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TRAINING AND LEARNING AS A NEW RECRUIT

Thesis

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Abstract

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<p>The thesis was written about the training given to new recruits by the author's employer and functions as evidence of the author's workplace learning.</p> <p>The thesis, written by diary method, has been created to assist with the professional development of the thesis author and to give feedback on the effectiveness of the training for the benefit of the author's employer.</p> <p>The finished thesis did not assist with the professional development of the author as much as initially expected. However, the process of writing the thesis fulfilled that purpose. The secondary objective, to give feedback on the effectiveness of the training of new recruits, was achieved by presenting the employer with recommendations based on the thesis work.</p> <p>The author of the thesis has signed a non-disclosure agreement with the employer and therefore, the name of said employer will not be revealed in the thesis.</p>		
Key words Accounting, Financial Audit, Learning Diary, Professional Development, Training		

CONCEPT DEFINITIONS

Assurance - the financial audit service line in the Firm

Assurance Training - the mandatory training before a new recruit may start regular daily work tasks in the Firm.

FSLI – financial statement line item.

IFRS – International Financial Reporting Standards.

ISA – International Standards on Auditing issued by International Federation of Accountants (IFAC) through International Auditing and Assurance Standards Board (IAASB).

Software X – code name for the software employed by the company.

Self-study – the official time spent on mandatory learning through the online platform provided by the Firm.

The Firm – the company where the learning diary was written.

Time Tracker – code name for the software used to report and review time spent on projects and sub-projects.

Whistleblower – A person who reveals information that is or information on activities that are illegal, unethical or not in accordance with the company code of conduct.

Whistleblower line – a usually anonymous line or method for sharing information on illegal, unethical or other unacceptable behaviour.

ABSTRACT

CONCEPT DEFINITIONS

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1 INTRODUCTION

The thesis documents the learning of the thesis author in an accounting firm as an (financial) audit associate over a 9-month period. The thesis functions as evidence for the said practical learning. The goal of the thesis was to assist with further professional development of the author by mapping the learning in a systematic way so that upon review areas of strengths and weaknesses can be identified along with new learning opportunities. A secondary objective was to use the learning diary as the basis for giving feedback to the Firm regarding the effectiveness of their training system for new recruits. The thesis will review the learning in review and discussions chapter. The conclusion of the thesis is presented in the chapter conclusion.

To best facilitate achieving the goals set for the thesis, the diary method was selected as the structural model of the thesis. The resulting learning diary was divided in chapters by the key learning areas. Each learning area documents the learning and development over a selected number of weeks. The number of weeks was determined based on the amount of practical learning in an area in a given week, with some weeks having no impact on an area while other weeks focused solely on a single area. Weeks with no significant contribution to learning and development have not been documented. If the instance of learning in an area continues over multiple weeks, the weeks may be grouped together for the purposes of the learning diary. A separate chapter is dedicated to the Assurance Training. Assurance Training is an intensive pre-work training program of two weeks that all new recruits have to go through before they may start with regular work tasks.

The learning diary was written continuously during the coverage period (September 2017 until May 2018), however, some weeks' learning entries have been revisited later to provide a clearer picture with hindsight in mind and with improved perspective over time. This is most relevant in places where, for example, the topic covered in the training does not become an actual skill until much later with repetition, or the understanding of why a procedure is necessary before an actual failure highlights the need for such.

The learning diary was initially recorded in the first person perspective in the author's personal notes during or immediately after each instance of significant learning. Where necessary for the ease of reading, for best reflecting the learning experience, when required for clarifying passive constructions

and when required for stating the author's opinion in specific, the first person perspective is used in the thesis. The first person perspective is also used for the introductory narrative below.

How did I get the job, an industrial management student in an accounting firm of all the places. For one, the Firm advertised the opening in a newspaper and my grandfather happens to read newspapers. A quick phone call later, I found myself on the Firm's website, filling out an application. Not knowing much of the Firm, the application got me hooked. To be more specific, it was the aptitude tests. The tests included numerical series, logic and numerical reasoning tests, created by a world-renowned company but modified for the Firm. There were additional rounds in the selection process such as teamwork day and language tests. Then there were two rounds of interviews, the first of which included further tests while the second was of a more general nature. It was fun throughout the process and a short three months later, I found myself behind a desk in Assurance Training.

Financial audit is the process of gaining assurance that information in a financial statement is fairly presented. More specifically, financial audit gains assurance that the financial statement follows the applicable accounting standards and does not contain material misstatements. The result of a financial audit is an issued opinion, to be attached to the financial statement, on whether the information in the financial statement is fairly presented or not. My role in a financial audit is to gather evidence. Evidence is gathered to gain assurance, which is part of the main goal of an audit.

2 ASSURANCE TRAINING

The Assurance Training program must be looked at as a comprehensive whole and therefore, this chapter does not follow the structure of the rest of the learning diary. That means this chapter will not be split into weeks of learning. Instead, it will be organised as it is meant to be presented by the Firm to the new recruits. The period of learning the Assurance Training covers is from day one of work until two months from the date of joining the Firm. A more detailed timeline is given below.

The Assurance Training is the most regimented and task-driven and it covers the most topics of all the various training sessions that I have had to go through during my 9 months in the Firm. It includes some of the most cohesive learning materials I have ever had the opportunity to use, it is well structured and the lecturers are qualified professionals.

The aim of Assurance Training is to enable the participants to perform their roles and responsibilities proficiently, within the Firm's policy and as set out in the audit guide and related guidance. Specifically, it strives to:

- Explain the importance of displaying the Firm's learning program behaviours in delivering a distinctive team and client experience.
- Explain key elements of the Firm Audit and perform the audit of FSLIs typically assigned to a new hire using Software X.
- Describe the importance of coaching and self-learning in developing a new hires' professional judgement.
- Specify where new hires can get further help and support after completing the Assurance Training programme.
- Accept that your fellow participants are a valuable resource for your learning, and begin to build your personal network. (the Firm 2017b)

The Assurance Training is split into three separate programs. These are the assurance foundation or the basics, there is the assurance experience or simulation and then there is the assurance self-study or web-based learning. The three programs differ in the method, but they all serve the common goal of preparing the new recruits for their work tasks. They are also relatively intertwined. The assurance self-study program has multiple compulsory web-based learning modules that introduce the new recruit to financial audits. These first pre-work self-study modules have to be completed before the start of the assurance foundation training. The projected time to complete these is 11 hours and 30 minutes. The assurance foundation then covers all the critical theoretical frameworks required to complete one's daily tasks. It also introduces the most important tools and tasks. The assurance foundation is run in-group classroom sessions by professionals from the Firm who have received specialised teaching training. The classroom

training lasts for 6 days of approximately 8 hours each day. There are some breaks, general Firm info and teambuilding sessions mixed in for variety and rest for approximately 2 hours per day. The foundation is immediately followed by assurance experience that is in essence a simulation for two days of two days of daily work with Q&A and review sessions mixed in. It is followed by a final assessment the results of which help the Firm to review the effectiveness of their teaching along with the level of new recruits. Upon the completion of the above, the new recruit may start with their daily work tasks. Last but not least, there is the bigger part of assurance self-study modules to be completed after the assurance experience simulation with a final deadline in two months from the day of joining. The expectation is that the self-study will take 72 hours 30 minutes.

The self-study program is accessible online for the Firm's employees. The self-study web-based platform is the most common method of teaching and learning in the Firm. The Assurance Training portion of it contains a wide variety of learning modules, each of them consisting of three parts. The first part is the goal and mission statement, including what the new recruit will have learned by the end and what tasks will he or she be able to conduct. I find this to be very helpful in highlighting the topics I need to focus on most when working through the second part as the second part is often heavy on new information. The second part is the core content. It often consists of both a theoretical framework and practical examples. The third and final part is an assessment. Occasionally the assessment is integrated in the second part. Nearly all assessments require 80% of the answers to be correct for a pass. If failed, some assessments require the second part to be repeated before another attempt while most simply require a retake of the assessment. After all the regular three-part modules have been completed, the final assessment tests have to be taken. There are three of these and each takes between 60 and 90 minutes. However, these differ from the regular module assessments by giving one a random set of questions. If one fails, the second try might have some repeating questions while most will be new. This was further confirmed by speaking to other new recruits after the assessment with there being very little to reconcile and compare. The global development team of the Firm's headquarters prepares the self-study modules. They are some of the most cohesive learning materials I have ever used. There is a wide variety of tools and structures used: from regular presentations to a full 60-minute movie of Hollywood quality on a single topic, to comic styled materials and examples, to "how to ..." videos of Youtube style. Out of all the structures, my favourites are the simulations with diverging path questionnaires of what should be done/asked in this situation (dependant on the answer the next question/situation changes). These simulations often present complex situations alongside with questions such as what is ethical and what is the proper behaviour according to the code of conduct. For example, choosing to ignore a case where the manager abuses another colleague leads to the colleague's nervous breakdown

and subsequent termination of employment. It is the most effective way of emphasising the importance of the code of conduct and whistleblower lines.

The assurance foundation training is reminiscent of regular classroom-session based standard school experience. However, I consider it more effective and efficient because of the following. Firstly, everyone in the room is interested in what they are learning. Secondly, the teachers use a variety of teaching methods. For example, to emphasise the importance of coherent and precise documentation of work performed¹ all of the new recruits, split into teams, are told to draw the same object but the specifics (such as dimensions and design) are left open for each team to choose as preferred. Once the drawings are completed, the recruits are given 5 minutes to write instructions for re-drawing their objects. Then each team's drawing instructions are randomly given to another team for recreation. Finally, the recreations are compared to the original works. My team got it all wrong as the instructions given to us led to a completely different drawing from the original. On a slightly more positive note, our team's written instructions given to another team for recreation lead to a drawing that vaguely resembled our original drawing. I am positive that I would not remember that this experiment ties in to the requirements of ISA 230.8 (International Standards on Auditing) if it had not been covered by this alternative method. The part of ISA 230.8 that is connected to this experiment is the following:

The auditor shall prepare the audit documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed to comply with ISAs and applicable legal and regulatory requirements; The results of the audit procedures and the audit evidence obtained (IAASB 2009a).

Thirdly, everything that is being learned has an application or relates to an application in the new recruits' daily work tasks. The program and materials have been created in such a way that the teaching of even the wider framework and theoretical basis can be and is shown to relate to actual work tasks. I find this to be more motivating than, for example, learning calculus in high school where one can rarely see how it helps with anything in the future. More importantly, seeing the threads connecting the theoretical framework to the daily tasks, I am able to form mental connections. The more mental connections I can make of or to a theoretical foundational sentence/paragraph (e.g. a set of rules), the more likely I am to recall it later. Last but not least, the learning sessions themselves often had the lecturers bring out the mistakes they had made, why they had made them, what had been the implications, how they had solved/fixed (if applicable) the mistakes and what did they do to avoid the same mistakes

¹ It is important to distinguish between two works performed. One is the systematic (step-by-step) description of the tasks and actions performed. Second is the resulting workpaper of work performed that includes the systematic description of work performed. In this particular instance, the author refers to the former.

in the future. This had two results. First, most of these were mistakes that the new recruits were likely to repeat. Hearing personal stories helped to highlight and thus focus on the actions taken to avoid such mistakes significantly more than simply mentioning those actions in a standard lecture would have. The second result was that it helped to further advance the Firm's culture of open and free communication: when in doubt ask questions. Hearing about the mistakes the experienced members of the Firm had made alleviated some of the fear in regards to admitting not knowing something or of having made a mistake myself.

The assurance experience session was a two-day simulation of real work tasks. It covered tasks which new recruits were most likely to have to perform early on in the working life. There were a few exceptions as some of the more critical tasks of final audits² were also covered. The simulations included interviewing clients and performing audit work at a client's premises. Audit work at the client's premises includes requesting the audit materials, performing the work, asking for further materials and performing further work where necessary, reaching a conclusion and if any issues were identified, interviewing the client in regards to it. Some lecturers filled the role of clients, a few played the role of team managers, but in comparison to the actual work in the first few months the sessions had much less support from the roles of team managers than in real daily work situations.

The foundation and assurance trainings were followed by the final assessment. It is a test based on which the new recruits are assessed on the topics covered in the Assurance Training up to this point. The test results were then used by the lecturers to give the new recruits personalised feedback on which areas should he or she focus more on and which areas could use just revision. This was the final part of the classroom training. Most of the Assurance Training self-study modules remained to be completed over the next two months.

² The audit is generally split into three phases, planning, interim and final. See chapter 4 for more details.

3 RISK MANAGEMENT

This chapter starts with a theoretical overview covering important terms and concepts. The chapter is then continued in the sub-chapters in learning diary format. The theoretical understanding is documented below.

The final product of the Firm's auditing service is the independent auditor's report attached to the company's financial statements. The expectation of any client is for the Firm to reach a conclusion that allows for the following opinion, or similar, in the independent auditor's report: in auditor's opinion, the financial statements present fairly, in all material respects, the financial position of "company name" as at "date" in accordance with financial reporting standards as adopted by (country or the EU) (the Firm 2017c; IAASB 2009b).

It is not necessary, and due to the time-resource constraints it is probably impossible, to test every single bit of information during a financial audit. If everything cannot be tested and the Firm still has to issue an opinion, the goal becomes to get as high a confidence as possible in that everything is presented fairly. This is most often called a reasonable assurance. Therefore, we look at risk management. This covers the first part of the opinion. The second, regarding material respects, can be explained in the following way. The stakeholders, who are the main interested party and the target of the independent auditor's report, also want to gain confidence in the financial statements, but rarely care if, for example, an employee of the audited company has lost 5 euros of the company's cash. That is why the phrase "material respects" is important. Everything below the determined thresholds is immaterial and immaterial misstatements do not generally matter. The thresholds are determined individually for each audit. Determining the thresholds will not be discussed in this learning diary.

To summarize, the goal of the audit is to gain as high a confidence in the fair presentation of financial statements as possible and that can be done by assessing the risk of misstatements. Immaterial misstatements are generally not a concern in an audit. Thus, any financial audit should focus on identifying and managing the risks of material misstatements. Hence, it is of no surprise that the assurance training covers much risk management and much on the job learning happens in this area, especially so as most decisions made and actions taken are made by considering the risk management aspects.

3.1 Weeks 1-2

The first two weeks of the employment consisted wholly of Assurance Training. What was learned is documented below.

3.1.1 An understanding of audit from the perspective of risk

I learned the purpose of an audit, from the perspective of risk. The purpose of an audit is to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit conducted according to ISA does not guarantee that a material misstatement will always be discovered. Misstatements may be caused by fraud or mistakes. They are material if with reasonable assurance it can be assumed that the misstatement alone or together with other misstatements may affect the decisions made by the users (readers) of the financial statements. (The Firm 2017c; IAASB 2009b)

3.1.2 Types of risk

There are three types of risks in audits: inherent risks, control risks and detection risks. Inherent risks mean the susceptibility of an account balance or class of transactions or disclosure to misstatements, before consideration of related controls. Control risks refer to the risk that a material misstatement will not be prevented or detected and corrected by the company's internal controls. Detection risk is the risk that our audit procedures will not detect a material misstatement that exists in the financial statements. These three form what is collectively known as audit risk and is often summarised as the risk that an auditor issues an inappropriate or false audit opinion. The above was presented to new recruits along with a great visual aid. There was a picture with a selected number of bricks falling down where the number bricks represented the level of inherent risk. The higher the number of bricks, the higher the inherent risk. Controls form a safety net that is supposed to catch as many bricks as possible. The higher the control risk, the higher the chance that bricks (misstatements) go through either due to the high number of bricks or a lacking safety net. The second and final safety net is the detection risk. By adding more procedures, auditors could make the so-called safety net tighter. In any case, on the bottom of the picture under the safety nets sits an auditor with the bricks looming above. This represented the audit risk. An auditor issuing an incorrect opinion would often equate to being "hit by a brick".

I learned about the different financial statement assertions. Assertions are statements describing what is correct in an area, categorised by type and related to a variety of potential misstatements that may occur. According to ISA 315 (IAASB 2009c), there are the following assertions: accuracy, completeness, cut-off, existence, occurrence, classification, understandability, right and obligations, valuation and allocation. While the ISA assertions are formulated simply as statements of what is correct in an area, the negative opposite of each assertion would be a misstatement. Hence the phrasing: related to a potential misstatement. A potential misstatement is a risk from audit perspective and a risk has to be managed in audits. Therefore, by confirming that an assertion is true, we manage the risk of unidentified misstatements. Per FSLI (Financial Statement Line Item) class, all relevant assertions have to be checked, but for the purpose of the example, I select existence in fixed assets. A client presents in their financial statements that they have fixed assets, but there is a risk that they do not have the said fixed assets. In that case, an audit procedure to cover the existence assertion for fixed assets (to confirm that the assertion is true is to manage the risk of a misstatement related to the, in this example, fixed assets) would be physically inspecting if the fixed assets are there. Therefore, an assertion could be summarised as a positive statement related to a type of risk (of misstatement) that has to be covered by an audit procedure to manage the risk. Hence, the wide use of the following question in later weeks: what assertions are covered with this audit procedure? See Appendix 1 for a detailed description of each assertion from ISA 315.

3.2 Week 3

Week 3 was the first time I had to perform risk assessment analytics. It is typically one of the first procedures to be performed in any audit. As risk assessment analytics is the basis for many further procedures, my manager supervised my work and assisted me much more than he had done during other tasks. Risk assessment analytics is performed by documenting the values of all FSLI-s and then looking at each FSLI value individually and in comparison to the previous years to identify potential additional risks. The Software X automatically creates a selected number of standard risks per FSLI, predetermined by the Firm. Risk assessment analytics is where by a systematic analysis of the FSLI values and changes in the FSLIs over time new potential risks might be identified and thus added to the audit. Another thing I learned is that while potential risk would be an oxymoron in regular English, in accounting and auditing vocabulary potential risk and potential risk of material misstatement are commonly used. Apparently,

there is need for distinction between the different types and likelihoods, but the finer details elude my understanding.

During a meeting with my supervisor and the project leader, we discussed risk assessment. Risk³ assessment is another one of the earliest procedures to be performed in an audit. Risk can be classified as the risk of fraud and the risk of error. Other than risk assessment analytics, which covers both of the aforementioned types to an extent, risk assessment discussions typically focus on the risk of fraud. During the discussion, we considered the existence and level of the three components of fraud. The basis for all such discussion in the Firm is the fraud triangle that originates from Donald R. Cressey's book *Other People's Money* (the Firm 2017a [Cressey 1971]). The Firm's adjusted theory is that to commit fraud at least two of the three following criteria have to be met: the opportunity to commit fraud, the incentive or pressure to commit fraud and the rationalisation or attitude towards fraud. Of these, the lack of opportunity is generally the most important and even if the other criteria are met, the risk of fraud will be low or non-existent. However, as determining the level of opportunity to commit fraud has an element of professional judgement in it, as with all judgemental matters, there is a risk of mistakes and thus, fraudulent activities can still happen. As part of this meeting, we ended up rebutting a standard fraud related risk that is predetermined by the Firm for all audits, because there was no incentive, the attitude towards fraud was one of no-tolerance and the opportunity was determined to be non-existent. Rebutting a risk will more often than not result in requiring a smaller amount of assurance for the respective FSLI. The process of rebutting is explained in more depth in chapter 4.1.

3.3 Week 5

Software X has a built-in system view where the level of risk and reliance on controls per risk per FSLI are determined. Further, the same view enables one to select relevant assertions per risk. Taking into account the risk assessment performed in week 3, I have to determine the levels of risk and relevant assertions. The selection of relevant assertions (which assertion is relevant in what case for which FSLI and risk) is something I will not fully comprehend until much later and even then I still rely upon the built-in aids in Software X and the guidance of my supervisors. The process described in this paragraph

³ The word risk is used in a variety of ways, to define a number of select definitions and types. The thesis' author has deemed it least confusing to use the different meanings in the order documented in the original learning diary. The classification of types of risk described in this paragraph (chapter 3.2, paragraph 2) is, therefore, for the sake of clarity, purposefully remitted from the chapter 3.1.2 "Types of Risk".

is called risk strategy. Risk strategy also includes one further step, choosing risk responses in the form of work to be performed to manage each risk. Work to be performed (evidence to be gathered) is explained in more detail in chapter 4.1.

3.4 Week 38

When revisiting and reviewing some earlier records of this learning diary, I discovered that I had misunderstood assertions. While I most likely knew the correct definition of assertion in week 1-2, over time my understanding of assertion had changed from the fact that it is a statement of “all things are well” and that we try to confirm all things are well, to that assertion itself is a statement of risk that has to be covered with an audit procedure. Fortunately, the misunderstanding has not had any significant implications.

4 AUDIT SPECIFIC

It is important to distinguish between the three phases of audit: planning, interim and final. The tasks performed in each vary to an extent. New recruits join in autumn when most of the interim audits are performed. Planning is performed either before or during the interim audits. Therefore, most of the early learning, including the Assurance Training program, relate to planning and interim audits. Final audits usually start after the end of a client's financial year, which is usually the 31st of December. The majority of final audit tasks are thus taught by managers, when performing the daily work. Substantive analytics and statistical procedures are closely related to or intertwined with other daily tasks that are audit specific. Therefore, in addition to audit specific learning and development, progress in analytics and statistics is also documented in this chapter.

4.1 Weeks 1-2

All workpapers in an audit file are what the Firm calls evidence gathering activities. Therefore, all activities should contribute to gathering evidence, relating to a risk. The evidence gathering activities in the audit planning phase are usually completed by more experienced team members or team managers. Planning workpapers predominately document the understanding of the entity, including risk assessment, and documenting the audit plan. Evidence gathering activities that are most relevant to new recruits make up most of interim and final audits, and can be divided into two groups, which are controls testing and substantive procedures.

Substantive procedures are made up of two types of testing, substantive analytics and test of details. Substantive procedures can be performed both in interim and final audits. However, early period (interim) testing alone does not generally provide enough evidence as the coverage date will not be the complete financial year. Therefore, what is called a roll-forward procedure must be completed to account for the time between the interim testing and the period end (the coverage date of the final audit).

Test of details is a procedure that is performed at a detailed level, such as reconciling sales invoices and bank transfers with transactions in the sales ledger. To generalise, in the test of details some specific details, usually individual transactions and/or journal entries, are inspected, reconciled etc. The type of the test of details employed varies depending on the total population, the nature of population and the testing unit. The sample size in turn depends on those criteria and the level of evidence required. For

example, for a large homogenous population of invoices, non-statistical sampling can be used. As an example, the exact number of invoices to be inspected and reconciled with the ledger depends if the amount of evidence required is low or high. As an example, if the amount of evidence required is low, the exact number of invoices to be tested, that is invoices to be inspected and reconciled with the ledger, is one hundred. If the amount of evidence required is high, the number of invoices to be tested could be two hundred. The amount of evidence required is determined on the basis of the level of risk and controls reliance for the specific FSLI that the procedure is performed for.

In substantive analytics, sets of data are investigated and analysed. Substantive analytics should be performed by following what the Firm calls 4-step analytics. That is, evaluating the reliability of data, and then forming an expectation for the FSLI. As the goal is not to investigate everything, the next step is setting a threshold for change, the account or for some other criteria. This is followed in turn by calculating the difference and investigating the differences from the threshold. The types of substantive analytics procedures include the following: trend analysis, ratio analysis, reasonableness testing, regression analysis and scanning analytics.

When a project leader chooses to rely on controls for assurance, the evidence required from substantive procedures may decrease. However, relying on controls requires the controls to be tested. Controls can be tested, for example by inspection, reperformance, and recalculation. For controls testing, the methods of the test of details such as non-statistical sampling may be used if applicable.

Other than the evidence gathering activities, audit trail was the most relevant concept for daily work covered in the first two weeks. The Audit trail is the order in which all audit work is usually performed. At first, the clients' trial balances are entered into the system. Once the trial balances (initial balance sheet and income statement) of the client are reconciled, the audit trail starts with selecting the FSLIs to gather evidence for, based on the materiality. Reconciliation in accounting is the process of matching two sets of details, usually a more general document such as balance sheet to a detailed document such as general ledger. Materiality is the concept of the minimum magnitude of a potential misstatement that is relevant to the end-users of a financial statement. The selection of FSLIs to work with is then followed by risk assessment procedures, which include risk assessment analytics. Based on the risk assessment, the risk strategy has to be determined by risk and response selection. It is here that each risk assigned to an FSLI level risk is selected to relate to an assertion and each assertion is shown to cover a risk. It is important to note that some risks, however, may be rebutted. Rebuttal is explaining why a risk is not applicable or relevant to the respective FSLI. It might also be so that an assertion or a selection of

assertions are rebutted for an FSLI or risk and thus are not applicable for that FSLI or risk. A risk response is selected, in order to every FSLI level risk to cover each assertion. The risk responses are in the form of evidence gathering activities (the workpapers where audit activities are documented in). Each type of evidence gathering activity covers a set of assertions. For example, a fixed asset inventory count will cover at the very minimum the completion and existence assertion for fixed assets as one can physically confirm if all the fixed assets counted exist in the general ledger and if every fixed asset recorded in the general ledger exists. The risk assessment, risk and response, and the selection of workpapers is very rarely the job of new recruits, but we are informed of the logic of it. The main task of New recruits is to perform the next step, which is to perform the evidence gathering activities (fill the workpapers). Once the aforementioned steps are completed, the trial balances will have to be reconciled with those in financial statements. In addition to all of the above, there is a variety of activities that either support the aforementioned activities or are separate requirements.

4.2 Week 20

Completion activities are only relevant to final audits. Hence, they were not covered in Assurance Training. I am briefed by a supervisor on how to perform completion activities such as overall conclusion analytics. Overall conclusion analytics is reminiscent of risk assessment analytics, especially so when it comes to the systematic analysis performed, but with the key difference that when risk assessment analytics goal was to establish new risks, overall conclusion analytics goal is to show that all risks have been covered. As a side-note, there was a compulsory 2-hour completion procedure training session in week 14, but I was unable to attend as I was at client's premises at the time. As client meetings take priority, in such cases the learning materials are shared with the missing new recruit. Depending on the importance of the training, the new recruit might have to attend the training session the year after, but more often than not supervisors or fellow colleagues will keep the new recruit updated on what was taught in the session.

4.3 Week 24

For the first time I had to create a summary of misstatements identified, which is another completion activity. I did so solely by following the example of the previous years' work. It is important to note that the majority of learning after the weeks two to four happens by inspecting the work performed in the

previous years. For that purpose, in most non-initial client's audit the previous year's or years' audit files are shared with team members.

4.4 Weeks 27-34

In the middle of what auditors call the busy season, the period between the end of most companies' financial year (December 31) and the financial statement reporting deadline (varies, but in Estonia a maximum of 6 months from the end of the financial year), the level of supervision and guidance by managers decreased drastically due to the workload. Further, it was also expected of new recruits that by the middle of busy season they are proficient enough to complete their tasks with minimal assistance. It is, however, important to note that most all managers did still promote asking questions when in doubt. Nevertheless, this change along with the heavy workload prompted me to start looking for answers in the Firm's internal audit guide. As the situations where using the audit guide were relatively rare, at most once per week, it took several weeks to get proficient in both using the audit guide and in learning to know when it is best to use the guide.

5 ACCOUNTING

As most new recruits have completed accounting, economics or finance degrees, the learning and development in accounting is not significant. Especially so as many new recruits have some accounting practice from before them joining the Firm. I, however, studied industrial management and had had very little contact with accounting before becoming an auditor. For this very purpose, the Firm shared recommended reading immediately after signing the employment contract. That left the new recruits three months to improve their accounting skills if need be. I worked through the recommended book, *Finantsarvestus* by Jaan and Lehte Alver (9th edition 2017). Furthermore, I read the recommended paragraphs and articles of the Estonian local GAAP (General Accepted Accounting Policy), which is now as in 2018 called the Estonian Financial Standard, and briefly scanned the most relevant IFRS (International Financial Reporting Standards) and ISA policies. The learning from these activities is not documented in this learning diary. Nevertheless, the activities are highlighted as they reflect, positively, on the thoroughness of the Firm's learning and development program.

5.1 Weeks 5-7

Every new recruit participated in an optional accounting course that was run by the Firm. The sessions took 4 hours each evening for a total of three evenings. Homework was given for the time between the sessions. The course-content was highly practical. Real-life accounting tasks and exercises were completed and then reviewed together with the lecturer. I found this course to be very useful, but the tempo was a little high when considering my limited experience with accounting.

5.2 Week 14

I had to take a mandatory accounting course on cash flow. It was run by the Firm in the same fashion as most training sessions after Assurance Training. Most training sessions after Assurance Training are a 2-hour session on a topic with a limited scope but highly relevant to daily tasks. Cash flow is one of the more complex fields in accounting. It is especially difficult to audit consolidated financial statements of groups' where the number of subsidiaries is high. Therefore, the course covered the basics and

highlighted the areas to pay special attention to, but the lecturers recommended to consult with and trust the team managers when in doubt.

6 COMPUTER SKILLS

Computer skills is an area in which progress was made continually during the coverage period of the learning diary. While the Assurance Training included a two-hour Excel training session, most learning happened on the job. Evidence gathering activities involve much data processing and information searching. This is because the majority of clients store most of their data in the Excel format. Therefore, Excel skills are of critical importance. Most new recruits started by what the Firm calls manual work, for example manually scrolling and scanning a ledger for a specific account. However, the constant time pressure during the busy season forced all new recruits to drastically improve their efficiency with the data processing methods in Excel. Methods to improve the speed of work included using shortcuts such as “ctrl+shift+L” for quick filters, advanced filters, automatic functions such as “vlookup”, conditional “if” formulas and many more.

In interviewing the IT managers of the clients, documenting what IT systems are in use and mapping IT reliance in clients’ controls, that is documenting what controls rely on which systems to what extent for inputs, processing and outputs, I continually gained new information on enterprise resource planning systems, accounting and human resource programs. Furthermore, I saw a wide range of applications for spreadsheets, from production planning to cost calculations to simple informational lists. It is of importance to mention that for the majority of my clients the aforementioned steps had been performed in prior audits. However, when that was the case I did perform updates by conducting interviews to confirm if everything was still the same. Individually, each instance of the aforementioned information gathering was not significant learning but in aggregate I gained useful insight worth noting. Where my knowledge was not sufficient to gain full understanding of the clients’ IT systems, consulting and support from the Firm’s specialised IT risk assurance team was readily available.

6.1 Week 18

Week 18 was the first time I had to add comments directly to a client’s version of financial statement that was then sent to the client for further work. For that I learned to use the track changes functionality in word.

6.2 Week 35

Most new recruits have to perform journal entry testing early on in final audits. I was the last of my group to perform journal entry testing. It is the most demanding of all data processing tasks in Excel as testing all the entries of general ledgers with millions of rows of data can be very difficult. Preferably, Microsoft Access is used for larger sets of data. To complete the tasks relating to journal entry testing, I was forced to ask both my colleagues and manager for advice. It was the most significant single instance of learning when it comes to Excel and Access skills.

7 BUSINESS ACUMEN

Much of the insight and information gained in my work is confidential. Therefore, while I cover instances of significant learning, I cannot reveal details. I identified a correlation between the time spent on a project and knowledge gained. In projects shorter than 10 hours, unless I was there to document a management board meeting, significant contracts or participated in the inventory count, the learning was minimal because in such a short time I usually worked on a single task. When working on a single task, it was common to be blindfolded to what concerned the rest of the client and work being performed by others. There was rarely time nor was there much of a point to gain a deeper understanding of the client if I was to work on a different project the day after. With projects longer than 10 hours, it was common to start a project with a general introductory meeting where the basic information and understanding related to the client was shared. This was the most effective and efficient method of gaining knowledge. Few short preparatory audit procedures were often performed before a kick-off meeting. Most of the detailed work to be performed was then decided in the kick-off meetings. The detailed work to be performed was based on understanding the client, their financial statements and information from prior audits. Therefore, the majority of learning and the biggest improvement in business acumen tended to take place in what made up the first few days of work. Additionally, the meetings with the company management boards were also traditionally in the first few days of work, further increasing learning. The above was usually followed by weeks of only occasional learning and insight gained. At the mark of approximately 200 hours, I would start to feel comfortable and versed in the client's line of work, if not the industry. After that, the learning would become increasingly sparse.

I gained valuable insight in all the fields related to my client portfolio, which included an energy and mining company, two wood processing factories, one high-end furniture factory and furniture retailer, a manufacturer of car parts, two meat and food processing factories, two media groups, one bank, a real estate group, a construction company, a construction equipment rental company, an industrial design company, three wholesale companies, a pharmacy chain and a retailer chain. For the purposes of audit work, I have read several of my clients' significant contracts. The information gained in this manner or any information gained in the course of audits that would betray the trust of clients' is not documented in the learning diary.

7.1 Weeks 1-2

The understanding the business part of Assurance Training focused on the ways to use understanding to help with the audit process. As an example, having an exact understanding of revenue recognition might make it possible to rebut select assertions, decreasing the amount of work required. While the above is potentially significant, the most important understanding is that of client's controls and control environment. Being able to rely on controls cannot only reduce the workload but also primarily lower audit risk. Interestingly enough, obtaining an understanding of the business is a requirement of ISA 315. I also learned of the acceptable information sources, e.g. forecasts made by the central bank of Estonia (Bank of Estonia) or Statistics Estonia.

7.2 Week 3

I was asked to temporarily assist the consulting service line of the Firm. I have to see some of the inner workings of what goes behind a successful consulting service, the planning, research and organisation. Furthermore, I gained useful insight in a field I would not have had any contact with in my regular assurance service line. Back to my regular assurance service line, I experienced my first meeting with a client's management board. It was also the first meeting where I had to see the Firm's leading partner in action leading the meeting. The information shared by both parties helped me further my knowledge of the industry.

7.3 Week 3

I had my first factory tour at a manufacturer. As part of gaining an understanding of the company's control environment I obtained information regarding their quality control procedures, the production stages, logistics, warehousing and so forth.

7.4 Week 5

The week started with me visiting a client who produced supplies for the next client I visited. The knowledge I gained of the product produced came in handy at the next client only a day later. I had the opportunity to see the inner workings of one of the biggest factories in Estonia, touring all of their facilities. I saw some very clever and interesting production solutions. I was also able to identify one area of weakness and offer the client a potential solution. Unfortunately, I was a little late as I was informed they started planning how to implement the same idea some months ago. Furthermore, I learned some new things, for example, that a qualified veterinarian first inspects every animal killed in a slaughterhouse and only if it passes the inspection can it be moved into production.

7.5 Week 6

I participated in a meeting with the management board of one of the most well-known companies in Estonia. The insight I gained on their operations is invaluable. They also presented some very informative market research that further helped me gain knowledge of their choice of industry/field. I sat together with the leading partner of the Firm's operations in Estonia. The information sharing before and during the meeting was as informative and helpful as the analysis of the meeting with the leading partner after the meeting.

7.6 Week 8

I participated in a meeting with the chief financial officer of another well-known company in Estonia. Their financial performance was reviewed in the meeting. Once again, insight was gained on both their current year's performance and plans for future.

7.7 Week 13

I attended an inventory count for a manufacturer. They counted raw materials, components and semi-finished goods. After the count in the warehouses, I was given a tour of the factory with the chief production officer. I learned a great deal in regards to internal logistics, saw the inner workings of two

warehouses and learned more of their products, product stages and manufacturing methods employed. I saw an alternative Excel based method for keeping track of materials and products in place of ERP and that such a system could function adequately enough if sufficient support procedures are in place.

7.8 Week 14

I attended an inventory count for a wholesaler in Finland for what was my first global business experience. I learned mostly of warehousing logistics and inventory count procedures. An example of useful learning was the idea that items which move slower (sold less often) are placed on top shelves versus the fast moving items on lower shelves.

7.9 Week 15

I attended two inventory counts, both wholesalers in Estonia. The first inventory was a unique learning experience wherein two sister companies had decided to cut costs and had rented a common warehouse. I saw their controls and procedures in place to keep items separated and well documented. I also saw the inefficiencies and some issues arising from such sharing of warehouse space. The second inventory count attended had nothing noteworthy to point out. I started to feel a little more comfortable and versed in attending inventory counts. From this point on, as I attended more than 10 inventory counts, I only document those that are defined by learning something new that I have determined to be significant enough.

7.10 Week 16

I attended a non-standard inventory count where laboratory testing results along with weight were used to calculate the volumes of products, because the products were stored in partially full containers. Furthermore, I participated in a car wholesaler's inventory count. No learning of significance took place, however, I counted hundreds of cars and can now differentiate between that particular carmaker's models just by looking at their front or rear lights.

8 OTHER

8.1 Time management (continual)

During the assurance training, I learned how the budget for each project is created and counted. Every rank of employee (member, manager, project leader etc.) has specific cost rates wherein extra costs such as the cost of secretaries, IT support and HR are already counted in. While this is all the information on the topic that new recruits are given all year, it is not until months later when I gain an understanding of team and project budgeting. I am then able to learn time management from the perspective of the team budget. The main factor to consider is that the cost price of my immediate supervisors' hour of work in a project's budget is up to two times higher than my cost. The cost of a project leader's hour of work is multiple times higher than mine. It essentially becomes a judgement scale where I as the first person to work on most evidence gathering activities have to consider how much time solving an issue will take versus how quickly my superior might solve it. For example, I once wasted two hours on a problem that remained unsolved until my manager solved it in five minutes. Another time I went to my manager and we ended up working on the problem together for one hour. I later ran into a similar problem related to another client and solved it on my own in one hour and thirty minutes. In the first case, I could have saved the company money by going to my supervisor the moment I realised it will take long. For the last case, solving the problem alone was a better choice budget wise. During the course of my time at the Firm, I made around twenty mistakes where either going to my supervisor or not going to my supervisor would have been the preferred choice when considering the project budget. With each mistake, I became better at the judgement calls and by April 2018 was able to save the team budget by making better decisions.

While most improvement in time management happened gradually over time, during the first three weeks I learned to report time and projects in Time Tracker software and started using an Excel spreadsheet to better keep track of what I had done so that I could compare the speeds at which I had completed similar tasks across different projects.

8.2 Weeks 1-2 – communication and presentation skills

I learned how to conduct interviews. I learned to use open questions in the correct places (according to the Firm's guidelines), for example, when generating information is important. Recommended phrases for questions in such a scenario are please describe, tell me about, what is the issue here etc. I also learned when it is best to ask closed questions instead. I was introduced to a variety of techniques for asking questions and listening. I was told examples of each technique being implemented. An example of a technique is reflection was using the speaker's words to convey my reception.

I was told why to avoid the following in interview situations:

- Asking multiple questions in a row, because it can confuse the interviewee and generally results in a poor quality answer. It is often caused by the interviewer thinking aloud. As an alternative it is suggested that I try to keep my questions clear and concise. Being silent to think through the question is acceptable and often better than blurting out thoughts.
- Asking leading questions, that is offering my solution/thoughts by the way of a question e.g. "So do you do this in this particular way?" This may manipulate the answers into what one would like to hear and crucial information might be left unsaid. (the Firm 2017b)

After the completion of a few of interview simulations as part of assurance experience simulations, new recruits were graded on their communication skills. I was rated to structure questions effectively.

8.3 Week 9 – time management

While I have documented time management as a continual learning process, the following instance of learning is worth highlighting on its own. I wasted 3 hours on a problem. My coach and manager both recommend me not to spend time on an issue on my own for longer than 20 minutes. Once 20 minutes runs out, I am supposed to ask my manager. This is a policy I started using from week 9 onwards and used it until the end of the coverage period of the learning diary.

8.3 Week 14 – communication and presentation skills

I was given the opportunity to lead a project, to set up the initial communication with the client and gain specific information required to perform the audit work. I struggled for nearly two weeks to make the client to open up. It was then that I finally decided to ask the project leader for help. I witnessed his mannerism, the use of language and most importantly, his strategy, when communicating with the client. He explained, in as simple a way as possible, why we contacted him, what we were going to do, why we needed to do it and most importantly, what we needed the specific pieces of information for. This seemed to open up the client and we received what we needed shortly after. What I learned from this is that explaining why something is necessary goes a long way in getting people to do what is needed. Obviously, there are some things we cannot reveal to the client, for example if we are testing for fraud. In regards to the information required for assessing the risk of fraud, I saw the project leader working with the sensitive issues very smoothly feigning almost complete ignorance to the true purpose of some of our inquiries.

8.4 Week 21 – time management

Due to the heavy time pressure during the busy season, I looked for any way to save time and be more efficient. I started to save time from time spent reporting work in Time Tracker software. Previously I had written down every task and project worked on, by the minute. Realising that half an hour inaccuracy is never going to break a project's budget, I started roughly estimating the work spent on a project, ignoring the time spent on individual tasks. This change helped me save an hour to two hours per month. During long days, two hours of extra rest improved the efficiency enough to free up and win even more time. Even if this ended up only saving an hour per month, during the course of a full year it would save me a full day.

8.4 Week 36 – communication and presentation skills

The new recruits participated in a three-day English language course that is specialised for financial auditors and run by a qualified lecturer. The course is run late in the year with the idea that the new recruits are by week 36 knowledgeable enough in the audit field to get the most benefit from the language course.

The language course focused on advanced writing skills for audit professionals. A day was spent on grammar, linking words, using references and on text clarity. The second day focused on formalities, style and streamlining text for the ease of understanding. The third day was about letter writing and the very specifics of auditor vocabulary. The course was very effective as most topics covered were in the context of audit work. For example, prepositions in use for accounting vocabulary such as “overstated *by* EUR 1000”, or the differences in meaning for modals specifically in use in legal documents. Other important writing tips included being as concise as possible, avoiding passive voice, using strong verbs and avoiding repetition. Last but not least, a list of “false friends” was introduced. False friends are words that look similar to those in one’s native language, but have different meanings. I for one had been using words such as sympathetic, variant, control and concrete incorrectly.

9 DISCUSSION AND REVIEW

The author went through 90 hours of internal training and 44 hours of self-study according to Time Tracker. That is 90 hours worth of lectures by some of the leading professionals in their fields in Estonia and 44 hours of self-study with materials prepared globally by some of the world's leading specialists. The author comments here that these are the most intense and content filled learning sessions he has participated in his life. The Firm's learning and development program brochure highlights that 10% of the learning will be through training sessions while 20% will be through the support, mentoring and coaching relationships implemented at work and 70% will be on-the-job learning. If taken at face value, it adds up to 1340 hours of learning. The author feels that the estimation of time spent learning is reasonable, as there is continual progress and improvement made in most areas almost daily. Much of the learning and development is gradual with very small steps at a time, making it difficult to report all in the learning diary. For example, risk management can be judgement based. Professional judgement is something that develops slowly, over-time, and it is hard to quantify it for the learning diary purposes. The same goes for communication and presentation skills, where confidence is a key factor. Confidence is built up over time with experience both in audit work and with repeated presentations.

the author feels that the most significant improvement was made in business acumen. Much information, many production solutions, accounting methods, deals and business strategies were witnessed during the course of the coverage period of the learning diary. The average project lasted around 100 hours while the longest took approximately 400 hours. Working for any client for over 100 hours, the volume of information processed is significant enough to be of benefit in professional development. While most information is strictly confidential, the knowledge and insight gained would greatly aid in making strategic decisions in future, be it for a new job or for consulting line of service.

When it comes to the learning diary and its benefits, the author finds that writing this diary, revisiting and reviewing it later for documenting the instances of learning for the thesis helped the author to commit many of the learning instances to memory. The author also discovered that there were useful pieces of information learned during the year that had been unlearned in the midst of busy-season due to time pressure and overwork, or information that had simply been forgotten over time. Relearning what had already once been learned helped the author to save the information, hopefully permanently. Having had to work through the various materials and notes with the goal to present the information and knowledge

in such a way that a third party could understand helped to formulate a much more complete understanding and picture for the author himself. Using the learning diary as a helpful tool in audit work is not as extensive as the use of the learning materials used during the classroom lectures or the audit guide provided by the Firm, for the following reasons. As most of the learning materials are created to support lectures, the explanations in the materials are much shorter and more concise than for example the theoretical explanations in this learning diary. That is great for recalling information, but would not be of great use for first-time learning without the assistance of lecturers. On the other hand, the total number of topics covered by the learning materials is much higher than in this learning diary. The self-study materials on the other hand are much more in depth than the explanations in here and while great for first-time learning, are not very efficient a tool for work purposes. The audit guide is as in depth if not more in depth than the self-study materials and it has been made with the sole purpose of being used as a daily work tool. Therefore, the author finds very little use for this learning diary for the Firm, especially when considering that many of the specific details have been omitted to not reveal trade secrets. From a personal development point of view, the author finds the creation of this thesis as a great bridge between the self-study materials, classroom lectures, audit guide and on-the-job learning. Interestingly enough, after the completion of the rest of this thesis, the author participated in a one week intensive classroom course where much of the theoretical review that was done during writing this thesis was repeated, decreasing the benefits of having written the thesis.

The author completed the learning diary just as he handed in his annual performance review for the learning and development program of the Firm. To avoid duplicating work and not overextending the topics covered in the thesis, the author did not document the setting of annual personal development goals and the status of key performance indicators in this learning diary. The focus of this learning diary was much more on the learning instances and learning experience overall than on the development goals and key performance indicators. Nevertheless, the author deemed it necessary to note the existence of such programs as they did contribute to the overall conclusion.

10 CONCLUSION

The thesis functions as evidence for practical learning of the thesis author in an accounting firm as an (financial) audit associate over a 9-month period. The thesis assisted with the professional development of the author, but not how it was initially expected to. The expectation was that by mapping the learning in a systematic way, areas of strength and weakness could be identified upon review along with new learning opportunities.

To write the thesis the author had to approach processing the initial notes and materials in a systematic way to be able to create a logical narrative of the author's learning that acts as evidence of the said learning. The areas of strength and weaknesses that were to be identified upon review were not identified upon review, nor were the learning opportunities. Instead, while initially recording the learning instances, strengths, weaknesses and opportunities were almost immediately identified and reacted upon. That systematic continual improvement is the underlining factor throughout the course of the nine-month coverage period. The result of that method can be seen in the narrative created of the learning instances for this thesis. It is also important to understand that much of the thesis acts solely as evidence of learning and does not highlight any further learning opportunities neither during the recording of the instances nor upon review. It was nevertheless important to document the said learning, because before the final review it could not be confirmed if the review was to result in strengths, weaknesses and opportunities identified or not. The author of the thesis is positive that the learning diary and the thesis helped to further his learning and development.

The conclude on the secondary goal of giving feedback on the effectiveness of the Firm's training of new recruits, the author of the thesis would have liked to recommend making the learning diary compulsory for all new recruits in their first year. That, however, was only so until the author passed the training course that was organised for new recruits after their first summer vacation immediately after the coverage period of this thesis. In that training course most of the information revised when formalising the learning diary was done in a more effective and efficient way during the training. Therefore, the author suggests the Firm to recommend new recruits to just record their failures to be aware of what to avoid and where to improve. The author does not, however, recommend to spend any time on a proper learning diary such as the one documented in this thesis as the Firm already has good enough learning and development systems in place.

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APPENDICES

APPENDIX 1: A detailed description of assertions from ISA 315

Assertions used by the auditor to consider the different types of potential misstatements that may occur fall into the following three categories and may take the following forms:

(a) Assertions about classes of transactions and events for the period under audit:

- (i) Occurrence—transactions and events that have been recorded have occurred and pertain to the entity.
- (ii) Completeness—all transactions and events that should have been recorded have been recorded.
- (iii) Accuracy—amounts and other data relating to recorded transactions and events have been recorded appropriately.
- (iv) Cutoff—transactions and events have been recorded in the correct accounting period.
- (v) Classification—transactions and events have been recorded in the proper accounts.

(b) Assertions about account balances at the period end:

- (i) Existence—assets, liabilities, and equity interests exist.
- (ii) Rights and obligations—the entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
- (iii) Completeness—all assets, liabilities and equity interests that should have been recorded have been recorded.
- (iv) Valuation and allocation—assets, liabilities, and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

(c) Assertions about presentation and disclosure:

- (i) Occurrence and rights and obligations—disclosed events, transactions, and other matters have occurred and pertain to the entity.
- (ii) Completeness—all disclosures that should have been included in the financial statements have been included.
- (iii) Classification and understandability—financial information is appropriately presented and described, and disclosures are clearly expressed.
- (iv) Accuracy and valuation—financial and other information are disclosed fairly and at appropriate amounts.