

Price waterhouse
coopers (pwc)
assurance operating
functions



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The assurance line of service in PricewaterhouseCoopers (PwC) deals fundamentally with the audit of financial statements for both statutory and regulatory purposes, as well as, accountants' reports for legal purposes. It encompasses of five operating units. The Operating Unit One and Two focus on insurance, real estate, pharmaceutical and life sciences. Operating Unit Three focuses on transportation, logistics, Government, Energy, Utilities and Mining. Operating Unit Four focuses on technology, and specialised fields such as financial services Practice, whereas the fifth operating unit (OU5), in which I was attached to, deals mainly with small and medium enterprises (SMEs) (PricewaterhouseCoopers Singapore, 2010).

Structure and manpower of the Department

The structure of the department was designed in a way that the staff from the lower ranks report to their seniors or managers of the next rank. With the increase in portfolios from the previous year, the company has been expanding their intake of high calibre candidates to join the profession. As of Dec 2010, the strength of the department was 132, being assisted by 5 administrative staff. The organisation chart of the department is laid out in Appendix A.

Systems & software used in carrying out the department functions

The applications used in the department were both general and specialised for its functions. For example, the email application used for communication is " Lotus Notes". In our department, the manager would select the team members for their engagements via an online booking system. Upon confirmation of the bookings, the administrator would proceed to update the

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scheduler “ Retain” application and it will be used by the staff to keep track of their engagements.

In addition, PwC uses “ Aura” and “ MyClient” to document the audit work done for every engagement. “ MyClient” was the precedent of Aura which was introduced around two years ago. The implementation of “ Aura” improves the documentation of the client’s profile, work done, controls, risks assessments simultaneously as well as allowing the easy coaching and feedback from the engagement leader and manager to the team members. During the engagement, the team members carry out fieldwork at the client’s place. These team members will then document the work done and their respective findings in Aura. Once they are done, they can mark the work as prepared and replicate with the server, so that the engagement manager can carry out review of the work and attach any coaching notes if needed.

Lastly, the claims for expenses such as taxi fares and charging of hours worked would be done using the “ iPower” application. iPower allows the staff to submit their claims and get approval from the manager in a standard format as the forms were generated electronically.

Performance Indicator of the Department

The department ended the calendar year 2010 with a blast. The performance exceeded its expectations as set previously.

In 2010, the department has achieved the following performance:

Diagram 1: Assurance OU5 Financial Report (Year ended June 30)

Performance Indicators

July

2010

August 2010

September 2010

October 2010

November 2010

December 2010

Monthly Actual Revenue (\$'000)

1, 083

949

847

839

988

960

Billable hours per month

12, 158

9, 868

9, 198

10, 246

9, 456

10, 977

Key challenges facing the industry

Ability to maintain a consistent professional image globally

One key challenge facing the assurance industry would be the ability to maintain a consistent professional image globally. Because of globalisation, it enables information to be transmitted at a faster rate, and the resulting impact will be multiplied. The discoveries about fraud in Lehman Brothers, as well as in the organisations locally, namely Singapore Land Authority, Singapore Red Cross Society, and M1 Limited, have casted doubts on the auditors' credibility in signing the true and fair of these accounts. The rising cases of these scandals, in light of ever-changing business conditions, high turnover rate and pressures to improve profitability and operations, have caused worries in stakeholders and many expect that the accounting and assurance personnel to be the watchdog to ensure the true and fair of the accounts. Similarly, organisations look to them to establish sound internal controls with proper organisation structures, so as to boost stakeholders' confidence in them and to maximise shareholders' wealth.

A common misconception would be that auditors are responsible for the discovery of fraud, which is incorrect. The management, as explained in the auditors' report, is the responsible party. Furthermore, auditors do not perform audit on the 100 percent of the population as it would be cost-ineffective and time-consuming, they select samples that they considered as higher risks. Therefore, the auditors would only be able to provide a reasonable assurance based on the work done that the financial statements provide a true and fair view of the affairs of the company. If the auditors do not manage the risks well, the public would scrutinise the auditors and this would result in reputation loss.

To remain ethical and independence at all times

Another key challenge facing the industry would be to remain ethical and independence at all times. Professional services practitioners such as lawyers, accountants, auditors and doctors, are expected to conduct themselves in accordance with the code of Professional Conduct & Ethics of their respective boards. Unlike doctors and lawyers, an unique principle guiding the auditors would be independence, where they are expected to act with integrity and adopt an objective approach to professional work. This is because the client would pay the firm to audit their accounts, in which, the resulting opinion would be used by the other stakeholders, such as shareholders, investors and banks for decision-making.

However, in my opinion, it is challenging to maintain independence and ethical. The managers' bonuses are partially tied to the recoverability of their portfolio. As a result, they would succumb to raising the audit fees and controlling the time charged to the engagements. When faced with tight

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deadlines, the engagement teams would decide to reduce their coverage and sample sizes, increasing risk of exposure of detecting misstatements and control deficiencies.

Recent developments in the sector

No internal controls system in this world is perfect. Furthermore, it would be difficult to implement a sound system as each organisation operates in an environment that taps heavily on technology, and has different reporting structure and policies. To attain efficiency and cost-effectiveness, the agencies employed the use of information technology, wide span of control and have resulted in the concentration of duties in the hands of a few highly qualified technical personnel. As a result, segregation of duties, an essential element in internal controls, might be ignored.

In June 2010, a fraud involving Singapore Land Authority (SLA)'s experienced staff has been uncovered. Senior staff with SLA, Mr Koh Seah Wee was faced with 249 charges for a S\$12 million fraud case. It was found that Mr Koh awarded and approved the payments for the contracts through the GeBiz system to fictitious firms. Fake invoices and fictitious services were said to be provided. As reported, each of the contract amounting from \$2, 600 to as much as \$60, 000. With these gains, Mr Koh purchased luxurious cars as well as private properties and investments in unit trusts. If fraud cases could occur in government agencies which the public held in high regards, there will be higher expectation on auditors to be alert during their fieldwork.

Although our department do not deal with government agencies, there are still implications and learning points for us. The agencies and the SME firms

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have a lean organisation structure and very often, the staff strength is just sufficient for its operations. As such, one of our key concerns would be the controls over segregation of duties.

During the engagements, we paid attention to the approval of the authorised personnel especially expenses incurred by top management, and vouched to ensure that these controls were actually carried out. Secondly, for one of the engagements, I vouched to the supporting documents for proof of authorisation, and found out that that the logistics manager did not sign on the delivery documents to indicate that she has matched the details in purchase order, delivery order and invoice. The reason given was that she was on maternity leave and there was no other available staff that was trained to cover her duties during that period. She was even asked to shorten her maternity leave to resume her work earlier. Furthermore, I observed that that logistics assistant actually signed for the manager, with the signature similar to her superior. From these, I have learnt that there if the client has the intention to hide information from the auditors, it becomes harder for us to detect any misstatements. In such situation, we must perform alternative testing, observe and make logical deductions in order to uncover the truth. Hence, we conduct a stock-take observation, which was required by their internal auditors. True enough, there was \$20, 000 worth of stock discrepancies because the differences were not rectified immediately when there were errors on the delivery documents.

Recommendations

For the recommendations for PwC, I suggested that the vocation trainees to be involved in the training sessions. During the internship, the trainees

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would follow the scheduled engagements and assist their seniors at work. However, the trainees do not receive any updates or attend any lessons, which were compulsory for their seniors. Without the updates such as incentives introduced the latest budget, the knowledge that we have would be restricted to what we have learnt in school. Hence, this might result in improper application of concepts. Furthermore, regular trainings would provide more opportunities for the trainees to familiarise themselves with the various templates, audit methodology, testing methods etc. Hence, it would also reduce the time spent for the seniors to explain the procedures during engagements. The company may have thought that it might not be cost-effective to spend time coaching the trainees as the internship would only be 6 months. However, I felt that if we attend the same events as our seniors, such as trainings and workshops, it would allow us to have a better view of the work environment in the company and appreciate the emphasis and efforts to promote continuous learning. After all, to achieve competitive advantage, trainings would be instrumental to develop and bring out individuals' abilities. To have competitive advantage in the professional services industry, the professionals, which are the most valuable assets, must be able to increase their knowledge and develop skills at a faster rate than the competitors. As discussed with my senior, she agreed with my suggestion as she experienced difficulties and delays due to time taken to explain the concepts to her juniors.

Secondly, the company should consider streamlining its expense claims process. Currently, for all staff, they would submit the expense claims on the portal - iexpense. The expense claims would be processed via GIRO to the

claimant's accounts two weeks later. However, for vacation trainees and temporary staff, their expense claims can be converted to cash and be claimed upon approval from the manager. Because of this, we were approached by managers to claim the expenses under our names, so that they could receive the cash earlier. We were caught in an ethical dilemma and the expense claims for each of us were exceptionally high. In addition, I noticed that there is lack of segregation of duties, where there are cases that the managers incur expenses because they took taxis to the client's place for field review and they are also the one who approved their own taxi claims. Since they are also the approver, they could approve the taxi claims which were not used for business purposes. To deter this happening in the future, I am proposing that the expense claims for vacation trainees and temporary staff to be processed via GIRO too. This move will reduce the cases where the trainees be asked to claim on behalf of the permanent staff, as we would also require the two weeks processing period. Furthermore, it would be cost and time-saving as the trainees do not need to proceed to finance department personally when we are always out on engagements and the GIRO application is swift and easy. For the expense claims incurred by the managers, they must be approved by the directors and partners of the engagement. While I understand that the lack of segregation of duties could easily be override by managers, by simply passing the receipts to their support and asking them to claim under their names. Random checks could be conducted with the knowledge that the managers would proceed to the client's place for field review at least once for each engagement, hence, logically, we would expect at least one claim relating to the particular client.

There could be also a whistleblower avenue for the claimant to report to the <https://assignbuster.com/price-waterhouse-coopers-pwc-assurance-operating-functions/>

finance department where their identity would be kept confidential. As discussed with my senior, she agreed with my suggestion and encouraged me to propose this to the finance management as she was also asked to do when she was a junior.

As for the school, I would suggest that we remove illuminate chat session. The purpose of the chat session, in my opinion, was to provide a platform for the students to share their experiences and reflection with their liaison officers online. However, I felt that it was not as effective as the internet connection may lag or some students were working over-time and could not rush back in time. Also, when the liaison officers post a question, we did not have much time to think through. The chat session was in a hurry and we could not catch what our friends were saying before commenting. I would suggest that we adopt the use of online collaboration tools such as "Stixy". It is a personal online notice board where each of us could input reflection, add photos, links and even share with other peers (Stixy, 2010). Please refer to Appendix C for screenshots of its functions. The assessment could be set in a way where the deadline could be stretched over a period of time rather than a 30-minutes chat session. Each student will be asked to decorate and update their notice board, with certain minimum requirements such as not more than 3 pictures allowed and reflection should have a minimum word requirement. After the deadline, the notice board will be shared to the rest of the students who are on the same internship to comment on. This collaboration tool is free, hence it reduces the cost of implementation. Secondly, it gives students the flexibility to carry out this assessment over a period of time. Furthermore, it encourages students to be creative in their

presentation, ability to express themselves other than in words, which we usually do in discussion board.

Secondly, I would like that the internship programme be much more structured in terms of preparing students, the activities, expectations and goal setting, so as to achieve an enriching experience for the interns. During the internship, I noticed that some of the interns felt lost, or even felt unjustified because they were asked to do administrative work. It is therefore important to put in place an integrated internship programme where in the company's perspective, the conversion of these interns to permanent staff and to in the student's perspective, to eliminate the mentality of " just an intern". To prepare them mentally and emotionally, I believe that these have been subsequently enhanced from the previous semesters, by the Dress to Impress! Workshop organised by BA Plus (Ngee Ann Polytechnic, 2010) and the compulsory year 1 module, CQ at Work conducted by the School of Interdisciplinary Studies (Ngee Ann Polytechnic, 2010). The school could discuss with the Human Resources Department to come out with a list of activities that balances the on-the-job trainings with networking opportunities and community services.

I also felt that the internship would be fruitful if the learning goals set at the commencement were achieved or if not achieved, be valuable learning experiences for all. The briefing given was not sufficient because it was a one-way communication from the module leader to the students. At the beginning, the interns should be asked to fill up a form on their expectations for this internship to allow the LOs and supervisors to better understand what they were expecting to achieve during this period. During the

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internship, the supervisors would spend time following up with the interns with their expectations set previously and keep track of their learning process. I understood that this form of goal-setting has been implemented in PwC. A sample of expectations questionnaire is attached in Appendix D. These expectations would then be followed up with the competencies chart, as attached in Appendix E, to allow the liaison officers and students to keep track of their learning process on a regular basis.

I understand these additional processes would take up time and may not be well-received by students. However, going back to the objectives of the internship, it would be to provide practical experience for students and to effectively measure their learning process, it would be useful to guide them through their goal and expectation setting, so that they enter the work force with a fresh attitude and direction, rather than just learning from what they have been tasked. For example, if they are interested in financial services audit, even though they have not been given a chance to be involved in one, they should note down what are the different resources that they have seek from. The companies have rich databases sources and definitely, seniors would be willing to share their experiences with them.

Key takeaway & personal achievement

As I reflect, I felt that the key takeaway for me is to maintain a positive attitude and zest in the tasks I do. Positive attitude that I am referring to, are the eagerness to learn, initiative to ask, taking ownership, the courage to make mistakes, the perseverance in getting the right solutions, the flexibility to try other suggestions, along with the energy and support to complete the

engagement. These may sound a mouthful, but it does stem from having a positive outlook to things in life.

Attitude is especially significant to me because I have seen how I was shaped from the start to the end of this internship. At the beginning, I was disappointed with myself as I was slow in understanding the concepts and in carrying out vouching. Moreover, my team in-charge told me on a personal note that I was not suitable for auditing.

From then on, I was afraid to clarify my doubts and tried to avoid all troubles if possible. Fortunately, I had the opportunity to speak to my engagement's manager during a casual chat. She told me that the evaluation that I got was reasonable and encouraged me to continue with my internship. I thought to myself that maybe this could be an isolated incident. I should not allow other people's opinions to affect my aspirations. I should have been more sensitive with my seniors' workloads by researching in the databases before approaching them with questions.

For the next few engagements, I proceeded with a changed attitude. With enthusiasm, I approached my team in-charges to ask if there was anything that I could help with. Normally, they would ask me to map the trial balance and read last year's documentation. When there are any documentation that I am unsure of, I will read the audit programme and find out the rationale for the testing methods. Sometimes, I am unable to complete the mapping of the trial balance, I will discuss with my senior and update them on what I have done and which are the areas that they need to clarify with the previous audit teams. I took my senior's feedback seriously and in order to

expedite my work, I would read up the walkthrough documentation and familiarise myself with the key management personnel and the filing system. During the weekends, I would also read up the audit guide, and would check with my seniors if they are available before I clarify my doubts.

The brand new attitude was like the key that opens the doors of opportunities. If I did not walk out from the setbacks, I would have resigned myself to merely vouching and not be able to be in-charge of sections. There are bound to be challenges ahead, but I believe that the attitude will see me through.

Conclusion

As interns, the challenges that I have mentioned above may not be affect us directly as we do not sign the accounts. However, this does not necessary mean that we play a small part in the audit of the financial statements. From assisting with planning, fieldwork and all the way to its completion as mentioned in my interim report, these six months was never easy. As I reflect, I was once affected by the seniors' feedback and was even demoralised for not being appreciated for the efforts that I have put in. I was surprised that I have the perseverance and commitment that go through thick stacks of documents, worked till midnight and on weekends too. It was then a chance to discover my interests and strengths.

The internship programme has definitely given me a broad view of the rigorous corporate world which demands a lot of efforts from one self. It has allowed me to apply what I have learnt in school as I felt that we learn

continuously in life and witness what I have sow, is not so much about the results, but to see that these skills have been put to proper use in the future.

Speaking of which, I have utilised these skills and learnt some, especially soft skills like communication skills, the courage to speak, people-management skills that will stay with me for life. This internship was especially significant because the information that I obtained from the clients and source documents went under my hands, something lifeless and raw were eventually translated into audit documentation to test the reasonableness and to achieve the audit objectives. It was even more satisfying when the whole team saw the work that worked so hard during many late nights were eventually drafted into the financial statements.

While skills are important, I felt that the people that have came into my life weighs more. The bonds that I have formed with my colleagues and clients were priceless. They were the ones that you could pull a chair and chat with them for an hour, took initiative to ask if they could help you. I felt the support and comfort from them as work was particularly enjoyable. To sum it up, this internship programme has given the exposure that I needed and created the environment that I could explore and learn.

Appendices

Appendix A – Organisation Structure of Department OU5

(As of Dec 2010)

Reporting to

132

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Appendix B – Newspaper Article

It could have started earlier than thought ... ; Ex-SLA executive's alleged involvement in fraud

may have begun in 2005

Leong Wee Keat Leong Wee Keat

20 November 2010

TODAY (Singapore)

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SINGAPORE – In a further twist to the largest suspected fraud in the civil service, investigators now believe that one of the accused began cheating the State years before he joined the Singapore Land Authority, where his alleged crimes were first discovered.

On Friday, former SLA deputy director Koh Seah Wee (picture) was charged with cheating the Intellectual Property Office of Singapore (Ipos) when he was assistant director of its Information Technology Department from July 2004 to March 2007.

Koh, 40, purportedly conspired with Chartered Systems & Services to enable the business to win IT contracts from Ipos. The company would submit payment invoices for fictitious goods and services, which Koh would certify even though nothing was delivered.

Eight fraudulent transactions, amounting to about \$286, 000, are thought to have occurred between December 2005 and March 2007. “ Investigations

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against Koh's activities in Ipos are continuing," according to a joint statement from Ipos and the Law Ministry.

While a previous cheating scam involving former Trade Development Board chief executive officer Yeo Seng Teck had gone on for a longer period - for five years, between June 1988 and July 1993 - investigations into Koh have turned to his time at the Supreme Court, where he was deployed before July 2004.

Koh now faces a total of 302 charges, while former SLA manager Christopher Lim Chai Meng, 37, faces 309. Both men bought luxury cars from the alleged \$12. 1 million they siphoned from SLA between November 2007 and March this year.

Ipos conducted its internal investigation after the purported SLA fraud came to light in June. An independent review panel was convened and it recommended improvements to Ipos' internal controls, systems and processes, which have since been implemented.

" These included strengthening internal audit structures and processes, centralising the procurement process and ensuring the purchasing officer and the receiving officer are different individuals," read the joint statement.

Ipos said its financial statements and accounts were audited externally, not by the Auditor-General's Office, during the time the alleged offences took place. This was done in accordance with the Auditor- General's requirements.

" The audits conducted were statutory audits of financial statements and compliance audits designed to ensure compliance with finance procedures
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and processes. These types of audit may not always be able to pick up such fraudulent activities,” Ipos said.

Disciplinary investigations of officers whose lapses in supervision may have contributed to the fraud going undetected are in progress. Action will be taken, if found appropriate, said Ipos. Koh’s case will be mentioned again on Dec 3.

Appendix C – Stixy

Appendix D – Setting of expectations

Internship Programme Expectations

Company: _____

Supervisor’s name: _____

Liaison Officer’s name: _____

Student Name: _____

What are some of expectations that you have for this internship programme?

What are some of the activities that you hope to attend during the internship programme?

What are some of the learning goals that you hope to achieve by the end of the internship programme?

How do you think the company can help to enrich your internship experience and your career aspirations?

Appendix E – Competency Chart