

ICAEW Level 7 Accountancy Professional Apprenticeship



PROJECT REPORT: SAMPLE SCRIPT 3

QUESTION 1

Part A – Continuous improvement

Take responsibility for their own professional development by seeking out opportunities that enhance their knowledge, skills and experience.

Using a situation from your practical experience records:

- describe the situation and your role/responsibilities;
- explain the actions you carried out, and how you demonstrated continuous improvement;
- evaluate how effective you were; and
- describe the lessons you learnt (that could be applied in the future).

Situation and role

I proactively sought out the opportunity to become lead senior on a mid-tier German bank, due to the complexity I knew was involved in the audit. Specifically the entity held a complex defined benefit pension scheme, which usually is audited by subject matter experts. I deliberately sought out this opportunity as I wanted to promote my continuous development by challenging myself in a technical manner.

At my firm one of the core principles of our personal development is to develop our technical competence and thus this situation allowed me the opportunity to focus on my continuous development in this area.

My role was to effectively manage the audit of the complex defined benefit pension scheme and liaise with our pension experts to work on the assumptions underlying the calculation of the fair value of the plan assets and obligations.

Actions carried out and demonstrating continuous improvement

The work involved setting up meetings with the client's actuary and understanding how they had derived the fair value of plan assets and the present value of future obligations the schemes held. This work was of a highly technical nature and involved me understanding the complex accounting treatment behind the pension scheme as well as the in depth subject knowledge of how the actuaries have come up with assumptions. When I had developed an understanding of

the assumptions I had to benchmark these against what our pension experts considered reasonable to determine if there were any outliers or unreasonable assumptions made by the actuaries.

In order to ensure continuous improvement I contacted the pension expert's team and enquired on what training they conducted around these type of schemes, I then independently sought out these trainings and signed on. This involved me attending courses as well as conducting online learning to understand the technical component of the assumptions so I could effectively apply professional scepticism when looking at this scheme. In order to attend these courses I had to take time off work and thus I had to present a business case to my line manager in order to get the training improved. I developed the business case by focusing on how this would improve audit quality through me having an in depth understanding of the actuarial assumptions used, allowing me to challenge how the actuaries had derived them. Furthermore, I also focused on how this was a good example of me continuously developing at the firm as it would give me the chance to carry out learning on the job and was independently sought after and set up by myself.

Effectiveness

I believe my approach to continuous improvement was effective due to me noting a development area, which in this case was a lack of in depth subject knowledge on pension schemes, and targeting my continuous improvement towards this area. The fact I personally identified attending technical courses and doing further technical reading as a development area and found a solution to this development area showed my effectiveness in promoting my own continuous improvement.

The technical courses also allowed me to effectively challenge the actuarial assumptions on the audit I was on and even led to some of them getting changes as they had been far too optimistic. Without the training I received I would never have been able to identify the issues with the actuarial assumptions and thus this demonstrates the effectiveness of the technical training I attended and my overall approach to continuous development.

Lessons learnt

The first lesson I learnt from this experience was that I need to identify where my knowledge gaps are early on and focus on them to improve my continuous development. In this instance I did not take personal responsibility over my continuous development early enough, so the planning meeting had already happened and the audit was due to start in two weeks before I started working out how to fill my technical knowledge gap.

I also learnt that my own continuous development is more effective when I actually attend technical trainings for complex areas before starting an audit as it allows me to have a base level of knowledge to build on. The key lesson I would take forward is to actually physically attend training sessions rather than just conduct technical reading as I found this a more engaging way to learn which helped my continuous development more.

QUESTION 1

Part B – Building relationships

Build trusted and sustainable relationships with individuals and organisations. Consistently support individuals and collaborate to achieve results as part of a team.

Using a situation from your practical experience records:

- describe the situation and your role/responsibilities;
- explain the actions you carried out, and how you built relationships;
- evaluate how effective you were; and
- describe the lessons you learnt (that could be applied in the future).

Situation and role

I was drafted in at late notice to be on the audit team for the first year audit of the branch of a large Chinese bank in the UK. Due to visa issues the manager had to leave at short notice and I had to take over the management of the job including direct communication with the client's Chief Financial Officer (CFO). This situation was made more difficult due to the CFO being unhappy as a result of the change in the audit team and an increase in audit fees from the previous auditor.

My task was to lead senior this first year audit, taking the audit from a planning stage all the way through to completion.

Actions and building relationships

The work involved, first meeting with the client to understand their business and how it operates through conducting a series of planning meetings and walkthroughs around their key business processes. Then I designed a testing approach that would allow the audit team to effectively test all financial statement line items that the client had. This was done in a way that focussed on the most high risk areas for the client, which in this instance was management override of controls and the risk of inappropriate revenue recognition in their advisory fee income.

Once the planning stage was complete and the testing approach had been approved by the engagement leader, I led a team of five people through the field work conducting the testing and addressing and issues or queries raised. I then reviewed the financial statements and supervised the engagement leader review of the financial statements, relaying all comments back to the client for them to address and walking them through updating and amending the financial statements.

I invested time in building relationships with the client despite the prompt departure of the engagement manager. This left the review of the financial statements and the overall contact with the client transferring from the engagement manager to myself at very short notice. I managed this by building a strong relationship with the CFO and Finance Manager by making myself available for face to face meetings and phone calls whenever they needed assistance, even when I was booked on to my next client. I also took the CFO and Finance Manager through the audit plan in a detailed and succinct way, allowing them to ask any questions and raise any issues they may have, this helped them buy into the process of the audit as they felt like there were involved in formulating and tweaking the audit plan. This was done to ensure the client felt valued as a new client and ensured that the client knew that the audit was still being completed to a high standard despite the Engagement Manager leaving.

I also made efforts to develop strong working relationships with the client through clear, concise and articulate communication. I managed communications with a number of the client team to ensure the smooth process of testing and monitoring deliverables received. I also managed my workload around busy periods for individuals in the client's finance team, compiling several questions at once to make the most out of client meetings. This empathy was greatly appreciated by the client.

Effectiveness

My approach to building effective relationships was effective as it helped foster trusted and sustainable relationships through investing time in communicating with the client and getting them to trust myself after the engagement manager left. The focus on face-to-face meetings was effective as it allowed me to demonstrate my commitment to the audit as well as my technical knowledge to the client which helped them develop trust in me as an individual.

There was one area where this approach was not effective, which was with some of the more junior members in the finance team. I had focused on keeping the CFO happy and developing a good relationship with him, but I had not fully walked the junior staff through the audit approach in the same depth. This was not such an effective approach as more junior finance team members did not have the same buy-in to the process of understanding which caused some delays and confusion over why we needed certain deliverables.

Lessons learnt

The key lesson I have learnt is that I should have run the whole finance team and key other members of the firm such as the compliance officer through the audit plan as well. This would have allowed us to have a wider discussion on the audit plan as well as promote more involvement in the process for more junior members. In the future, I would request that the client brings everyone who will be interacting with the audit team to the larger planning meetings, so they can understand why we are doing particular pieces of testing.

QUESTION 2

Ethics and integrity

Identify ethical dilemmas, understand the implications and behave appropriately. Understand their legal responsibilities, both within the letter and the spirit of the law, as well as be aware of the procedures for reporting concerns over potentially unethical activities.

or Professional scepticism

Apply a questioning mind to conditions which may indicate a possible misstatement of financial information due to error or fraud.

Using a situation from your practical experience records:

- describe the situation and your role/responsibilities;
- explain the actions you carried out, and how you demonstrated ethics and integrity;
- evaluate how effective you were; and
- describe the lessons you learnt (that could be applied in the future).

SKILL: ETHICS AND INTEGRITY

Situation and role

I was drafted into a special team working on the Section 166 Skilled Person's Review of a large American Bank in the UK. This review involved looking at the branch reporting that the bank's various branches had to do to the Prudential Regulatory Authority (PRA). This is where the branches fill in forms detailing their various deposits, assets, liabilities and exposures and the capital they should be holding for them and send these off to the PRA.

My role was to test the branch report for the Private Bank entity that was sitting in the UK, this involved agreeing figures that the branch had reported to underlying books and records held by bank.

Actions and demonstrating ethical behaviour

The work involved analysing the bank's calculation of its credit risk on various financial products and challenging the assumptions that the client had used in these calculations. I then had to contribute to a larger report to the PRA where I set out what issues I had found in the credit risk calculations given to us by the client as well as any discrepancies between what the branch had reported and their underlying financial records.

I questioned the data and assumptions when looking at the branch reporting for the client in relation to the deposits number they had reported to the PRA. I did this by asking for a list of customers that held deposits with the Private bank and working out what the average deposits per customer would be. This substantive analytic allowed me to work out that each customer was holding around £36m in deposits in the Private Bank, which when applying professional judgement, seemed far too high.

I went back to the client and challenged their assumption that the deposit amount was correct, and set up a meeting where I presented my findings to them and explained how this did not seem right. The client agreed to look into it and sent me supporting evidence for the deposits

amounts. It had turned out that the client had incorrectly keyed their formula and it had been divided by hundreds not thousands and had been feeding in to the form incorrectly. I subsequently reported this to the PRA and the client had to submit an adjusted branch reporting form to all of the entity's regulators.

Effectiveness

I believe I showed an effective approach to professional scepticism by immediately challenging the data that was provided to me even though it agreed back to the underlying support the client had provided. The fact that I conducted a substantive analytical technique was key to spotting this error and demonstrated an effective use of professional scepticism.

The part of this approach that was not effective was that I waited until the end of my testing to conduct a substantive analytical technique over the deposits number, whereas, if I had done this from the start I would have spotted the error quicker. Substantive analytics are a great way for me to work out if data or assumptions provided seem reasonable. Thus to be more effective I should have done this from the start to work out what areas I would focus my testing and queries in.

Lessons learnt

The key lesson I would take from this situation is that I need to always question any data or assumptions that clients provide initially, before conducting any further testing as this will allow me to apply professional scepticism proactively. This is particularly important as I have found that sometimes I conduct testing and then only properly challenge key data or assumptions if they seem incorrect or do not agree with my knowledge of the business. However, if I was to proactively question all data and assumptions proactively from the start it would allow me to apply it to all areas of the audit as well as identify more errors the client has made.

QUESTION 3

Business insight

Influence the impact of business decisions on relevant and affected communities based on an appreciation of different organisations and the environments in which they operate.

Using a situation from your practical experience records:

- Describe the situation and your role/responsibilities;
- Explain the actions you carried out, and how you demonstrated business insight;
- Evaluate how effective you were; and
- Describe the lessons you learnt (that could be applied in the future).

SKILL: BUSINESS INSIGHT

Situation and role

I took on the job of lead senior on a Hong Kong broker dealer in my first year on the audit, which offered a challenging but rewarding experience. This involved managing the audit from the planning stage until the completion stage, including continuing to tie out work and communicating with the client after my booking had officially ended. The client operates a complex international presence with various teams feeding in to the audit opinion in the UK and the majority of revenue arising from complex transfer pricing agreements between various entities in different countries. This compounded the complexity of the audit and led to there being many different work environments I had to manage complex arrangements as the client was headquartered in Hong Kong, ran from the UK, had service delivery centres in Singapore and India and had part of the finance team situated in the Netherlands.

My role as lead senior of the audit involved working across all these different work environments and managing our audit teams and communicating with client teams in the various territories. Due to a tight audit budget all of the running of the various audit teams had to be done remotely from the UK and involved reliance on other audit teams through a series of shared service memos.

Actions and business insight

I had to ensure that I demonstrated an understanding of different work environments across the different territories the audit team was in as well as understanding the different objectives of the client teams and the audit teams in these various locations.

I sought to get the best out of the multi-cultural teams while working on my client by managing my associates in London. I also had to manage testing conducted for us by the audit team in Singapore and Hong Kong. Furthermore, I managed key client contacts not only in London but also in the Netherlands, Hong Kong, Singapore and India. I adapted my approach to each team to ensure that I was able to get the best out of working with each distinct group, for example ensuring that I called Singapore to discuss deliverables rather than emailing them so I could ensure they understood what I was looking for.

I also attempted to show my understanding of different work environments by modifying my behaviour to the different environments I was working in, including adopting a more casual and

approachable demeanour with my juniors on the audit team so they felt they could approach me. I juxtaposed this with a more formal approach with the client's CFO, including devoting a large amount of time to ensure he was comfortable with the process of the audit and felt involved, as I could tell this was important to him.

Effectiveness

The approach I took, when adapting my approach to different work environments, was effective as it promoted a more casual and trusting environment within the audit team but also made the client feel respected and involved in the process. The approach to calling Singapore rather than emailing them was also effective as this took into account the different work environment in Singapore where the team required more direct interaction and support from myself, especially when they were required to challenge the client.

One area where my approach could have been more effective was that I could have utilised the technology around me to make the team as a whole feel more involved in the process. For example I could have broken down the barriers created by geographical distances by utilising our virtual communication software to review my juniors in Singapore's screens and talk them through the work they had to do.

Lessons learnt

In the future I would ensure that I called my other teams and utilised all technology available in order to allow me to integrate those working overseas in to the UK team. This would allow me to create a working experience more akin to working with someone face-to-face, when this is not practicable.

Furthermore, I will ensure that going forward I will try and mirror the working environment of the client I have by approaching them in a more or less casual way depending on how they approach me and what approach they seem to prefer.

QUESTION 4

Flexibility

Adapt approach to assist organisations and individuals to manage their conflicting priorities as circumstances change.

Using a situation from your practical experience records:

- describe the situation and your role/responsibilities;
- explain the actions you carried out, and how you demonstrated flexibility;
- evaluate how effective you were; and
- describe the lessons you learnt (that could be applied in the future).

BEHAVIOUR: FLEXIBILITY

Situation and role

I was assigned the role of Lead Senior on a large brokerage business in London auditing the overall operations of the Group in Europe and conducting group reporting for the parent entity in the US. This year our firm was struggling for resources and thus the job had far fewer people working on it than in prior year. This issue was compounded by the year-end of the client being changed which meant the audit was being conducted during the exam season and the associates I had been assigned had to revise for their exams alongside completing the audit.

As senior associate I had to identify areas where I could find efficiencies in the audit in order to adapt our approach from the prior year, due to change in circumstances caused by our lack of resources.

Actions and business insight

Firstly, I had to identify where we could offshore our low risk testing. The work was sent to our service delivery centre teams in Poland and India to minimise the workload on the UK team. I noted that we would be able to offshore obtaining external confirmations, completing lead schedules and the testing of some basic expense controls to our teams in India and Poland.

I also had to identify areas where our testing approach could be adapted to be more efficient without compromising audit quality due to the lack of resources. This included changing testing methodologies or getting more junior people to step up to conduct more complex testing.

Finally, I had to get my associates to focus on the audit while being understanding of their commitments in relation to their exams.

I familiarised myself with complex audit methodology in order to improve audit efficiency by changing the approach for my client. This was shown by the change in testing approach for the 'cost plus' revenue contracts held by the client. In the prior year 100% of the revenue had been tested as part of target testing, however, in the current year I changed the approach to use non – statistical testing for the cost plus revenue which greatly reduced the amount of sampling that was required. This was correctly justified and an in-depth technical explanation for the change in testing technique was given to ensure that audit quality was not compromised. I deliberately adapted my approach to

the audit as circumstances had changed from the prior year, where the job had plenty of resources, and thus I had to adapt the approach to be more time efficient.

Furthermore, I adapted the approach on the audit to work around the associates who were studying for their exams, as this required a flexible approach. I engaged with them to work out a plan to allow them to efficiently manage their workload and feel supported during this stressful time. I achieved this by agreeing to front load work with them and agreeing a schedule of expected working hours at the start of the audit. This contrasted with the approach from the prior year where the end of the audit had been busier. This ensured that they knew they would be able to leave at a respectable time in the lead up to their exams, which significantly took the pressure off them. This showed me managing the conflicting priorities of the associates as they wanted to complete the audit but also had to focus on studying for their ACA exams so they could pass them.

Effectiveness

My approach was effective as it allowed us to adapt to changing circumstances such as fewer resources by changing the testing methodologies of areas to be more efficient. Furthermore, audit quality was never compromised which meant that the flexible approach taken had been effective and not compromised the audit.

In addition, the approach taken with the associates was effective as it caused them to buy-in to the audit approach and take responsibility of their own testing areas from very early on. This allowed the audit to be completed without them compromising their exam success due to the approach of front loading work.

Finally, my approach of consulting with the associates early on was very effective as it caused them to buy-in to the audit and my leadership of it as they felt like they were being respected and I was adapting the audit approach to suit their circumstances.

Lessons learnt

The key lesson I learnt is that a flexible approach is needed when circumstances change and you have to be willing to identify areas where you focus efficiencies on. For example, I noted key areas which we could offshore to our delivery centres, while recognising there was high risk work that should not be sent to them.

I also learnt that you have to get buy-in from your team when changing the approach from the prior year. I learnt that consulting your team as early as possible is a good way to ensure they buy-in to the changed approach.