

Internal Control and Accounting Systems (ISYS)

Guidance on Writing your Report.
Ideas and Layout.

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INTRODUCTION

Level 4, Internal control and Accounting systems (ISYS), is a compulsory unit in Level 4 of AAT.

You must write a 4000 -5000 word report to meet the learning outcomes and assessment criteria.

The report should ideally be based on your workplace, a case study option is available if necessary.

You may need to spend some months researching the project and many students find getting started the hardest part of all. This guide is written to help you and to make the task less daunting. If at any time you need assistance please contact me.

ASSESSMENT

1. You must write a 4000 -5000 word formal report.
2. It must map to ALL the assessment criteria; see mapping document.
3. I will be the assessor.
4. I will schedule the assessment.
5. You can submit your work to me for formative assessment (I will give you feedback and help)
6. You submit your final project via secure assess.

PROJECT IDEAS

Ideas	Project area
Are your debts slow to come in?	Sales ledger. Look at the process from when you receive job details to when you raise invoice and then on to consider debt collection.
Are invoices received with no purchase order number?	Purchase ledger. Who raises purchase orders? Consider authority. Look at system and procedures.
Are there differences when stock is reconciled?	Stock control. How often is stock reconciled? Follow goods in to stock issued, look at paper trail and people involved.
How long does payroll take?	Payroll. Are employees on weekly payroll? Could you move them to monthly? Are employees paid in cash or by cheque? Would it be quicker to pay by BACS?

<p>Intercompany sales, purchases and loans.</p>	<p>Intercompany trading. Are there problems reconciling these areas, is it time consuming.</p>
<p>Is allocation of costs accurate? Do you know the profit of individual jobs and accounts?</p>	<p>Costing. Consider the nominal ledger codes – are they suitable? Are staff aware of the correct codes to use? Are errors corrected? Are reports accurate?</p>

Ensure topic is not too wide – you will just skim over problems.

Ensure topic is not too narrow – you need to have something to write four to five thousand words about, and prove valid, sufficient evidence.

Do not work on experience over two years old. Methods and ideas will have changed.

STRUCTURE OF THE REPORT

Title page

Contents or index page

Terms of reference

Executive summary

Methodology

Introduction

Analysis and evaluation of current system

Recommendations

Cost benefit analysis

Appendices

Notes:

- Start a new page for every section of the report.
- Number the sections and paragraphs.
- The report must be written in business English
- You must write in the third person (try not to use I, me or we).
- Avoid abbreviations (if they are used they should be written in full the first time and the abbreviation shown in brackets).

TITLE PAGE

Your title should give a clear indication of what the report is about. Depending on your topic, it should be along the lines of the following:

- 'A review of...'
- 'An analysis of...'
- 'An investigation into...'
- 'Improvements to the system of...'
- 'Recommendations for the improvement of...'

It should also include your name and membership number.

CONTENTS

This should be a list of the contents of the report with the page number on which they can be found.

It's best to leave this until the very end, as your page numbers will change as you work on your report.

Before submitting your final version, check back through your work to make sure they point to the correct place.

TERMS OF REFERENCE

This section should explain reasons behind the report. As there are at least two reasons why you are writing it, these must both be stated.

An example is:

1. 'This has been prepared to cover the requirements of the Internal controls and accounting systems learning and assessment area of Level 4 AAT Diploma in Accounting'.
2. 'The report looks at...' Here you should express what the report is about in one sentence. For example, 'the need to make improvements to the management of the petty cash system for Acme Company Limited'.

EXECUTIVE SUMMARY

This will probably be one of the last things you write, as it is an overview of the whole report.

If a senior manager reads only your executive summary, they should be able to have a good understanding of why the report was written, the recommendations and the impact on the organisation.

METHODOLOGY

This is how you have planned and prepared the report. This should give an overview of the research methods you have used in producing the report.

I expect to see in this section some of the following:

- You may have designed a questionnaire for colleagues or clients.
- You may have monitored a system over a period of time.
- SWOT analysis
- PEST analysis
- You may have prepared a flow chart or Gantt charts to monitor flow of work.
- Discounted cash flow.
- Payback period.
- You may have used the internet or books (do not list them here use that in the appendices).
- Acknowledgements can be made here to people who have helped you in the preparation of the report.

INTRODUCTION

Cover assessment criteria: 1.3

Give an overview of the organisation's business and its critical external relationships with stakeholders. [1.3]

This should be a BRIEF outline of the organisation or the section of the organisation that the report is based on. Whilst it is important to set the context do not waste words on this area.

- Talk about the type of business you are in; public/private, retail/manufacturing/service.
- Talk about the external stakeholders. These are people or organisations that have an interest in your organisation. Eg shareholders, banks, tax authorities, pressure groups, customers, suppliers, trade organisations.
- Talk about how these external stakeholders place demands on the activities of the accounting system.

Organisational charts should not be included here they belong in the appendices.

If you need to add any more detail this should also be in the appendices, but only if referred to in the main text of the report.

1.3 should be met in this section, you may also touch on 1.1 and 1.4

ANALYSIS AND EVALUATION

This is where the main body of the report starts I would expect to see at least 1500 words in this section.

There is no set way to approach or lay this out. I suggest the following, it is only a suggestion.

Describe the accounting function and consider the weaknesses.

Cover assessment criteria: 1.1, 1.4, 3.1, 3.2, 3.3, 3.5

Describe the purpose, structure and organisation of the accounting function and its relationships with other functions within the organisation. [1.1]

Explain how the accounting systems are affected by the organisational structure, systems, procedures and business transactions. [1.4]

Identify an organisation's accounting system requirements [3.1]

Review record keeping systems to confirm whether they meet the organisation's requirements for financial information. [3.2]

Identify weaknesses in and the potential for improvements to, the accounting system and consider their impact on the operation of the organisation [3.3]

Identify potential areas of fraud arising from lack of control within the accounting system evaluating the risk [3.4]

Review methods of operating for cost effectiveness, reliability and speed. [3.5]

Explain financial information and how external regulations affect systems.

Cover assessment criteria: 1.2, 1.5, 2.1

Explain the various business purposes for which the following financial information is required. Income statement (profit and loss), forecast of cash flow (cash flow statement) and statement of financial position (balance sheet) [1.2]

Explain the effect on users of changes to accounting systems caused by external regulations and organisational policies and procedures. [1.5]

Identify the external regulations that affect accounting practice [2.1]

Financial Information

- Know the reasons why financial reports are produced and discuss who uses these in your organisation.
- Statement of Comprehensive income;
 - Shows gross and net profit over a period (year)
- Statement of Financial Performance;
 - Shows state of the business at a point in time.
 - Lists assets and liabilities of a business
 - Agrees net assets to capital

- Statement of Cash Flows;
 - Uses information from accounting records to show an overall view of money flowing in and out of the business during an accounting period.
 - Useful to owners and lenders
 - Required for all but smaller limited companies
 - Shows investment, changes in working capital, sale of assets.

External Regulation

- Include research in methodology and quote references.
- Research Laws;
 - Taxation regulations
 - Companies Acts
 - Data Protection Law
 - Late Payment of Commercial Debt (Interest) Act 1998
 - Maternity etc
- UK and International Accounting Standards
- Show how your organisation takes account of any changes in the above. Discuss that change is necessary to comply with statutory or organisational reasons.

Describe internal systems of control and fraud.

Cover assessment criteria: 2.2, 2.3, 2.4, 2.5, 3.4, 3.5

Describe the causes of and common types of fraud and the impact of this on the organisation [2.2]

Explain methods that can be used to detect fraud within an accounting system [2.3]

Explain the types of control that can be put in place to ensure compliance with statutory or organisational requirements. [2.4]

Explain how an accounting system can support internal control [2.5]

Identify potential areas of fraud arising from lack of control within the accounting system evaluating the risk [3.4]

Review methods of operating for cost effectiveness, reliability and speed. [3.5]

See fraud notes if required

Make sure that you evaluate the risk of fraud. For example you could include a sentence such as

' On a scale of 1 to 10 I consider the risk of fraud to be 4, if fraud were to occur the impact would be rated at 9'.

If your organisation does not have methods in place to detect fraud or controls to ensure compliance with statutory requirements then you can meet these assessment criteria in the recommendations section.

Fraud

Cover assessment criteria: 4.1, 4.2

Evaluate the accounting system against ethical principles [4.1]

Identify actual or possible breaches of professional ethics [4.2]

See ethics revision notes if required

Fundamental principles of professional behaviour

- Professional behaviour
- Professional competence and due care
- Confidentiality
- Integrity
- Objectivity (independence)

Objectives of the Code of Ethics

- Mastery of skills and techniques
- Ethical approach to work, employers and clients.
- Duties to society as a whole plus employer and client
- Objective outlook, fair-minded, free from conflict of interest
- Render personal services to high standards of conduct and performance
- Achieve acceptance by public that members provide accountancy services in accordance with high standards

Sustainability

Cover assessment criteria: 5.1, 5.2

Evaluate the accounting system against sustainable principles [5.1]

Identify where improvements could be made to improve sustainability [5.2]

This is very topical and you can google sustainability or Corporate Social Responsibility. You could search the AAT website.

I suggest you focus on 3 areas

1. Economic sustainability
 - a. Think about keeping customers long term, so consider quality, service, pricing, added value.
2. Environmental sustainability
 - a. Reducing carbon footprint
 - b. Recycling
 - c. Energy policy such as computers off at night, lights out.
Low energy,
3. Social responsibility
 - a. Family atmosphere
 - b. Staff retention
 - c. Involvement with charities
 - d. apprenticeships

WEAKNESSES

Cover assessment criteria: 3.3, 3.4

Identify weaknesses in and the potential for improvements to, the accounting system and consider their impact on the operation of the organisation [3.3]

Identify potential areas of fraud arising from lack of control within the accounting system evaluating the risk [3.4]

Some people like to have a separate section for weaknesses, a form of summary.

I would expect that these weaknesses have all been mentioned in the review – they have come up following your review. You may have ethics and sustainability weaknesses.

Try to make this as clear and easy to follow as possible.

Each weakness that you mention must have a recommendation.

RECOMMENDATIONS

This is where a range of possible changes or solutions is examined and the best possible identified. For example a manual wage system is slow and inefficient the recommendations could include staff training, increasing the number of staff, or computerising the system, with suggestions as to which software to use.

Your recommendations should mirror the weaknesses in the weaknesses section. If you have listed 3 main weaknesses then you should make recommendations to cover them. Do not make a recommendation to cover something you have not said is a weakness.

Cover assessment criteria: 6.1, 6.2, 6.3, 6.4

Make recommendations for changes to the accounting system, including ethical and sustainability considerations, with a clear rationale and an explanation of any assumptions made [6.1]

Identify the effects that any changes would have on the users of the system. [6.2]

Enable individuals who operate accounting systems to understand how to use the system [6.3]

Identify the implications of recommended changes in terms of time, financial costs, benefits, and operating procedures. [6.4]

APPENDICES

There should be a range of appendices at the back of the report, which should be numbered. Only include those appendices which are relevant to the text and are mentioned and referenced in the text, or are part of the research methods.

Examples:

- Questionnaire.
- Bibliography of any textbooks and web sites that you have consulted. See below for examples.

<http://www.equalityhumanrights.com>

Balogun and Hope Hailey. (2004) *Exploring Strategic change. 2nd edition*. Pearson Education Ltd., Harlow, England.

- Research on areas that will not be fully covered in the report e.g. fraud.

Remember your appendices are not included in the total word count.