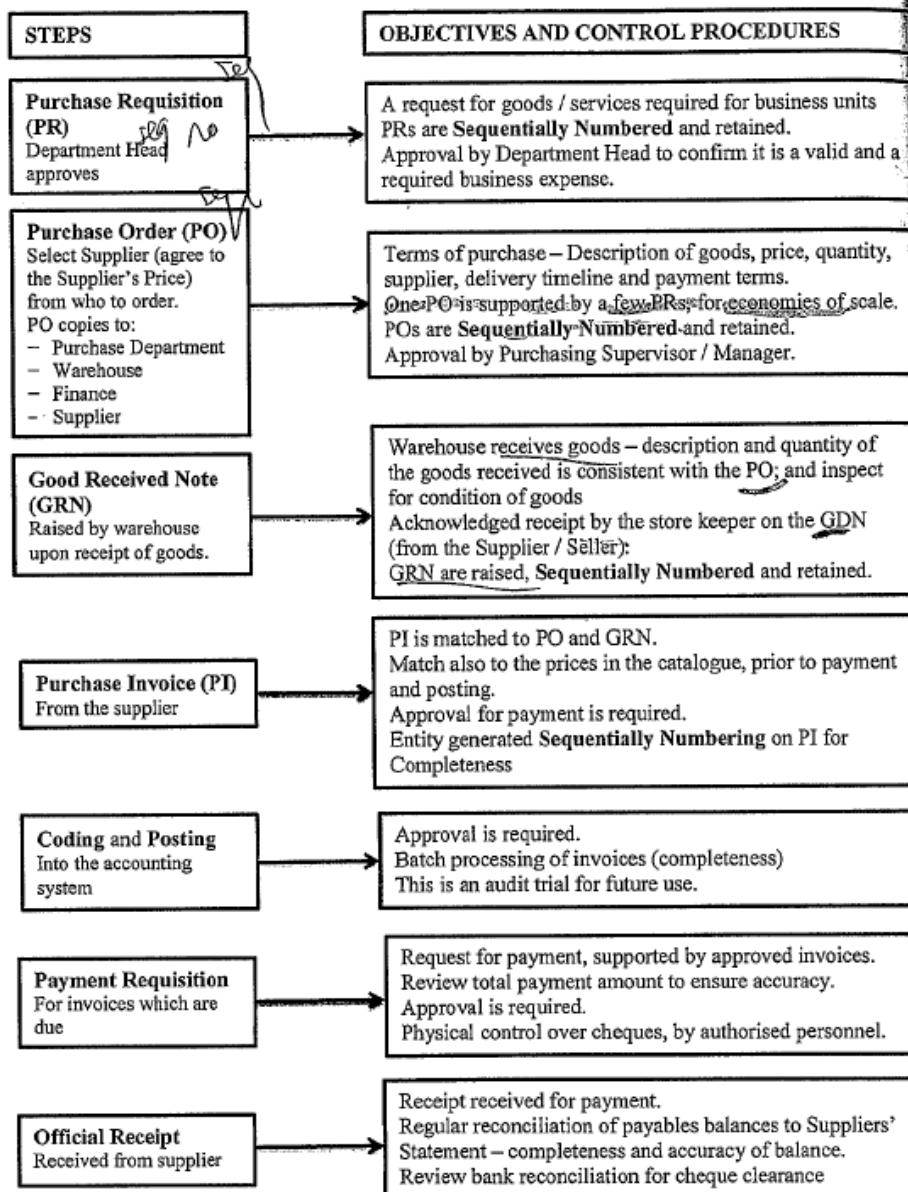


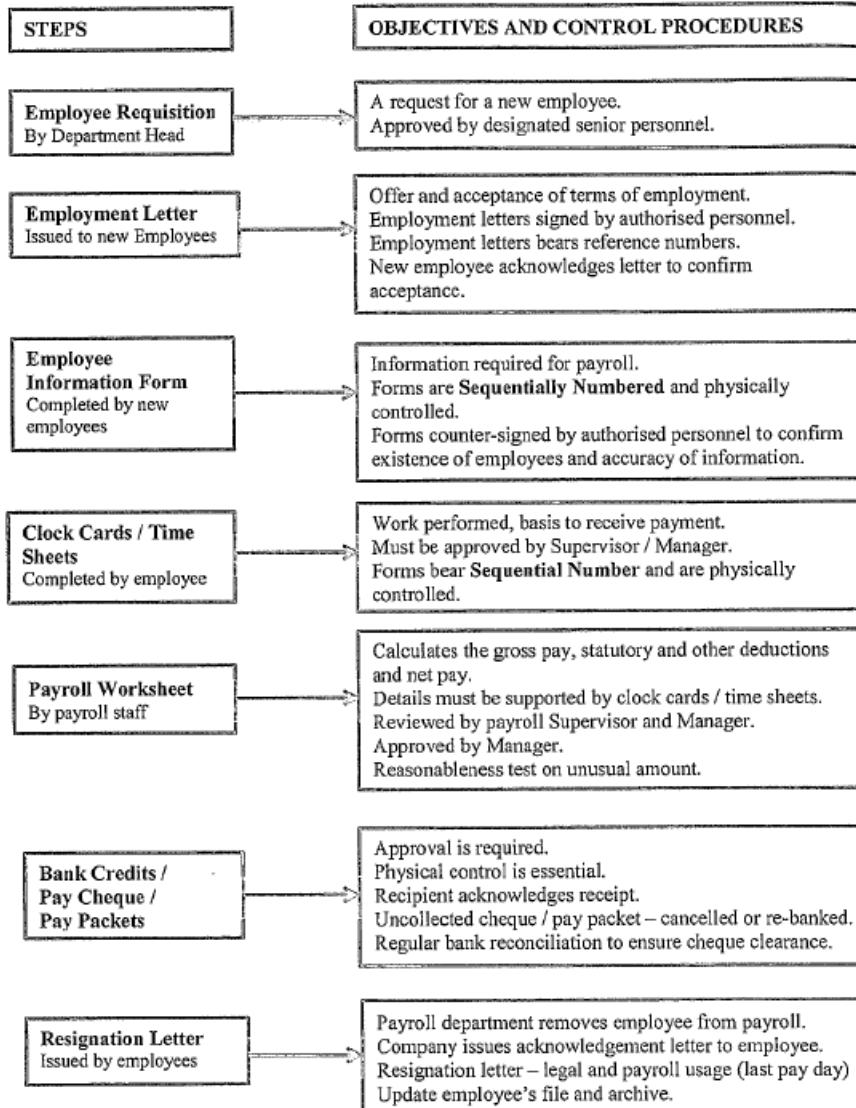
Cycles

- Sales
- Purchases
- Wages / Payroll
- Cash
- Inventory

## SALES CYCLE



**PURCHASE CYCLE**

**PAYROLL SYSTEM**

To be explained when discussing procedures for  
**CASH MANAGEMENT** cycle

# Activity

- Discuss and form three possible scenarios involving overrides, errors, omissions, and misstatements in each cycle...
- And whether they are deliberate or not...
- Followed by what adjustments to make...
- What actions to take in cases of fraud and error.



# Mapping

- Refer to IAS 1 for basic template
- Refer to client's *Trial Balance* and *Chart of Accounts*, and group items into basic template
- If balances are material (discussed in later section), then present separately
- If documents not available, ask!
- After grouping them in a basic template, make sure to index these accounts by assigning codes like PPE for “Non-current Property, Plant and Equipment” etc.
- Centralise these codes so that your entire team will be using a consistent set of codes in their work for referencing

# CHART OF ACCOUNT

22/12/2016

Page 1 of 2

**EXAMPLE**

ACC.NO.	AC DESCRIPTION	ACCOUNT TYPE	SA	TYPE	DEPT.
1000/000	CAPITAL	CAPITAL		A	
1000/001	CAPITAL - WAN	CAPITAL		A	
1000/002	CAPITAL - ALI	CAPITAL		A	
1050/000	RETAINED EARNING	CAPITAL	PA	A	
2000/000	FIXED ASSETS	FIXED ASSETS		D	
2000/100	MOTOR VEHICLE JCQ 369	FIXED ASSETS		D	
2000/105	ACCUM. DEPRN. - MOTOR VEHICLE (JCQ 369)	FIXED ASSETS	AD	D	
2000/200	FURNITURE & FITTING	FIXED ASSETS		D	
2000/205	ACCUM. DEPRN. - FURNITURE & FITTINGS	FIXED ASSETS	AD	D	
2000/300	OFFICE EQUIPMENT	FIXED ASSETS		D	
2000/305	ACCUM. DEPRN. - OFFICE EQUIPMENT	FIXED ASSETS	AD	D	
2000/400	OFFICE EQUIPMENT 1	FIXED ASSETS		D	
2000/405	ACCUM. DEPRN. - OFFICE EQUIPMENT -1	FIXED ASSETS		D	
2001/000	MOTOR VEHICLE	FIXED ASSETS		D	
2001/100	MOTOR VEHICLE AAA 369	FIXED ASSETS		D	
2001/105	ACCUM. DEPRN. - MOTOR VEHICLE (AAA 369)	FIXED ASSETS	AD	D	
2001/200	MOTOR VEHICLE BBB 369	FIXED ASSETS		D	
2001/205	ACCUM. DEPRN. - MOTOR VEHICLE (BBB 369)	FIXED ASSETS	AD	D	
2002/000	FURNITURE & FITTING	FIXED ASSETS		D	
2002/005	ACCUM. DEPRN. - FURNITURE & FITTINGS	FIXED ASSETS	AD	D	
2010/000	GOODWILL	OTHER ASSETS		E	
2012/000	LAND	FIXED ASSETS		D	
2012/005	ACC LAND	FIXED ASSETS	AD	D	
3000/000	TRADE DEBTORS	CURRENT ASSETS		F	
3005/000	OTHER DEBTORS	CURRENT ASSETS		F	
3010/000	BANK - UMBC AAC	CURRENT ASSETS	BKCAOR	F	
3020/000	CASH IN HAND	CURRENT ASSETS	BKPVCA	F	

# Activity

- Mapping Trial Balance to IAS 1 presentation
- Identify applicable standards under each category

## Consolidated statement of financial position<sup>1,2</sup>

<i>IAS 1.10(a), 10(f), 38, 113</i>	<i>In thousands of euro</i>	<i>Note</i>	<b>31 December 2012</b>	<b>31 December 2011 Restated*</b>	<b>1 January 2011<sup>3</sup> Restated*</b>
<b>Assets</b>					
<i>IAS 1.54(a)</i>	Property, plant and equipment	16	<b>26,586</b>	31,049	34,937
<i>IAS 1.54(c)</i>	Intangible assets and goodwill	17	<b>6,226</b>	4,661	5,429
<i>IAS 1.54(f)</i>	Biological assets	18	<b>4,860</b>	6,636	6,111
<i>IAS 1.54(h)</i>	Trade and other receivables	24	<b>213</b>	-	-
<i>IAS 1.54(b), 17.49</i>	Investment property	19	<b>2,170</b>	1,050	950
<i>IAS 1.54(e), 28.38</i>	Equity-accounted investees	20	<b>4,179</b>	3,638	3,099
<i>IAS 1.54(d)</i>	Other investments, including derivatives <sup>4</sup>	21	<b>3,631</b>	3,525	3,212
<i>IAS 1.54(o), 56</i>	Deferred tax assets <sup>2 on page 10</sup>	22	-	1,376	1,902
	Employee benefits	29	<b>635</b>	731	587
<i>IAS 1.60</i>	<b>Non-current assets<sup>5</sup></b>		<b>48,500</b>	52,666	56,227
<i>IAS 1.54(g)</i>	Inventories	23	<b>12,867</b>	12,119	12,716
<i>IAS 1.54(f)</i>	Biological assets	18	<b>245</b>	140	402
<i>IAS 1.54(d)</i>	Other investments, including derivatives <sup>4</sup>	21	<b>662</b>	1,032	821
<i>IAS 1.54(n)</i>	Current tax assets <sup>3 on page 10</sup>		-	228	-
<i>IAS 1.54(h)</i>	Trade and other receivables	24	<b>26,250</b>	17,999	16,311
	Prepayments		<b>330</b>	1,200	895
<i>IAS 1.54(i)</i>	Cash and cash equivalents	25	<b>1,505</b>	1,850	2,529
<i>IFRS 5.38, 40,</i>	Assets held for sale <sup>4 on page 10</sup>	8	<b>14,410</b>	-	-
<i>IAS 1.54(j)</i>					
<i>IAS 1.60</i>	<b>Current assets<sup>5</sup></b>		<b>56,269</b>	34,568	33,674
	<b>Total assets</b>	6	<b>104,769</b>	87,234	89,901

\* See Note 2(e).

## Consolidated statement of financial position (continued)<sup>1</sup>

<i>IAS 1.10(a), 10(f), 38, 113</i>			31 December 2012	31 December 2011 Restated*	1 January 2011 Restated*
	<i>In thousands of euro</i>	<i>Note</i>			
<b>Equity</b>					
<i>IAS 1.54(r), 78(e)</i>	Share capital		<b>14,979</b>	14,550	14,550
<i>IAS 1.55, 78(e)</i>	Share premium		<b>4,777</b>	3,500	3,500
<i>IAS 1.54(r), 78(e)</i>	Reserves		<b>1,210</b>	449	322
<i>IAS 1.55, 78(e)</i>	Retained earnings		<b>20,886</b>	14,006	10,600
	<b>Equity attributable to owners of the Company</b>		<b>41,852</b>	32,505	28,972
<i>IAS 1.54(q), 27.27</i>	Non-controlling interests		<b>1,582</b>	842	601
	<b>Total equity</b>	26	<b>43,434</b>	33,347	29,573
<b>Liabilities</b>					
<i>IAS 1.54(m)</i>	Loans and borrowings	28	<b>20,942</b>	19,206	21,478
<i>IAS 1.55, 1.78(d)</i>	Employee benefits	29, 30	<b>982</b>	841	2,204
<i>IAS 1.54(k)</i>	Trade and other payables	33, 34	<b>290</b>	5	-
<i>IAS 20.24</i>	Deferred income/revenue	31	<b>1,389</b>	1,436	-
<i>IAS 1.54(l)</i>	Provisions	32	<b>1,010</b>	400	682
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities <sup>2</sup>	22	<b>2,464</b>	1,567	1,436
<i>IAS 1.60</i>	<b>Non-current liabilities<sup>5 on page 10</sup></b>		<b>27,077</b>	23,455	25,800
<i>IAS 1.55</i>	Bank overdraft	25	<b>334</b>	282	303
<i>IAS 1.54(n)</i>	Current tax liabilities <sup>3</sup>		<b>762</b>	-	25
<i>IAS 1.54(m)</i>	Loans and borrowings	28	<b>4,390</b>	4,386	2,017
<i>IAS 1.54(k)</i>	Trade and other payables	33	<b>23,489</b>	24,370	30,627
<i>IAS 11.42(b)</i>	Deferred income/revenue	31	<b>213</b>	194	156
<i>IAS 1.54(l)</i>	Provisions	32	<b>660</b>	1,200	1,400
<i>IFRS 5.38, 40,</i>	Liabilities held for sale <sup>4</sup>	8	<b>4,410</b>	-	-
<i>IAS 1.54(p)</i>					
<i>IAS 1.60</i>	<b>Current liabilities<sup>5 on page 8</sup></b>		<b>34,258</b>	30,432	34,528
	<b>Total liabilities</b>	6	<b>61,335</b>	53,887	60,328
	<b>Total equity and liabilities</b>		<b>104,769</b>	87,234	89,901

\* See Note 2(e).

## Consolidated statement of comprehensive income<sup>1,2</sup>

*IAS 1.10(b), 38,  
81(a), 113*

<i>In thousands of euro</i>	<i>Note</i>	<i>For the year ended 31 December</i>	
		<i>2012</i>	<i>2011 Restated*</i>
<b>Continuing operations</b>			
Revenue <sup>4</sup>	10	<b>102,716</b>	96,636
Cost of sales <sup>3</sup>	13	<b>(55,708)</b>	(56,186)
Gross profit		<b>47,008</b>	40,450
Other income	11	<b>1,021</b>	194
Selling and distribution expenses <sup>3</sup>	13	<b>(17,984)</b>	(18,012)
Administrative expenses <sup>3</sup>	13	<b>(17,142)</b>	(15,269)
Research and development expenses <sup>3</sup>	13	<b>(1,109)</b>	(697)
Other expenses	12	<b>(860)</b>	(30)
<b>Results from operating activities</b>		<b>10,934</b>	6,636
Finance income		<b>1,161</b>	480
Finance costs		<b>(1,707)</b>	(1,646)
<b>Net finance costs</b>	15	<b>(546)</b>	(1,166)
Share of profit of equity-accounted investees, net of tax <sup>5</sup>	20	<b>541</b>	708
<b>Profit before tax</b>		<b>10,929</b>	6,178
Tax expense	22	<b>(3,371)</b>	(1,800)
<b>Profit from continuing operations</b>		<b>7,558</b>	4,378
<b>Discontinued operation</b>			
Profit (loss) from discontinued operation, net of tax <sup>6</sup>	7	<b>379</b>	(422)
<b>Profit for the year</b>		<b>7,937</b>	3,956
<b>Other comprehensive income<sup>7</sup></b>			
Foreign currency translation differences – foreign operations		<b>680</b>	499
Foreign currency translation differences – equity-accounted investees		<b>(159)</b>	(169)
Reclassification of foreign currency differences on loss of significant influence		<b>(20)</b>	-
Net loss on hedge of net investment in foreign operation	15	<b>(3)</b>	(8)
Revaluation of property, plant and equipment	16	<b>200</b>	-
Effective portion of changes in fair value of cash flow hedges	15	<b>(62)</b>	77
Net change in fair value of cash flow hedges reclassified to profit or loss <sup>8</sup>	15	<b>(31)</b>	(11)
Net change in fair value of available-for-sale financial assets	15	<b>199</b>	94
Net change in fair value of available-for-sale financial assets reclassified to profit or loss <sup>8</sup>	15	<b>(64)</b>	-
Defined benefit plan actuarial gains (losses)	29	<b>72</b>	(15)
Tax on other comprehensive income <sup>9</sup>	22	<b>(104)</b>	(48)
<b>Other comprehensive income for the year, net of tax</b>		<b>708</b>	419
<b>Total comprehensive income for the year</b>		<b>8,645</b>	4,375

\* See Notes 2(e), 7 and 16.

## Consolidated statement of comprehensive income (continued)

*IAS 1.10(b), 38,  
81(a), 113*

*IAS 1.83(a)(ii)  
IAS 1.83(a)(i)*

*IAS 1.83(b)(iii)  
IAS 1.83(b)(i)*

*IAS 33.4*

*IAS 33.66*

*IAS 33.66*

*IAS 33.66*

*IAS 33.66*

	Note	2012	2011 Restated*
<i>In thousands of euro</i>			
<b>Profit attributable to:</b>			
Owners of the Company		<b>7,413</b>	3,737
Non-controlling interests		524	219
Profit for the year		<b>7,937</b>	3,956
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>8,094</b>	4,134
Non-controlling interests		551	241
Total comprehensive income for the year		<b>8,645</b>	4,375
<b>Earnings per share<sup>1, 2, 3, 4</sup></b>			
Basic earnings per share (euro) <sup>5</sup>	27	<b>2.26</b>	1.08
Diluted earnings per share (euro) <sup>5</sup>	27	<b>2.15</b>	1.07
<b>Earnings per share – continuing operations</b>			
Basic earnings per share (euro) <sup>5</sup>	27	<b>2.14</b>	1.22
Diluted earnings per share (euro) <sup>5</sup>	27	<b>2.03</b>	1.21

\* See Notes 2(e), 7 and 16.

## Consolidated statement of changes in equity<sup>1</sup>

IAS 1.38, 108–109,  
110(c), 113

For the year ended 31 December 2011

	In thousands of euro	Note	Attributable to owners of the Company								Non-controlling interests	Total equity			
			Share capital <sup>1</sup>	Share premium	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Convert-ible notes					
IAS 1.106(b)	Balance at 1 January 2011, as previously reported		14,550	3,500	(129)	434	17	-	-	-	10,565	28,937	601	29,538	
	Impact of change in accounting policy <sup>2</sup>	2(e)	-	-	-	-	-	-	-	-	35	35	-	35	
	<b>Restated balance at 1 January 2011</b>		14,550	3,500	(129)	434	17	-	-	-	10,600	26,972	601	29,573	
<b>Total comprehensive income for the year</b>															
IAS 1.106(a)/i	Profit for the year, as restated		-	-	-	-	-	-	-	-	3,737	3,737	219	3,956	
IAS 1.106(a)/ii,	Total other comprehensive income <sup>3</sup>		-	-	-	-	-	-	-	-	(10)	397	22	419	
106A		22, 26	-	-	300	44	63	-	-	-	-	3,727	4,134	241	4,375
IAS 1.106(a)/iii)	<b>Total comprehensive income for the year</b>		-	-	300	44	63	-	-	-	-	-	-	-	
<b>Transactions with owners of the Company, recognised directly in equity</b>															
<b>Contributions by and distributions to owners of the Company</b>															
Own shares acquired <sup>4</sup>	26	-	-	-	-	-	-	-	(280)	-	-	(280)	-	(280)	
Dividends	26	-	-	-	-	-	-	-	-	(571)	(571)	-	(571)		
Share-based payment transactions <sup>5</sup>	30	-	-	-	-	-	-	-	-	250	250	-	250		
<b>Total contributions by and distributions to owners of the Company</b>		-	-	-	-	-	-	-	(280)	-	(321)	(601)	-	(601)	
<b>Restated balance at 31 December 2011</b>		14,550	3,500	171	478	80	-	(280)	-	14,006	32,505	842	33,347		

The notes on pages 27 to 219 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (continued)

IAS 1.10(c), 38, 108,  
110(c), 113

For the year ended 31 December 2012

In thousands of euro	Note	Attributable to owners of the Company									Non-controlling interests	Total equity
		Share capital	Share premium	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalu-ation reserve	Reserve for own shares	Convert-ible notes	Retained earnings		
Restated balance at 31 December 2011		14,550	3,500	171	478	80	-	(280)	-	14,006	32,505	842
<b>Total comprehensive income for the year</b>												33,347
Profit for the year		-	-	-	-	-	-	-	-	7,413	7,413	524
Total other comprehensive income	22, 26	-	-	471	(62)	90	134	-	-	48	681	27
<b>Total comprehensive income for the year</b>		-	-	471	(62)	90	134	-	-	7,461	8,094	551
<b>Transactions with owners of the Company, recognised directly in equity</b>												
<b>Contributions by and distributions to owners of the Company</b>												
Issue of ordinary shares related to business combination	9	24	63	-	-	-	-	-	-	87	-	87
Issue of ordinary shares	26	390	1,160	-	-	-	-	-	-	1,550	-	1,550
Issue of convertible notes, net of tax	22, 28	-	-	-	-	-	-	-	109	-	109	-
Own shares sold	26	-	19	-	-	-	-	11	-	30	-	30
Dividends	26	-	-	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
Share-based payment transactions	30	-	-	-	-	-	-	-	755	755	-	755
Share options exercised	26	15	35	-	-	-	-	-	-	50	-	50
<b>Total contributions by and distributions to owners of the Company</b>		429	1,277	-	-	-	-	11	109	(488)	1,338	-
<b>Changes in ownership interests in subsidiaries</b>												
Acquisition of non-controlling interests without a change in control	9	-	-	8	-	-	-	-	-	(93)	(85)	(115)
Acquisition of subsidiary with non-controlling interests	9	-	-	-	-	-	-	-	-	-	304	304
<b>Total transactions with owners of the Company</b>		429	1,386	8	-	-	-	11	-	(581)	1,253	189
<b>Balance at 31 December 2012</b>		14,979	4,777	650	416	170	134	(269)	109	20,886	41,852	1,582
												43,434

The notes on pages 27 to 219 are an integral part of these consolidated financial statements.

IAS 1.106(d)(i)  
IAS 1.106(d)(ii), 106A  
IAS 1.106(a)

IAS 1.106(d)(iii)

IAS 1.106(d)(iii)

## Consolidated statement of cash flows<sup>1,2</sup>

*IAS 1.10(d), 38, 113*

*IAS 7.18(b)*

*IAS 7.31–32*

*IAS 7.35*

*IAS 7.10*

For the year ended 31 December

*In thousands of euro*

	<b>Note</b>	<b>2012</b>	<b>2011 Restated*</b>
<b>Cash flows from operating activities<sup>3</sup></b>			
Profit for the year <sup>4</sup>		<b>7,937</b>	3,956
Adjustments for:			
– Depreciation	16	<b>5,001</b>	5,122
– Amortisation of intangible assets	17	<b>785</b>	795
– (Reversal of) impairment losses on property, plant and equipment	16	<b>(393)</b>	1,123
– Impairment losses on intangible assets	17	<b>116</b>	285
– Reversal of impairment losses on intangible assets	17	<b>(100)</b>	–
– Impairment loss on remeasurement of disposal group	8	<b>25</b>	–
– Change in fair value of biological assets	18	<b>(576)</b>	71
– Net change in biological assets due to births/deaths	18	<b>(11)</b>	(15)
– Change in fair value of investment property	19	<b>(20)</b>	(60)
– Impairment loss on trade receivables	12	<b>150</b>	30
– Net finance costs	15	<b>546</b>	1,166
– Share of profit of equity-accounted investees, net of tax	20	<b>(541)</b>	(708)
– Gain on sale of property, plant and equipment	11	<b>(26)</b>	(100)
– Gain on sale of discontinued operation, net of tax	7	<b>(516)</b>	–
– Gain on curtailment	29	<b>(100)</b>	–
– Equity-settled share-based payment transactions	30	<b>755</b>	250
– Tax expense	22	<b>3,346</b>	1,756
		<b>16,378</b>	13,671
Changes in:			
– inventories		<b>(352)</b>	2,305
– current biological assets due to sales	18	<b>127</b>	63
– trade and other receivables		<b>(15,101)</b>	(1,318)
– prepayments		<b>870</b>	(305)
– trade and other payables		<b>5,164</b>	(2,619)
– provisions and employee benefits – excluding gain on curtailment		<b>152</b>	(1,500)
– deferred income/revenue, including government grant	31	<b>(28)</b>	1,474
<b>Cash generated from operating activities</b>		<b>7,210</b>	11,771
Interest paid <sup>5</sup>		<b>(1,604)</b>	(1,521)
Income taxes paid <sup>6</sup>		<b>(400)</b>	(1,400)
<b>Net cash from operating activities</b>		<b>5,206</b>	8,850

\* See Note 2(e).

## Consolidated statement of cash flows (continued)

IAS 1.10(d), 38, 113

		For the year ended 31 December		
	In thousands of euro	Note	2012	2011 Restated*
<b>Cash flows from investing activities</b>				
IAS 7.31	Interest received <sup>5</sup> on page 20		<b>211</b>	155
IAS 7.31	Dividends received <sup>5</sup> on page 20		<b>369</b>	330
IAS 7.16(a)	Proceeds from sale of property, plant and equipment		<b>1,177</b>	481
IAS 7.21	Proceeds from sale of investments		<b>987</b>	849
IAS 7.39	Disposal of discontinued operation, net of cash disposed of <sup>1</sup>	7	<b>10,890</b>	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired <sup>2</sup>	9	<b>(2,125)</b>	-
IAS 7.39	Formation of equity-accounted investee	20	<b>(600)</b>	-
IAS 7.16(a)	Acquisition of property, plant and equipment		<b>(15,657)</b>	(2,228)
IAS 7.16(a)	Acquisition of investment property	19	<b>(300)</b>	(40)
IAS 7.21	Plantations and acquisitions of non-current biological assets	18	<b>(305)</b>	(437)
IAS 7.16(a)	Acquisition of other investments		<b>(319)</b>	(2,411)
IAS 24.18	Dividends from equity-accounted investees	20	<b>21</b>	-
IAS 7.21	Development expenditure		<b>(1,235)</b>	(503)
IAS 7.10	Net cash used in investing activities <sup>3</sup>		<b>(6,886)</b>	(3,804)
<b>Cash flows from financing activities</b>				
IAS 7.17(a)	Proceeds from issue of share capital	26	<b>1,550</b>	-
IAS 7.17(c)	Proceeds from issue of convertible notes	28	<b>5,000</b>	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	28	<b>2,000</b>	-
IAS 7.21	Proceeds from sale of own shares	26	<b>30</b>	-
IAS 7.21	Proceeds from exercise of share options	26	<b>50</b>	-
IAS 7.16(h)	Proceeds from settlement of derivatives <sup>4</sup>		<b>5</b>	11
IAS 7.21	Payment of transaction costs related to loans and borrowings	28	<b>(311)</b>	-
IAS 7.42A	Acquisition of non-controlling interests	9	<b>(200)</b>	-
IAS 7.17(b)	Repurchase of own shares	26	<b>-</b>	(280)
IAS 7.17(d)	Repayment of borrowings		<b>(5,132)</b>	(4,445)
IAS 7.17(e)	Payment of finance lease liabilities		<b>(454)</b>	(394)
IAS 7.31	Dividends paid <sup>5</sup> on page 20	26	<b>(1,243)</b>	(571)
IAS 7.10	Net cash from (used in) financing activities <sup>3</sup>		<b>1,295</b>	(5,679)
<b>Net decrease in cash and cash equivalents</b>				
			<b>(385)</b>	(633)
IAS 7.28	Cash and cash equivalents at 1 January		<b>1,568</b>	2,226
	Effect of exchange rate fluctuations on cash held		<b>(12)</b>	(25)
	Cash and cash equivalents at 31 December	25	<b>1,171</b>	1,568

\* See Note 2(e).



# Tickmarks

Tickmark	Text	Name	
₡	C	Calculated	...
✗	CK	Agree to cheque	...
↑	FS	Forward to F/S	...
*	I	Agree to invoice	...
Ø	NA	Not applicable	...
✗	NM	Not material	...
P	P	Agree to prior	...
✓	S	Agree to statement	...
✗	UD	Forward to U/D	...
△	Z	Cross added	...
✓	\	Agree to G/L	...
+	^	Added	...

# ABC & CO

Chartered Accountants

SUNWAY TES SDN BHD

Audit for the period ended 31 December 2018

Materiality: RM1,000; PM: RM500

Ref No.	1.1.001
Reviewed by:	JANE DOES
Date:	10/01/2019
Prepared by:	JOHN DONE
Date:	02/01/2019

## **Subject:** Test of Details - Revenue

**Source:** Sales Listing for the year ended 31.12.2018, Client's accounting system

**Objective:** To ascertain the completeness, existence and accuracy of revenue.

**Basis:** The tested control is performed on a daily, recurring basis, and as per our sampling guidelines, a control of this frequency requires a sample size of 20 items, which are haphazardly selected from the client's sales listings.

**Controls**      **C1**    Admission forms are checked by junior officers and confirmed with prospective students.

**C2**    Admin manager will review and approve the invoices prior to billing, via accounting system.

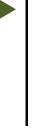
## **Findings**

No.	Customer name	Admission Forms				Approved by Admin Manager	
		No.	Date	Amount (RM)	Key-in Staff	Signature / Name	Date
1	SL WAI AI HERE	ADF #1734078	25/3/2018	1.20	ABU JADI	ACS PN. SUDAH BUAT	26/3/2018

N1

## Notes

- N1 We are able to locate an unauthorised item in the client's accounting system.  
Based on an ad-hoc representation by Pn. Sudah Buat (Admin Manager), she has approved this invoice via physical signature.  
We have traced the original documentation to the system once again, and because it was unauthorised, the final sales amount fails to take into account the quantum of this item, i.e. RM1.20.  
To ensure that the client's receipts processes have taken this into account, we have inspected the client's payment received logs, the findings are as follows:

Entry Date	Transaction ID	Payment Details	Payment Cleared	Amount (RM)	Payment Ref.
CR 25/3/2018 	25032018-005	SALES	26/3/2018	1.20	#1734078 

The above shows that, while there is an omission in the recording of sales in the system, there is a backup control to be found in the client's payment received process.

## Conclusion

Based on the work performed, we have found no exceptions.

## Legends

- SL** Extracted from client's sales listings  
**ADF** Vouched to respective admission forms  
**ACS** Vouched to accounting system  
**CR** Vouched to client's cash received logs



## 1.1

# Engagement Profiling

Period Start Date  
Period End Date


### Nature of Business

	Country	Industry
Primary		
Others		

Period Start Date  
Period End Date

01.01.2019
31.12.2019

### Nature of Business

	Country	Industry
Primary	Malaysia	Education
Others	-	-

# Additional Material

- You may want to highlight the revenues generally associated with this type of business – e.g. tuition fees, resource fees, receipts from courses etc. with appropriate reference from client’s “Chart of Accounts”.
- You may want to assign client code for simulation purposes, e.g. for SunwayTES Sdn Bhd – “STES001/2019”

<u>Schicht/ Datum</u>	<u>R</u>	<u>05.01.08</u>
<u>Sorte</u>		<u>Kemspr.</u>
<u>FLG</u>	<u>g/m²</u>	<u>46,5</u>
<u>Stoffverhältnis DIP / Etik.</u>	<u>%</u>	<u>49</u>
<u>V - Sieb</u>	<u>m/min.</u>	<u>859</u>
<u>V - Poperoller</u>	<u>m/min</u>	<u>900</u>
<u>Arbeitsbreite</u>	<u>m</u>	<u>3,075</u>
<u>Stoffauflauf</u>		
<u>Auslaufverhältnis</u>		
<u>Druck</u>	<u>mmWS</u>	<u>1.018</u>
<u>PD Innendruck</u>	<u>bar</u>	<u>105,19</u>
<u>Druckwaage / Spülung</u>	<u>i.O</u>	<u>2,5</u>
<u>Lippenöffnung</u>	<u>mm</u>	<u>3</u>
<u>Vorderwand</u>	<u>mm</u>	<u>115</u>
<u>FU- Stoffauflaufpumpe</u>	<u>1/min</u>	<u>120</u>
<u>Sch. Druck Freq. .</u>	<u>1/min</u>	<u>945</u>
<u>Stock Hub</u>	<u>mm</u>	<u>280</u>
		<u>25,0</u>
<u>Duoformer D</u>		
<u>Obersiebentwässerung</u>		
<u>Scimmer / Entwässerung in</u>	<u>% / l/min</u>	
<u>1. Zone</u>	<u>% / l/min</u>	<u>35</u>
<u>2. Zone</u>	<u>% / l/min</u>	<u>32</u>
<u>Druck Leiste 1 + 2</u>	<u>% / l/min</u>	<u>64</u>
<u>Druck Leiste 3</u>	<u>mbar</u>	<u>4</u>
<u>Druck Leiste 4</u>	<u>mbar</u>	<u>70</u>
<u>Druck Leiste 5 + 6</u>	<u>mbar</u>	<u>70</u>
<u>Druck Leiste 7 + 8</u>	<u>mbar</u>	<u>150</u>
<u>Druck Leiste 9 + 10</u>	<u>mbar</u>	<u>150</u>
<u>Einlaufwalze Duoformer / Spalt</u>	<u>mbar</u>	<u>120</u>
	<u>mm</u>	<u>defekt</u>
		<u>11,4</u>
<u>Vakuumstellungen</u>		
<u>1. Vakufoil</u>	<u>mbar</u>	<u>-12</u>
<u>2. Vakufoil / Naßsauger</u>	<u>mbar</u>	<u>-27</u>
<u>Doppelvakufoil</u>	<u>mbar</u>	<u>-85</u>
<u>Scimmer</u>	<u>mbar</u>	<u>-40</u>
<u>1. Formationszone / Zone</u>	<u>mbar</u>	<u>-130</u>
<u>2. Zone ( Trockengehalt )</u>	<u>mbar</u>	<u>-180</u>
<u>Trennsauger</u>	<u>mbar</u>	<u>-260</u>
<u>Flachsauger</u>	<u>mbar</u>	
<u>SSW</u>	<u>mbar</u>	
<u>PU Halter</u>	<u>mbar</u>	

## 1.2

# Pre-engagement Documents

## 1.2

### Pre-engagement documents

Documentation checklist	Done by	Date	X-Ref
Independence declaration letter			
Client evaluation report / Audit Plan			
Engagement letter			

## 1.2

### Pre-engagement documents

Documentation checklist	Done by	Date	X-Ref
Independence declaration letter	JOHN DONE	02/01/2019	1.2.1
Client evaluation report / Audit Plan	JOHN DONE	02/01/2019	1.2.2
Engagement letter	JOHN DONE	02/01/2019	1.2.3

## 1.2.1 Independence declaration letter

Date: 26 December 2018

**TO:**

ABC & Company  
Chartered Accountants  
A-3-03 & A-3-05  
SME Technopreneur Centre 2 Cyberjaya  
2260, Jalan Usahawan 1  
63000 Cyberjaya, Selangor

Dear Sirs / Madam,

### **SAMPLE REPORT SDN. BHD. INDEPENDENCE DECLARATION**

In connection with the audit of Sample Report Sdn. Bhd. for the year ending 31 December 2011, I am not aware of any relationships between Sample Report Sdn. Bhd. and me that, in my professional judgment, may create any threat from the beginning of the year to 31 December 2011, including:

- a) **Self-interest threats**, which may occur as a result of the financial or other interests of me or of my immediate or close family member;
- b) **Self-review threats**, which may occur when a previous judgment needs to be re-evaluated by me who is responsible for that judgment;
- c) **Advocacy threats**, which may occur when I promote a position or opinion to the point that subsequent objectivity may be compromised;
- d) **Familiarity threats**, which may occur when, because of a close relationship, I become too sympathetic to the interests of others; and
- e) **Intimidation threats**, which may occur when I may be deterred from acting objectively by threats, actual or perceived.

## **1.2.2 Client evaluation report**

Name of Business

SUNWAY TES SDN BHD

Engagement Partner

JANE DOES' SENIOR

Client Description

The client is engaged in the business of providing education services.

The client is a private entity with no subsidiaries.

The client is an existing client of the Firm.

The client is not owned or partially owned by a local/foreign politically exposed person.

The client is not involved in a cash-intensive business, nor deals with complex business structures with inaparent financial benefits.

The client is based in Malaysia, a politically-stable country not subject to sanctions, embargoes or similar measures by any international body.

complex business structures with inaparent financial benefits.

The client is based in Malaysia, a politically-stable country not subject to sanctions, embargoes or similar measures by any international body.

There are no doubts concerning the integrity of its stakeholders (i.e. prospective client[s], current management, major shareholders, board of directors, key personnel etc).

The client does not appear to be in a position of attracting adverse publicity.

Based on publicly available information, the company is not in a precarious financial situation that could affect its continued existence or ability to pay off its creditors.

Risk Level

Low

## Engagement Resources

<b>Position</b>	<b>Name</b>	<b>Years of Service for this Entity</b>	<b>Proposed Date of Commencement</b>
<b>Audit engagement:</b>			
Audit partner			
Senior manager			
Audit manager			
Audit senior			
Staff in charge			
Other audit personnel			
<b>Tax engagement:</b>			
Tax partner			
Tax manager			
<b>Other engagement:</b>			
Partner			
Manager			
<b>Engagement Quality Control Reviewer</b>			

### **1.2.3 Engagement letter**

**ABC & COMPANY**  
Chartered Accountants  
A-3-03 & A-3-05  
SME Technopreneur Centre 2 Cyberjaya  
2260, Jalan Usahawan 1  
63000 Cyberjaya, Selangor  
Tel: 03-8315 6168 Fax: 03-8315 6198

Date: 26 December 2018

Board of Directors  
Sample Report Sdn. Bhd.  
(Company No.: 789456-Y)  
83A, Jln Emas 1  
Tmn Sri Skudai  
81300 Johor Bahru  
Johor

Dear Sirs / Madam,

#### **ENGAGEMENT LETTER**

Following our appointment as auditors of Sample Report Sdn. Bhd. (“Company”), we are pleased to confirm our acceptance and the terms of our engagement for the financial year ending 31 December 2011.

#### **1 RESPONSIBILITIES OF DIRECTORS**

# Run-through

A photograph of four white six-sided dice. The dice are arranged in two rows: two in the top row and two in the bottom row. The top-left die shows a single dot. The top-right die shows two dots. The bottom-left die shows three dots. The bottom-right die shows four dots. The dice have black pips.

# 2.1

## Risk Assessment

## 2.1

### Risk Assessment

Activities	Done by	Date	X-Ref
Understanding of the entity and its environment  Determination of materiality  Assessment of engagement risk			

## 2.1

### Risk Assessment

Activities	Done by	Date	X-Ref
Understanding of the entity and its environment	JOHN DONE	02/01/2019	<b>2.1.1</b>
Determination of materiality	JOHN DONE	02/01/2019	<b>2.1.2</b>
Assessment of engagement risk	JOHN DONE	02/01/2019	<b>2.1.3</b>

## 2.1.1 Understanding of the entity and its environment

Key elements of our understanding of the entity's industry and other external factors:

### Significant business developments

The business model of the entity has largely remained unchanged since the last audit. Apart from the retirement of the previous Chief Operations Officer, Mr Jeff Doe, key management remains the same as per the previous financial year-end. As per our interview with the new COO, Ms Janice Doing, there are no mergers, acquisitions, or divestments we should be aware of. Her explanations have been consistent with that of the CFO, Mr John Dough.

Also represented by the COO in our interview. On the operations' side, the principal activities of the company has remained the same compared to last year, and based at the same location as before. The employee headcount stands at 30 non-executives, consisting primarily of knowledge workers and administrative staff.

### Significant industry developments

According to market research, the higher education industry is trending towards offering courses that fit the staffing demands of *Industry 4.0*.

Sunway TES Sdn Bhd has extensive experience in offering diplomas and certification programmes in information technology. Although not a major risk, we foresee that this change could alter the composition of its customer base and intensify competition for prospective students choosing between the schools which provide these programmes.

Changes in the legal and regulatory environment

foresee that this change could alter the composition of its customer base and intensify competition for prospective students choosing between the schools which provide these programmes.

Changes in the legal and regulatory environment

There were no tabling of new regulations in the Higher Education sphere, not since the re-establishment of the Ministry of Higher Education in 2015. Mid-2018, the Higher Education Commission (a unit within the same ministry) has further notioned that it will revisit the University Colleges Act. However, up until the commencement of our audit, there has been no concrete changes in this regard.

Significant changes in the applicable financial reporting framework

There have been no new or revised accounting standards or areas that could affect the entity's accounting policies or practices.

# Activity

- Draft a brief assessment of a company (any company)
- Include some PESTEL factors
- You may also include a short evaluation on the accounting software / ERP system of the company

## 2.1.2 Determination of materiality

Metrics applicable to entity:

	V	Used as benchmark
- Total revenue	V	V
- Total expenses	-	-
- Profit/loss before tax	V	-
- Net assets/equity	V	-
- Total assets	-	-
- Other	-	-

Rationale for metrics determined:

1. The client's financial statements contain the elements highlighted in the above metrics, namely: revenue and profit/loss before tax.
2. The users of the financial statements are basing their financial decisions on the above-mentioned criteria. To illustrate this, the significant shareholders of the company are concerned about the growth of the company.
3. The nature of the industry is growth-centric. Businesses in this region, especially educators, have their successes measured in the number of intakes and revenue generated from students.
4. The providers of finance place keen reliance on these figures to ascertain the recoverability of their loans to the company.

Rationale for metrics determined as benchmark:

In the education sector, revenue is one of the most reliable financial-related measure of the growth of the business.

Revenue condenses the understanding of the numbers of intakes and study materials sold to customers, and hence, this metric(s) is appropriate.

The total revenues as at 31.12.2018 are used for the purpose of computing the materiality.

Amount of benchmark

50,000.00

Materiality as a percentage of benchmark

2%

Materiality

1,000.00

Rules of Thumb for Planning Materiality		
Common Bases	Range of Percentage	Relative Advantage
Net Profit	5-10	Relevance
Total Revenue	0.5-1	Stability
Total Assets	0.5-1	Predictability & Stability
Equity	1-2	Stability

	£'000
Net assets	42,056
Overall materiality (1%)	400
Performance materiality	300
Lower specific materiality for items other than investment properties and fair value movements in investment property	30
Clearly trivial threshold	20

## **Revision as the Audit Progresses**

12. The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. (Ref: Para. A13)
13. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

## **Documentation**

14. The auditor shall include in the audit documentation the following amounts and the factors considered in their determination:<sup>4</sup>
- (a) Materiality for the financial statements as a whole (see paragraph 10);
  - (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10);
  - (c) Performance materiality (see paragraph 11); and
  - (d) Any revision of (a)–(c) as the audit progressed (see paragraphs 12–13).

	£'000
PBT	6,186
Add back impairment charge	450
Adjusted PBT	6,636
Overall materiality (10%)	650 (rounded down from 664)

To illustrate the first point above, if overall materiality is £140,000 and performance materiality has been set at £105,000, the response to a simple balance such as the prepayments figure (where the key audit assertion is existence) could vary as follows.

Value of prepayments (£'000)	Planned approach
90	Do nothing as there is no risk of material misstatement.
120	Although the figure is not material, because it is more than performance materiality, auditors may need to do something. It is likely that they would carry out analytical procedures based on expected prepayments.
250	As this is considerably more than performance materiality, more evidence is needed to be deemed sufficient. For example, auditors may decide to test a sample of individual transactions.

Factors considered in determining materiality:

The above materiality, as a percentage of the benchmark, was determined based on the following factors:

- The entity operates in a stable, sustainable business environment;
- The entity has a robust governance structure and has a minimal concentration of ownership (divided among 3 shareholders);
- The entity is in compliance with industry regulations, which have remained relatively unchanged over the past 2 years audited.

In consideration of the above, materiality is selected as 2%, amounting to RM1,000, which is:

- 95% of PBIT. The low profit margins of Sunway TES Sdn Bhd have much to do with the core mission of the business, i.e. providing maximum quality to its students.
- 50% of net assets. The entity has minimal fixed assets and an insignificant current asset and liability balance. Thus, as before, we have considered this an inappropriate benchmark.

### 2.1.3 Assessment of engagement risk

Risk factor	Grade
<i>Excessive pressure for management to meet the requirements or expectation of third parties.</i>	Low
The low concentration of share ownership in the entity, coupled with the fact that the entity is a private company, means that the managers of the entity, while answerable for their performance, are not publicly scrutinised or pressured this way, which thus lowers the overall presumed fraud risk.	

Risk factor	Grade
<i>Nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting.</i>	Low
Our assessment of this factor remains at low for the education industry does not deal with immense volumes of cash, derivatives, or complex financial transactions that encourage fraud.	

Risk factor	Grade
<i>Complex or unstable organisational structure.</i>	Low
Sunway TES Sdn Bhd maintains a flat organisational structure, with an operational characteristics of a professional bureaucracy that emphasizes on the stable standardisation of skills.	

## **2.1.4 Other risk assessment procedures**

<b>Activities</b>	<b>Done by</b>	<b>Date</b>	<b>X-Ref</b>
Analytical procedures	JOHN DONE	02/01/2019	<b>2.1.4.1</b>
Board minutes	JOHN DONE	02/01/2019	<b>2.1.4.2</b>
Enquiries	JOHN DONE	02/01/2019	<b>2.1.4.3</b>

## 2.1.4.1 Analytical procedures

### 2.1.4.1.1 Analytical review of the statement of comprehensive income

	2017	2018	Variance		Remarks
	RM	RM	RM	%	
<b>Net revenues</b>	30,000.00	50,000.00	20,000.00	67%	N1
<b>Cost of revenues</b>	(20,000.00)	(30,000.00)	(10,000.00)	50%	N2
<b>Gross profit</b>	10,000.00	20,000.00	10,000.00	100%	
- as a percentage of revenue	33%	40%	7%	20.0%	N3
 <b>Operating expenses</b>					
Selling and marketing	(5,210.00)	(15,000.00)	(9,790.00)	188%	
General and administrative	(600.00)	(1,868.00)	(1,268.00)	211%	
Impairment loss on intangible assets	(60.00)	(80.00)	(20.00)	33%	
 <b>Income from operations</b>	4,130.33	3,052.40	(1,077.93)	-26%	
<b>Provision for income tax</b>	(3,090.33)	(2,000.40)	1,089.93	-35%	
<b>Net income</b>	<u>1,040.00</u>	<u>1,052.00</u>	12.00	1%	
- as a percentage of revenue	3%	2%	-1%	-39.3%	
 <b>Net income attributable to shareholders</b>	<u>1,040.00</u>	<u>1,052.00</u>			
	▲	▲			

## N1

### Net revenues

Revenue (broken down by faculty)	2017	2018	Variance	
	RM	RM	RM	%
FIA	5,000.00	5,200.00	200.00	4%
ACCA	15,000.00	15,600.00	600.00	4%
ENG	10,000.00	29,200.00	19,200.00	192%
	<u>30,000.00</u>	<u>50,000.00</u>	<u>20,000.00</u>	<u>67%</u>

Having perused through the client's sales database for the years under review, we have determined that the increase in sales was mainly contributed by a staggering pick-up of demand in courses belonging to the ENG (Engineering) faculty, among those courses are those involving digital media, IT-related certification programmes etc.

The above discovery is consistent with management's foresight that *Industry 4.0* subjects are gaining popularity among its prospective students.

## N2

### Cost of revenues

	2017 RM	2018 RM	Variance	
			RM	%
<u>Cost of sales (based on faculty and category)</u>				
FIA				
Study Materials	(2,000.00)	(1,872.00)	128.00	-6%
Lecturer Fees	(1,333.33)	(1,248.00)	85.33	-6%
ACCA				
Study Materials	(6,000.00)	(5,616.00)	384.00	-6%
Lecturer Fees	(4,000.00)	(3,744.00)	256.00	-6%
ENG				
Study Materials	(4,000.00)	(10,512.00)	(6,512.00)	163%
Lecturer Fees	<u>(2,666.67)</u>	<u>(7,008.00)</u>	<u>(4,341.33)</u>	<u>163%</u>
	<u><u>(20,000.00)</u></u>	<u><u>(30,000.00)</u></u>	<u><u>(10,000.00)</u></u>	<u><u>50%</u></u>
	<b>PY</b>	<b>TB</b>		

In comparison to the rate of increase in revenues (being 4% for FIA and ACCA, and 192% for ENG respectively), the changes in the cost of revenues seems reasonable.

### N3

#### Gross Profit

	2017	2018	Variance (%)	(Relative)
			c/c	
Gross Profit margins	33%	40%	7%	20.0%
			Variance	
			RM	%
<b>FIA</b>				
<u>Revenue</u>				
Tuition Fees	3,500.00	3,640.00	140.00	4%
Resource Fees	1,500.00	1,560.00	60.00	4%
	<u>5,000.00</u>	<u>5,200.00</u>	200.00	4%
<u>Cost of sales</u>				
Study Materials	(2,000.00)	(1,872.00)	128.00	-6%
Lecturer Fees	(1,333.33)	(1,248.00)	85.33	-6%
	<u>(3,333.33)</u>	<u>(3,120.00)</u>	213.33	-6%
No. of students	2300	<b>DB1</b>	2392	<b>DB2</b>
Revenue-per-student (RM)	<b>2.1.4.1.2.N1</b> 2.17	<b>2.1.4.1.2.N1</b> 2.17	-	0%
Cost-per-student (RM)	<u>(1.45)</u>	<u>(1.30)</u>	0.14	-10%
GP-per-student (RM)	<u>0.72</u>	<u>0.87</u>	0.14	20%

					Variance
					RM %
<b>ACCA</b>					
<u>Revenue</u>					
Tuition Fees	10,650.00		11,076.00		426.00 4%
Resource Fees	4,350.00		4,524.00		174.00 4%
	<u>15,000.00</u>		<u>15,600.00</u>		600.00 4%
<u>Cost of sales</u>					
Study Materials	(6,000.00)		(5,616.00)		384.00 -6%
Lecturer Fees	(4,000.00)		(3,744.00)		256.00 -6%
	<u>(10,000.00)</u>		<u>(9,360.00)</u>		640.00 -6%
No. of students	7050	DB1	7332	DB2	282 4%
Revenue-per-student (RM)	2.13	2.13			- 0%
Cost-per-student (RM)	(1.42)		(1.28)		0.14 -10%
GP-per-student (RM)	0.71		0.85		0.14 20%

**ENG**
Revenue

			Variance	
			RM	%
Tuition Fees	7,000.00	20,440.00	13,440.00	192%
Resource Fees	<u>3,000.00</u>	<u>8,760.00</u>	5,760.00	192%
	<u><u>10,000.00</u></u>	<u><u>29,200.00</u></u>	19,200.00	192%

Cost of sales

Study Materials	(4,000.00)	(10,512.00)	(6,512.00)	163%
Lecturer Fees	<u>(2,666.67)</u>	<u>(7,008.00)</u>	(4,341.33)	163%
	<u><u>(6,666.67)</u></u>	<u><u>(17,520.00)</u></u>	(10,853.33)	163%

No. of students	833	<b>DB1</b>	2433	<b>DB2</b>	1,600	192%
-----------------	-----	------------	------	------------	-------	------

Revenue-per-student (RM)	<b>2.1.4.1.2.N1</b> 12.00	<b>2.1.4.1.2.N1</b> 12.00	(0.00)	0%
Cost-per-student (RM)	<u>(8.00)</u>	<u>(7.20)</u>	0.80	-10%
GP-per-student (RM)	<u>4.00</u>	<u>4.80</u>	0.80	20%

Revenue-per-student remains intact as per the previous year, as the business has not raised its fees for the past year under review. It is a custom for the business to revise its prices only once in 3 years to encourage new intakes. Therefore, it is reasonable to conclude that the increase in revenue has been mainly due to a pick-up in student numbers.

Looking at the calculations from a cost perspective, year-on-year, we are able to observe the following variations:

	<u>Revenue changes</u>	<u>Cost changes</u>	<u>Performance</u>
FIA	4%	-6%	<b>2%</b>
ACCA	4%	-6%	<b>2%</b>
ENG	192%	163%	<b>29%</b>

While prices charged on the courses available have not changed, control over the cost incurred in rendering the service has been above average, with a material shift completely noticeable with the ENG courses.

Based on a representation by Ms Joan Nak, Procurement Manager of SunwayTES Sdn Bhd, the decrease in costs were due to the implementation of "blended learning", i.e. students are now provided educational resources on-line, which means that the business can reduce lecture hours and printing costs linearly. In ENG's case, the dramatic cost savings were due to the significant reduction in printing costs, especially for IT-related courses where the breadth of the syllabus requires voluminous textbooks and large printing outlays to support student learning.

#### **Findings:**

No exceptions have been noted.

#### **Conclusion:**

The above balances are fairly stated.

#### **Legends:**

**TB** Agreed to trial balance as at 31 December 2018.

**PY** Agreed to prior year balance as at 31 December 2017.

**DB1** Based on figures extracted from the client's central database for the year 2017.

**DB2** Based on figures extracted from the client's central database for the year 2018.

**c/c** Computation checked.

**^** Casting checked.

## 2.1.4.1 Analytical procedures

### 2.1.4.1.2 Analytical review of balance sheet

	2017	2018	Variance		Remarks
	RM	RM	RM	%	
<b>Assets</b>					
<b>Current assets</b>		PY	TB	c/c	
Cash and cash equivalents	200.00	202.00		2.00	1%
Accounts receivable	50.00	100.00		50.00	100%
Inventory	10.00	-		(10.00)	-100%
Deferred tax assets	2,050.00	3,300.00		1,250.00	61%
Prepaid expenses and other current assets	1.00	2.00		1.00	100%
Total current assets	2,311.00	3,604.00		1,293.00	56%
<b>Non-current assets</b>					
Property and equipment, net	200.00	200.00		-	0%
Intangible assets, net	60.00	80.00		20.00	33%
Total assets	<u>2,571.00</u>	<u>3,884.00</u>			
	▲	▲			
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Accounts payable	571.00	1,884.00		1,313.00	230%
<b>Equity</b>					
Paid-up capital	2,000.00	2,000.00		-	0%
Total liabilities and equity	<u>2,571.00</u>	<u>3,884.00</u>			
	▲	▲	↓		

## N1

### Accounts receivable

#### No. of students registered in December

2017

2018

Variance  
Students

%

FIA	9	DB1	(8)	-89%
ACCA	9		(8)	-89%
ENG	1	DB2	7	700%
	<u>19</u>		(9)	-47%

#### Amounts outstanding from credit card company (by course)

2017

2018

Variance

%

RM

RM

RM

FIA	19.50	DB1	(17.50)	-90%
ACCA	18.50		(16.50)	-89%
ENG	12.00	DB2	84.00	700%
	<u>50.00</u>		50.00	100%

According to the breakdown obtained from the client's systems, the only balances for "accounts receivable" are of those amounts outstanding from the credit card companies. Settlement usually takes around 5 working days to become effective, therefore, we have ascertained that, by using the admissions numbers from the 26th December 2018 going forward, it is possible to test the

	2017 RM	2018 RM	Variance RM	%
<u>Average revenue-per-student</u>			c/c	→
<u>Revenue-per-student</u>				
FIA	2.17 <small>2.1.4.1.1.N3</small>	2.17 <small>2.1.4.1.1.N3</small>	-	0%
ACCA	2.13	2.13	-	0%
ENG	12.00	12.00	-	0%
	<u>16.30</u>	<u>16.30</u>	-	0%
<b>N1.1 Average revenue-per-student</b>	5.43	5.43	-	0%
<u>Average amount outstanding per student (Dec)</u>				
FIA	2.17	2.00	(0.17)	-8%
ACCA	2.06	2.00	(0.06)	-3%
ENG	12.00	12.00	-	0%
	<u>16.22</u>	<u>16.00</u>		
<b>N1.2 Average revenue-per-student</b>	5.41	5.33	(0.07)	-1%
<b>Variance with computation N1.1 - RM</b>	(0.03)	(0.10)		
- %	-0.49%	-1.85%		

The variance appears to be reasonable and within expectations, with only a small differential of under 2%.

## N2

### Inventory

	2017	2018	Variance	
	RM	RM	RM	%
<u>Lecture notes</u>				
FIA	0.25	-	(0.25)	-100%
ACCA	0.60	-	(0.60)	-100%
ENG	3.00	-	(3.00)	-100%
<u>Textbooks</u>				
FIA	0.05	-	(0.05)	-100%
ACCA	0.10	-	(0.10)	-100%
ENG	6.00	-	(6.00)	-100%
	10.00	PY	-	TB
			(10.00)	-100%

The client's inventory balances consist only of study materials not already sold to students. This amount consists of only a mere fraction in the client's accounts as study materials are almost always printed/bought based on ready demand. At the turn of 2018, with the introduction of "blended learning", all inventory has been eliminated. In view of this, it can be certain that the client has absolutely zero stock obsolescence issues.

**N3****Intangible assets, net**

	RM
<b>Software</b>	
As of date of purchase / development (01.04.2014)	300.00
(-) Accumulated amortisation	<u>(180.00)</u>
As at 01.01.2017	120.00
	<b>DB1</b>
(-) Amortisation for the year	<u>(60.00)</u>
As at 31.12.2017	60.00
	<b>DB2</b>
(+) Additions (02.05.2018)	100.00
(-) Amortisation for the year	<u>(80.00)</u>
As at 31.12.2018	<u><u>80.00</u></u>
	^

The client uses bespoke systems to facilitate its day-to-day operations. Basing their judgment on the capital allowances provisions of the *Income Tax Act 1967*, the client's finance department had opted to depreciate their software over a 5-year period (without proportion). The schedule provided above, has demonstrated the effective execution of the amortisation process.

The depreciation policy also applies to their latest software investment: Later, in 2018, the client has purchased a new software, worth RM100, to improve the efficiency of its operations by upgrading the processing speed of the existing database.

## N4

### Accounts payable

	2017 RM	2018 RM	Variance RM	%
<u>Accounts payable</u>				→
Selling and marketing > Fees to advertising agency	500.00	1,641.00	DB2	
General and administrative > Rent	71.00	243.00	DB1	
Balance as at 31.12	<u>571.00</u>	<u>1,884.00</u>	<u>PY</u>	
			<u>c/c</u>	
			1,141.00	228%
			172.00	242%
			1,313.00	230%

The client mainly deals with two creditors: Wash Mind Sdn Bhd (advertising agency), and Big Land Sdn Bhd (real estate investment firm).

-Wash Mind Sdn Bhd had only recently completed a marketing campaign for Sunway TES Sdn Bhd on 30.11.2018. The usual mode of payment as customary in such circles is that the client pays 50% before, and the remaining sum upon completion. As the client (Sunway TES Sdn Bhd) enjoys a robust business relationship with Wash Mind Sdn Bhd, the former is given a 90-day credit term of the remaining sum, amounting to RM1,641.00 (confirmed with Ms Pey Naw, Senior Finance Executive in charge of Accounts Payable).

-The influx of new students (total student numbers have increased 19.4% YoY) has created an uptick of demand for learning spaces within the business. The increase in rents payable is an indicator of this. Having questioned Ms Pey Naw on the procrastinated nature of payments to Big Land Sdn Bhd, we have noted that, although not a related company, Big Land Sdn Bhd offers highly relaxed credit terms to its customers (up to 120 days), which explains the engorged gap between rental owed in the year under review versus the previous.

	2017	2018
Monthly rental (RM)	35.50	81.00
Months owed	2	3
Balance as at 31.12	<u>71.00</u>	<u>243.00</u>
	<u>PY</u>	<u>TB</u>
	^	^

**Findings:**

No exceptions have been noted.

**Conclusion:**

The above balances are fairly stated.

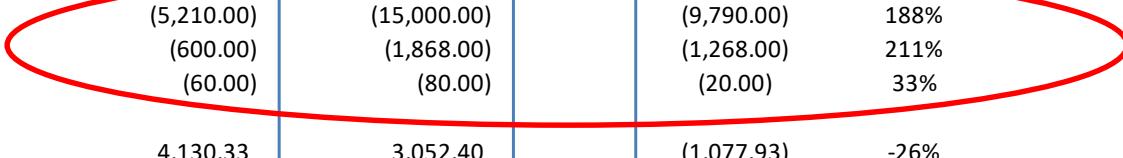
**Legends:**

- TB** Agreed to trial balance as at 31 December 2018.
- PY** Agreed to prior year balance as at 31 December 2017.
- DB1** Based on figures extracted from the client's central database for the year 2017.
- DB2** Based on figures extracted from the client's central database for the year 2018.
- c/c** Computation checked.
- ^** Casting checked.

## 2.1.4.1 Analytical procedures

### 2.1.4.1.1 Analytical review of the statement of comprehensive income

	2017 RM	2018 RM	Variance		Remarks
			RM	%	
			c/c		
<b>Net revenues</b>	30,000.00	50,000.00	20,000.00	67%	N1
<b>Cost of revenues</b>	(20,000.00)	(30,000.00)	(10,000.00)	50%	N2
<b>Gross profit</b>	10,000.00	20,000.00	10,000.00	100%	
<i>- as a percentage of revenue</i>	33%	40%	7%	20.0%	N3
 <b>Operating expenses</b>					
Selling and marketing	(5,210.00)	(15,000.00)	(9,790.00)	188%	
General and administrative	(600.00)	(1,868.00)	(1,268.00)	211%	
Impairment loss on intangible assets	(60.00)	(80.00)	(20.00)	33%	
 <b>Income from operations</b>	4,130.33	3,052.40	(1,077.93)	-26%	
<b>Provision for income tax</b>	(3,090.33)	(2,000.40)	1,089.93	-35%	
<b>Net income</b>	<u>1,040.00</u>	<u>1,052.00</u>	12.00	1%	
<i>- as a percentage of revenue</i>	3%	2%	-1%	-39.3%	
 <b>Net income attributable to shareholders</b>	<u>1,040.00</u>	<u>1,052.00</u>			



## **2.1.4.2 Board minutes**

<b>Description of meeting(s)</b>	<b>Date of meeting</b>	<b>X-Ref</b>
Meeting convened to officiate the retirement of Chief Operating Officer Mr Jeff Doe, and receive Ms Janice Doing as the Company's new COO.	28/10/2018	<b>2.1.4.2.1</b>

SUNWAY TES SDN BHD  
(Company No. 123456-A)  
(Incorporated in Sunway Country)

<2.1.4.2.1>  
Prepared by: Janette Does, Company Sect.  
Documented by: John Done  
For the period ended: 31.12.2018  
Date: 02.01.2019

**DIRECTORS' CIRCULAR RESOLUTION NO. 1  
MADE PURSUANT TO THE COMPANY'S CONSTITUTION**

---

**RESOLVED:** -

**RETIREMENT OF DIRECTOR**

**THAT** the retirement of **MR JEFF DOE** as Chief Operating Officer of the Company be and is hereby accepted with immediate effect.

The Board had also agreed to appoint **MS JANICE DOING** as the successor to MR JEFF DOE as Chief Operating Officer of the Company. Also, to immediate effect.

Dated this **28TH day of OCTOBER 2018**

**DIRECTORS**



.....  
IAN TEO



.....  
IAN TEO, JR.



.....  
OH WEI YES

### **2.1.4.3 Enquiries**

<b>Interviewee(s)</b>	<b>Interviewer</b>	<b>Date</b>	<b>X-Ref</b>
Mr John Dough, CFO Ms Janice Doing, COO	JOHN DONE	02/01/2019	<b>2.1.4.3.1</b>

**<2.1.4.3.1>**  
**Prepared by: John Done**  
**For the period ended: 31.12.2018**  
**Date: 02.01.2019**

**ABC & CO  
ENQUIRIES  
02/01/2019**

---

**Interviewee(s):** Mr John Dough, CFO  
Ms Janice Doing, COO

**Interviewer:** John Done

Have there been, or does the entity expect, any significant changes in its business or environment?

There have been no significant changes to our business. Environmentally-speaking, I would say that the industry is now becoming more attentive to the needs to *Industry 4.0*, and this won't change the fundamentals of our business as we are quite comfortable with our capability to deliver IT subjects proficiently and effectively as we have been, for the past 8 years since rolling out these courses.

How does the entity ensure that it is always compliant with the relevant laws and regulations?

The company regularly sends its finance and academic staff to government and private training seminars to ensure that they are kept abreast of the changes in legislation and regulations. For other legal matters, the company employs the services of a capable external legal counsel, which we have been on good terms with all this while.

# Management Discussion

# Run-through



## 2.2

# Assessment of Internal Controls

## 2.2

### Assessment of Internal Controls

Documentation checklist	Done by	Date	X-Ref
Process activities			
Walkthrough test			
Control risk assessment			

## 2.2

### Assessment of Internal Controls

Documentation checklist	Done by	Date	X-Ref
Process activities	JOHN DONE	03/01/2019	2.2.1
Walkthrough test	JOHN DONE	03/01/2019	2.2.2
Control risk assessment	JOHN DONE	03/01/2019	2.2.3

## 2.2.1 Process activities

### Understanding the existing control activities

#### 2.2.1.1 Revenue cycle

Inbound students make their applications through the Admission Department's front desk. The application is handled by an administrative staff and input into the business' database system -- linked to a bespoke system that connects all departments in the business. [C1]

Subsequently, new students will head to the Finance Department, whereupon they will be notified by clerical staff of their payment due via an integrated POS system. Students can choose to pay either using cash, cheque, or credit card. If the payment is made on the spot, the finance staff will collect the monies / settle the credit card payment immediately and produce receipt [C2A], and deposit any coins or banknotes into a secure cash drawer / keep any cheques or credit card payment slips in a specialised file, which is banked-in and reconciled for at the end of the day after closing. [C2B]

## 2.2.1 Process activities

### Understanding the existing control activities

#### 2.2.1.1 Revenue cycle

Inbound students make their applications through the Admission Department's front desk. The application is handled by an administrative staff and input into the business' database system -- linked to a bespoke system that connects all departments in the business. [C1]

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## 2.2.1 Process activities

### Understanding the existing control activities

#### 2.2.1.1 Revenue cycle

Inbound students make their applications through the Admission Department's front desk. The application is handled by an administrative staff and input into the business' database system -- linked to a bespoke system that connects all departments in the business. [C1]

Subsequently, new students will head to the Finance Department, whereupon they will be notified by clerical staff of their payment due via an integrated POS system. Students can choose to pay either using cash, cheque, or credit card. If the payment is made on the spot, the finance staff will collect the monies / settle the credit card payment immediately and produce receipt [C2A], and deposit any coins or banknotes into a secure cash drawer / keep any cheques or credit card payment slips in a specialised file, which is banked-in and reconciled for at the end of the day after closing. [C2B]

## 2.2.2

### Walkthrough test

#### Revenue cycle

C1	Administrative staff inputs application into database system.
C2A	Finance staff collects payments and produces receipt(s).
C2B	Monies and credit card slips are reconciled during daily closing.
...	...

## 2.2.2

### Walkthrough test

#### Revenue cycle

		Done by	Date	X-Ref
C1	Administrative staff inputs application into database system.	JOHN DONE	03/01/2019	<b>2.2.2.C1</b>
C2A	Finance staff collects payments and produces receipt(s).	JOHN DONE	03/01/2019	<b>2.2.2.C2A</b>
C2B	Monies and credit card slips are reconciled during daily closing.	JOHN DONE	03/01/2019	<b>2.2.2.C2B</b>
...	...			

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

## DATABASE ENTRY

**REF NO.** #1734278

**DATE** 05/09/2018

**STAFF** ABU JADI

## NEW APPLICATION

**NAME** MS. ALICIA DID

**NRIC / PASSPORT** 123456-78-9012

**NATIONALITY** SUNWAYIAN

**COURSE** ACCA

## FEES SUMMARY (FOR FINANCE DEPT USE)

### 1st SEMESTER

TUITION FEES RM 1.50

RESOURCE FEES RM 0.60

RM 2.10

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

<2.2.2.1.C1.1>

Prepared by: Mini John, Finance Executive

Test performed by: John Done

For the period ended: 31.12.2018

Date of test: 03.01.2019

## DATABASE ENTRY

REF NO. #1734278 <2.2.2.1.C2A.1> DATE 05/09/2018

STAFF ABU JADI C1  
Admin staff (ABU JADI) inputs admission details into database.

## NEW APPLICATION

NAME MS. ALICIA DID  
NRIC / PASSPORT 123456-78-9012  
NATIONALITY SUNWAYIAN  
COURSE ACCA

## FEES SUMMARY (FOR FINANCE DEPT USE)

### 1st SEMESTER

TUITION FEES	RM 1.50
RESOURCE FEES	RM 0.60
	<u>RM 2.10</u>

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

<2.2.2.1.C1.1>

Prepared by: Mini John, Finance Executive

Test performed by: John Done

For the period ended: 31.12.2018

Date of test: 03.01.2019

## DATABASE ENTRY

REF NO. #1734278

<2.2.2.1.C2A.1>

DATE

05/09/2018

STAFF ABU JADI

Admin staff (ABU JADI) inputs admission details into database.

## NEW APPLICATION

NAME MS. ALICIA DID

NRIC / PASSPORT 123456-78-9012

NATIONALITY SUNWAYIAN

COURSE ACCA

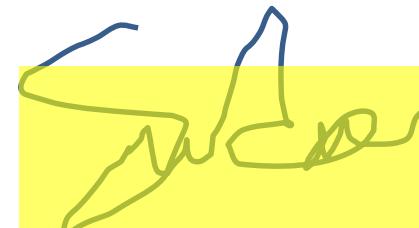
## FEES SUMMARY (FOR FINANCE DEPT USE)

### 1st SEMESTER

TUITION FEES RM 1.50

RESOURCE FEES RM 0.60

RM 2.10



C1

Approval of Admin Office Manager  
(Pn. SUDAH BUAT).

# SUNWAY TES

***DUPLICATE COPY***

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

**CUSTOMER** MS. ALICIA DID

**INVOICE**

**REF NO.** #SI-1734278

**DATE** 05/09/2018

**STAFF** AIDA SIAP

**CASH SALE**

**1st SEMESTER - ACCA**

TUITION FEES RM 1.50

RESOURCE FEES RM 0.60

RM 2.10

# SUNWAY TES

<2.2.2.1.C2A.1>  
Prepared by: Mini John, Finance Executive  
Test performed by: John Done  
For the period ended: 31.12.2018  
Date of test: 03.01.2019

***DUPLICATE COPY***

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

**CUSTOMER** MS. ALICIA DID

**INVOICE**

**REF NO.** #SI-1734278 <2.2.2.1.C1.1> **DATE** 05/09/2018

**STAFF** AIDA SIAP C2A  
Finance staff (AIDA SIAP) collects payment from customer  
(ALICIA DID) and produces receipt.

**CASH SALE**

**1st SEMESTER - ACCA**

TUITION FEES	RM 1.50
RESOURCE FEES	RM 0.60
	<hr/>
	RM 2.10
	<hr/>

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

## DAILY RECONCILIATION

**REF NO.** #05092018001

**DATE** 05/09/2018

**STAFF** AMINAH BUAT

## CASH DRAWER

**OPENING BAL.** RM 5.00

**TRANSACTED** + RM 6.78

**ROUNDING ADJ** -RM 0.03

**CLOSING BAL.** RM 11.75

## CARD PAYMENTS

**TRANSACTED** + RM 0.50

**REGISTERED** RM 0.50

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

<2.2.2.1.C2B.1>  
Prepared by: Mini John, Finance Executive  
Test performed by: John Done  
For the period ended: 31.12.2018  
Date of test: 03.01.2019

## DAILY RECONCILIATION

REF NO.	#05092018001	DATE	05/09/2018
STAFF	AMINAH BUAT	C2B-1	Reconciliation of monies and credit card slips during daily closing, performed by finance staff (AMINAH BUAT).

## CASH DRAWER

OPENING BAL.	RM 5.00
TRANSACTED	+ RM 6.78
ROUNDING ADJ	-RM 0.03
CLOSING BAL.	<u><u>RM 11.75</u></u>

<2.2.2.1.C2B.2>

## CARD PAYMENTS

TRANSACTED	+ RM 0.50
REGISTERED	<u><u>RM 0.50</u></u>

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

## CASH SALES TRANSACTIONS (BY DATE)

**PERIOD** 05/09/2018

**GENERATED** 03/01/2019

<b>REF</b>	<b>CUSTOMER</b>	<b>COURSE</b>	<b>AMOUNTS</b>	<b>REMARKS</b>
#SI-1734277	MS. AVA DONDED	FIA _ 008	0.85	INT'L
#SI-1734278	MS. ALICIA DID	ACCA _ 001	2.10	LOCAL
#SI-1734279	MR. ADAM DO	ENG _ 004	0.12	LOCAL
#SI-1734280	MS. ANGEL DIDN'T	ACCA _ 002	0.95	LOCAL
#SI-1734281	MR. ALBERT D.	ACCA _ 001	0.16	INT'L SCHOLAR
#SI-1734282	MS. AL DIYAH	ACCA _ 002	1.14	INT'L
#SI-1734283	MS. AMANDA D.	ACCA _ 002	1.30	INT'L
#SI-1734284	MR. AHMA D.	ACCA _ 001	0.16	INT'L SCHOLAR

# SUNWAY TES

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

<2.2.2.1.C2B.2>

Prepared by: Mini John, Finance Executive

Test performed by: John Done

For the period ended: 31.12.2018

Date of test: 03.01.2019

## CASH SALES TRANSACTIONS (BY DATE)

PERIOD

05/09/2018

C2B-2

GENERATED

03/01/2019

Breakdown confirms that the transaction has  
been registered in the database

REF	CUSTOMER	COURSE	AMOUNTS	REMARKS
#SI-1734277	MS. AVA DONDED	FIA _ 008	0.85	INT'L
#SI-1734278	MS. ALICIA DID	ACCA _ 001	2.10	LOCAL
#SI-1734279	MR. ADAM DO	ENG _ 004	0.12	LOCAL
#SI-1734280	MS. ANGEL DIDN'T	ACCA _ 002	0.95	LOCAL
#SI-1734281	MR. ALBERT D.	ACCA _ 001	0.16	INT'L SCHOLAR
#SI-1734282	MS. AL DIYAH	ACCA _ 002	1.14	INT'L
#SI-1734283	MS. AMANDA D.	ACCA _ 002	1.30	INT'L
#SI-1734284	MR. AHMA D.	ACCA _ 001	0.16	INT'L SCHOLAR

C2B-3

Transaction totals RM6.78,  
as per <2.2.2.1.C2B.1>

## Walk-through: Cash Cycle

## Walk-through: Purchase/Capex Cycle

# Walk-through: HR Cycle

# Walk-through: Revenue Cycle

## 2.2.3

**Control risk assessment**

## Summary of deficiencies in internal control

#	Issue(s)	X-Ref	Impact(s)	Recommendations
1	Admin manager reviews admission inputs.	<b>2.2.2.1.C1</b>	Admin manager has sole discretion of reviewing the inputs. It is important to consider whether the manager also has rights to input. Manual nature of control increases risk of errors and omission (especially during peak admission seasons of December and April), leading to potential misstatement of revenue.	To prevent input errors and potential override of controls, management is advise to automate the admission process by transferring all responsibility and liability to applicants. Based on our understanding of the client's IT infrastructure and enquiries as per our interview of the head of IT ( <b>2.4.3.2</b> ), its systems already possess the capabilities necessary for doing this with minimum additional cost.

*A deficiency or combination of deficiencies constitutes a significant deficiency if, for example:*

- *Likelihood of the deficiencies leading to material misstatements in the financial statements in the future.*
- *Susceptibility to loss or fraud of the related asset or liability.*
- *Subjectivity and complexity of determining estimated amounts.*
- *Financial statement amounts exposed to the deficiencies.*
- *Volume of activity that has occurred or could occur in the account balance or class of transactions exposed to the deficiency or deficiencies.*
- *Importance of the controls to the financial reporting process, such as:*
  - *General monitoring controls.*
  - *Controls over the prevention and detection of fraud.*
  - *Controls over the selection and application of significant accounting policies.*
  - *Controls over significant transactions with related parties.*
  - *Controls over significant transactions outside the entity's normal course of business.*
  - *Controls over the period-end financial reporting process.*
- *Cause and frequency of the exceptions detected as a result of the deficiencies of the controls.*
- *Interaction of the deficiency with other deficiencies in internal control.*

# Control Risk Assessment #1

# **Control Risk Assessment Conclusion**



## 2.3

# Summary of Risks

**(OPTIONAL)**

## 2.3

### Summary of risks

Activities	Done by	Date	X-Ref
Significant accounts and disclosures	JOHN DONE	03/01/2019	<b>2.3.1</b>
Significant risks	JOHN DONE	02/01/2019	<b>2.3.2</b>

## **2.3.1 Significant accounts and disclosures**

### **2.3.1.1 Significant accounts**

Account Name (as per client)	X-Ref	Financial statement captions	2017 (RM)	2018 (RM)	Con
Revenue	<b>3.1.1.C1</b>	Revenue	- 30,000.00	- 50,000.00	
Cost of revenues		Cost of revenues	20,000.00	30,000.00	
Selling and marketing		Operating expenses	5,210.00	15,000.00	
General and administrative		Operating expenses	600.00	1,868.00	
Impairment loss on intangibles		Operating expenses	60.00	80.00	
...					

I)	Completeness	Existence and occurrence	Accuracy	Valuation	Obligations and rights	Presentation and disclosure	Significant?
00	✓	✓	✓				✓
00	✓	✓	✓				✓
00		✓	✓				✓
00		✓	✓				✓
00		✓	✓				✓

## Explanation for accounts designated as "not significant"

In the instance of "impairment loss on intangibles", such accounts are insignificant not only because they fall under the materiality thresholds (MAT and PM), but also because in the course of our risk assessment, we have sighted and confirmed the relevant management assertions of the entire population and concluded that the balances have been fairly represented.

## **2.3.1 Significant accounts and disclosures**

### **2.3.1.2 Significant disclosures and accounting policies**

<b>Disclosures</b>	<b>X-Ref</b>	<b>Relevant FSC</b>	<b>Com</b>
Property, plant and equipment	<b>2.3.1.2.1</b>	Property and equipment	
...			

Completeness	Existence and occurrence	Accuracy	Valuation	Obligations and rights	Presentation and disclosure
					V

# **SUNWAY TES**

Sunway TES Sdn Bhd (123456-A)  
Sunway Road, Sunway City, 12345 Sunway Country.

<2.3.1.2.1>

**Prepared by: Mini John, Finance Executive**

**Documented by: John Done**

**For the period ended: 31.12.2018**

**Date documented: 04.01.2019**

## **ACCOUNTING POLICY GUIDE 2016-2018**

### **Property, plant and equipment**

#### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### *(ii) Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *(iii) Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

*(ii) Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*(iii) Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital work-in-progress) are not depreciated until the assets are ready for their intended use.

The annual depreciation rates for the current and comparative periods are as follows:

Buildings	2%
<b>Renovation</b>	<b>10% - 20%</b>
Equipment, furniture and fittings	8% - 40%
<b>Plant and machineries</b>	<b>10% - 34%</b>
Solar	5%
<b>Motor vehicles</b>	<b>16% - 20%</b>
Buildings	2%
<b>Renovation</b>	<b>10% - 20%</b>
Equipment, furniture and fittings	8% - 40%
<b>Plant and machineries</b>	<b>10% - 34%</b>
Solar	5%
<b>Motor vehicles</b>	<b>16% - 20%</b>

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

### 2.3.1.3 Comments on significant disclosures and accounting policies

Disclosures	X-Ref	Relevant FSC
Property, plant and equipment	<a href="#">2.3.1.2.1</a>	Property and equipment

The disclosure has been adapted from *MASB 15 / IAS 16 on Property, Plant, and Equipment*, with the exception of not including a paragraph on revaluations. CFO John Dough explains that the company, while in possession of property (where the old building is located), does not revalue its PPE, as the entity has no intention to let go of its property for the foreseeable future.

That aside, we are of the opinion that, since the policies have already been reviewed during the previous audits (and that PPE has not shown any changes, be it additions or disposals, over the past 3 years), this disclosure is valid and reasonable.

## 2.3.2

### Significant risks

#### 2.3.2.1

<b>Risk identified</b>	Revenue recognition
<b>Description of risk</b>	Revenue recognised may be under/overstated as a result of human error during input stage.

<b>Relevant accounts</b>	Revenue - Tuition Fees Revenue - Resource Fees	<b>Error risk?</b>	<b>Fraud risk?</b>
		✓	✓

Relevant factors considered in identifying the significant risk:

We consider that revenue is an account of relatively significant risk as, while there is little subjectivity and complexity involved in this process, it relies highly on human accuracy, giving rise to a risk of error. The number of staffs (the admin and finance department of the entity has only 6 persons) comparative to the transaction volume of paying customers (i.e. 2,392 as of the year under review) is underwhelming -- a factor which further increases the risk of error.

While immaterial individually, these erroneous inputs can ultimately have an adverse cumulative impact on the organisation's financial reporting.

Substantive procedures to address risk identified:

- Using the walkthrough as guidance, perform test of operating effectiveness on controls over relevant cycle
- Perform test of details
- Debtor circularisation (to credit card companies) with confirmations based on receivable amounts

If walkthrough test was performed in conjunction with the above:

Relevant cycle(s)	X-Ref
Revenue cycle	<b>2.2.1.1</b>

Control process activity
<b>2.2.2.1.C1</b> Admin manager reviews admission inputs.

↳ What could go wrong?

There is a likelihood for error and omission. Without review, the error could go on unnoticed until service is provided - where a mismatch of cost and revenue could occur.

↳ Nature and frequency

This control is performed manually, and perpetually / recurring.

↳ Risk of failure

Low.

↳ Effectiveness of design and implementation

To be determined by test of operating effectiveness.

Control process activity
<b>2.2.2.1.C2A</b> Finance staff collects payment and produces receipt(s).

↳ What could go wrong?

...



# 3.0

# Testing

### 3.0 Substantive Testing / Test of Details

Account balances or class of transactions		Done by	Date	X-Ref
1	Property, plant and equipment	JOHN DONE	05/01/2019	3.0.1
2	Investments	JOHN DONE	06/01/2019	3.0.2
3	Trade receivables	JOY DO	05/01/2019	3.0.3
4	Other receivables, deposits and prepaid expenses	JOY DO	06/01/2019	3.0.4
5	Inventories	JOHN DOIN	05/01/2019	3.0.5
6	Cash and bank balances	JENNY DID	06/01/2019	3.0.6
7	Trade payables	JOHN DOIN	07/01/2019	3.0.7
8	Other payables and accruals	JOHN DOIN	08/01/2019	3.0.8
9	Income taxes	JENNY DID	09/01/2019	3.0.9
10	Bank overdraft and other borrowings	JENNY DID	10/01/2019	3.0.10
11	Finance leases	JENNY DID	11/01/2019	3.0.11
12	Reserves and dividends	JHO DONE	12/01/2019	3.0.12
13	Related party transactions and balances	JHO DONE	05/01/2019	3.0.13
14	Revenue	JOY DO	05/01/2019	3.0.14
15	Cost of sales	JOHN DOIN	09/01/2019	3.0.15
16	Operating expenses	JHO DONE	10/01/2019	3.0.16
17	Other income	JOY DO	07/01/2019	3.0.17
18	Payroll expenses	JHO DONE	05/01/2019	3.0.18

# ***Not so fast...***

- Sampling is needed to pick out samples for TOD
- Additional sampling might also be needed subsequently, after discoveries of errors and omissions in an earlier sample
- *Projected misstatements* will take into effect
- Sample selection can also be specific

# Recommendations on *Sampling*

- You might be instructed to pick out “specific samples” by the lecturer-in-charge
- On top of that, please make sure to also take samples from the remaining population

## Reliability factor table

<b>No. of sample errors</b> <i>(points specifically to a. no. of errors in specific sample, and b. sampling of remaining population, or, c. expected number of errors)</i>	<b>Confidence levels</b> <i>(i.e. 100% minus maximum risk auditors are willing to accept)</i>				
	70%	80%	90%	95%	99%
0	1.21	1.61	2.31	3.00	4.61
1	2.44	3.00	3.89	4.75	6.64
2	3.62	4.28	5.33	6.30	8.41
3	4.77	5.52	6.69	7.76	10.05

*Refer to "Poisson statistical distribution"*

$$\text{Sample size} = \frac{\text{Reliability factor} \\ (\text{i.e. Confidence level } \times \text{No. of sample errors})}{\text{Tolerable error rate} \\ (\text{e.g. } 3\%)}$$

# Statistical Sample Sizes for Test of Controls

Five Percent Risk of Assessing Control Risk Too Low  
(number of expected errors in parentheses)

Expected Population Deviation Rate (%)	Tolerable Deviation Rate										
	2%	3%	4%	5%	6%	7%	8%	9%	10%	15%	20%
0.00	149(0)	99(0)	74(0)	59(0)	49(0)	42(0)	36(0)	32(0)	29(0)	19(0)	14(0)
0.25	236(1)	157(1)	117(1)	93(1)	78(1)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
0.50	*	157(1)	117(1)	93(1)	78(1)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
0.75	*	208(2)	117(1)	93(1)	78(1)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
1.00	*	*	156(2)	93(1)	78(1)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
1.25	*	*	156(2)	124(2)	78(1)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
1.50	*	*	192(3)	124(2)	103(2)	66(1)	58(1)	51(1)	46(1)	30(1)	22(1)
1.75	*	*	227(4)	153(3)	103(2)	88(2)	77(2)	51(1)	46(1)	30(1)	22(1)
2.00	*	*	*	181(4)	127(3)	88(2)	77(2)	68(2)	46(1)	30(1)	22(1)
2.25	*	*	*	208(5)	127(3)	88(2)	77(2)	68(2)	61(2)	30(1)	22(1)
2.50	*	*	*	*	150(4)	109(3)	77(2)	68(2)	61(2)	30(1)	22(1)
2.75	*	*	*	*	173(5)	109(3)	95(3)	68(2)	61(2)	30(1)	22(1)
3.00	*	*	*	*	195(6)	129(4)	95(3)	84(3)	61(2)	30(1)	22(1)
3.25	*	*	*	*	*	148(5)	112(4)	84(3)	61(2)	30(1)	22(1)
3.50	*	*	*	*	*	167(6)	112(4)	84(3)	76(3)	40(2)	22(1)
3.75	*	*	*	*	*	185(7)	129(5)	100(4)	76(3)	40(2)	22(1)
4.00	*	*	*	*	*	*	146(6)	100(4)	89(4)	40(2)	22(1)
5.00	*	*	*	*	*	*	*	158(8)	116(6)	40(2)	30(2)
6.00	*	*	*	*	*	*	*	*	179(11)	50(3)	30(2)
7.00	*	*	*	*	*	*	*	*	*	68(5)	37(3)

\*Sample size is too large to be cost-effective for most audit applications.

Note: This table assumes a large population.

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# Substantive Testing



# 4.0

## Completion

# Contents

- Reassessment of Materiality
- Risk assessment update
- Final analytics
- **Completion activities**
- Overall evaluation

# SUAM / SUD

- **ISA 450.12** requires auditors to communicate uncorrected misstatements (other than those that are deemed to be clearly trivial) to those charged with governance,

# SUAM / SUD

- **ISA 450.14** also requires auditors to obtain a representation from those charged with governance as to why the misstatements communicated have not been corrected and their reasons for not correcting them.

Client's Name: Sample Report Sdn. Bhd. Prepared by: \_\_\_\_\_

Year/Period End: 31-12-11 Reviewed by: \_\_\_\_\_

#### PART 6 SUMMARY OF UNCORRECTED MISSTATEMENTS

No	Journal Entries	X-ref	Statement of Financial Position / Balance Sheet		Statement of Comprehensive Income / Income Statement		Effect on net profit Net Dr (Cr)
			DR	CR	DR	CR	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Planning materiality (PM) Effect on Overall Financial Statements			Below PM		Below PM		

	Type of mis-statement	Debit/(credit) to income statement £	Debit/(credit) in net assets £	Debit/(credit) to prior year retained earnings £
<b>Misstatements identified in current year</b>				
Dr Impairment charge	Judgemental	7,000		
Dr Property, plant and equipment			(7,000)	
Dr Deferred income	Factual		12,000	
Cr Revenue		(12,000)		
<b>Misstatements identified in prior years carried forward</b>				
None				
Aggregation of misstatements individually < £5,000	Factual	6,000	(6,000)	
<b>Total</b>		<b>1,000</b>	<b>(1,000)</b>	<b>-</b>

# Audit Report



# 5.0

## Permanent Folder

- Engagement letter
- New client questionnaire (client acceptance docs)
- Memorandum and articles
- Legal documents: leases and sales agreement
- Accounting systems notes
- Prior-year control questionnaires
- Board minutes with continuing importance  
(which will effect the next 3 years)

Time	16 <sup>th</sup> December 2017				
	Auditee 1 NW TR 1 – 3B	Auditee 2 NE 2-9	Auditee 3 NE 2-12	Auditee 4 NE 2-13	Auditee 5 NE 2-14
8.30am - 9.00am	Breakfast				
10.00am – 11.00am	Team 1	Team 2	Team 3	Team 4	Team 5
11.10am – 12.10 pm	Team 6	Team 7	Team 8	Team 9	Team 10
12.10pm – 1.30pm	Break Time/Lunch				
1.30pm – 2.30pm	Team 11	Team 12	Team 13	<b>Open Session</b>	Team 14
2.40pm – 3.40pm	Team 15	Team 16	Team 17	Team 18	Team 19
3.40pm. – 4.50pm	Team 20	Team 21	Team 22	Team 23	Team 24
4.50pm – 5.50pm	<b>Open Session</b>	Team 25	Team 26	Team 27	Team 28