

Debrief



Congratulations

on completing

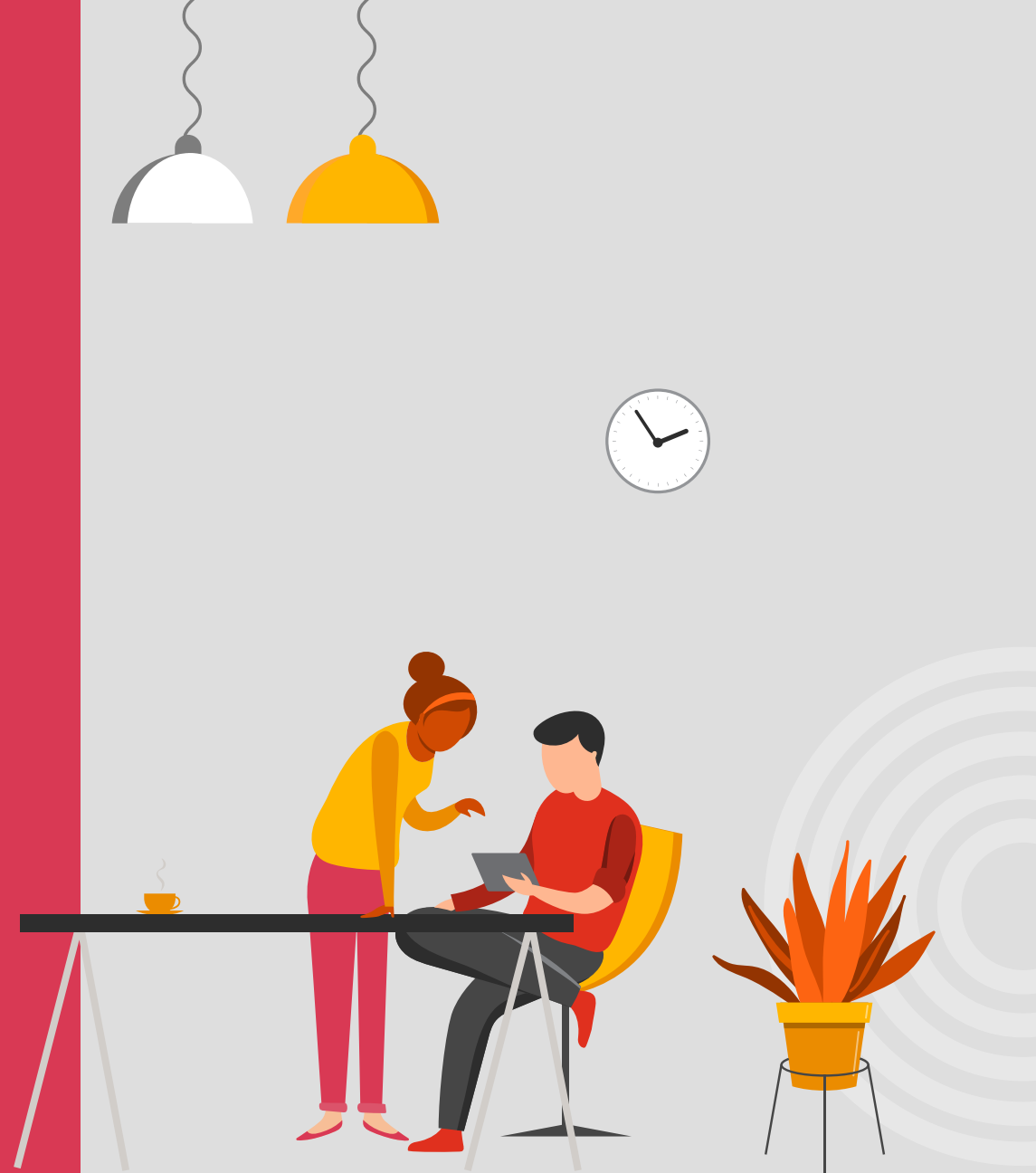
your

activity

The following slides contain example and suggested answers.

We expect that you may have thought of varied and/ or different answers to the ones provided in this debrief.

We hope that you have enjoyed applying your knowledge to the task, and that the examples below help build on your learnings and understanding of what a career in audit could involve.



Task 1: PESTLE Analysis (suggested answer)

Political

- Brexit issues impact farming and fishing, such as policy changes and supply chain issues arising from these.

Economic

- Inflation and rising costs for borrowing money, such as any mortgages on their property.
- Increased utility cost may have an impact on expenditure.

Social

- Social media and tapping into influencer marketing - what's the ROI?
- Cost of living crisis may impact consumer habits.

Technological

- Technological developments offer new e-commerce platforms to better track customer data and automate marketing campaigns.

Legal

- Food safety laws governing the provision of food.

Environmental

- Weather and climate change could influence the growing conditions and availability of crops.

Task 2a: Stock count (suggested answer)

Stock item number	Stock description	Units held	Value per unit	Total value held as per stock listing	Number verified via stock count	Total value stock held	Misstatement?
001 -1000	Chicken Tikka Masala	10	£6	£60	11	£66	x
001 -1001	Lamb Ragu	7	£6	£42	7	£42	
001 -1002	Creamy Chicken Tarragon	8	£6	£48	7	£42	x
001 -1003	Aubergine Lasagne	6	£6	£36	4	£24	x
001 -1004	Lentil Chilli	8	£6	£48	8	£48	
001 -1008	Proper Mash	10	£3	£30	10	£30	
001 -1011	Mixed Salad	6	£3	£18	5	£15	x
TOTAL				£282		£267	

Task 2b: Inventory

	Item	Quantity	Historical Value	Total Historical Value	Total NRV
Mains	Chicken Tikka Masala	75	£1.50	£112.50 ✓	£187.50
	Lamb Ragu	34	£2.10	£71.40 ✓	£85
	Creamy Chicken tarragon	46	£1.33	£61.18 ✓	£115
	Aubergine lasagne	14	£0.98	£13.72 ✓	£35
	Lentil Chilli	24	£1.05	£25.20 ✓	£60
	Prawn Red Curry	35	£2.75	£96.25	£87.50 ✓
	Traditional Fish Pie	35	£2.45	£85.75 ✓	£87.50
Sides	Proper Mash	75	£0.86	£64.50	£37.50 ✓
	Triple Cooked Chips	80	£0.97	£77.60	£40 ✓
	Fresh Greens	56	£0.84	£47.04	£28 ✓
	Glazed Carrots	45	£0.82	£36.90	£22.50 ✓
	Mixed Salad	64	£0.79	£50.56	£32 ✓
Total Inventory value:				£617.25	

Net Realisable Value

Mains : $6 - (2 + 1.5) =$

£2.50

Sides: $3 - (2 + 0.5) =$

£0.50

Marketing costs (inc social media)

£2 per item

Modification costs (e.g. cooking, preparing, packaging)

£1.50 per main

£0.50 per side

Task 2: Audit procedures (b & c) (suggested answer)

b) How much the total inventory should be valued at in the financial statements?

£617.25

b) Is Sustedible's valuation correct?

No - it's too high (they have taken the higher of the two values instead of the lower)

c) What risks might we encounter as auditors? Did you encounter any?

- Controls issue - inventory was incorrect and some stock was in the wrong place
- Records can be altered and purposefully misstated (i.e. fraud)

What is our role as auditors in dealing with those risks?

- Flagging and investigating any abnormalities, independently or with the client if appropriate
- Reporting any unusual behavior which we believe maybe an example of fraud and escalating appropriately

Task 3: Closing the audit (suggested answer)

We've added some items an auditor might want to include in their final discussions with the client, such as a discussion of the adequacy of their controls (which might be based on some of the risks you've previously identified such as the stock count and inventory) and any adjustments that the client needs to make, such as the inventory balance on the balance sheet due to their incorrect method of valuation. There is no right or wrong answer to preparing the agenda, however, this may help give you a sense of what could be included.

Clearance agenda

- The adequacy of internal controls and process of preparing the financial statements.
 - *The controls when counting stock are insufficient*
 - *The client needs to ensure they are valuing inventory at the lower of Net Realisable Value and historic cost*
- Proposed adjustments to the financial statements.
 - *Adjustments to the stock amounts highlighted in the stock count*
 - *Adjustment in the total inventory balance on the balance sheet due to incorrect valuation*
- Confirmation of the auditors independence.
- Confirmation of the matters to be included in management's written representation.

Auditor's opinion

- When an auditor is able to conclude that the financial statements are free from material misstatement they express an unmodified opinion (ISA 700).
- This will include that 'the financial statements give a true and fair view'.
- There are two circumstances when the auditor may choose not to issue an unmodified opinion and a modified opinion is issued:
 - When the financial statements are not free from material misstatement or
 - When they have been unable to obtain sufficient appropriate evidence.

A career in Audit



Next steps

- Read more about audit on our [website](#) and apply for the role that's right for you.
- Sign up to our [Talent Community](#) to hear about upcoming roles, events and opportunities.
- Attend one of our [Virtual Park](#) events to meet our people and get hints and tips for applying to one of our roles.





Thank you