Strategic Business Leader – Professional Skills marking guide

An example of good, marginal and poor professional skills answers

Think Ahead ACCA

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Introduction

The following document gives some guidance on how to award professional marks and to recognise answers which attract various grade criteria for professional skills marks.

To do this, general guidance will first be given about what Professional Skills are and how they are defined, which then leads to some general principles of marking and an approach to assessing 'professionalism' in the new Strategic Business leadership (SBL) examination. The general principles of marking professionalism will help students understand how to maximise their potential for professional marks and at the same time encourage good examination technique and better time management.

To support and apply this more general guidance, two part questions from each of the two specimen exams will be used as a basis for the illustration and application of the general guidance, which cover four of the five Professional Skills. One of the questions taken from specimen 2 exam will further show two more answers that would earn marginal professional marks and no professional marks at all.

The way this specific guidance works is that the published answer is presented as published to which notes and comments are attached to highlight and justify which aspects attract professional marks under the grade criteria supplied within the professional marks grids.

The part requirements which will be used as examples of how to reward professional skills are taken from the two published specimen exams. The pdfs of these are attached below for your further information:

http://future.accaglobal.com/changes-to-the-qualification/the-qualification-journey/strategic-professional/strategic-business-leader

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Which professional skills are we assessing?

Section I of the Strategic Business Leader examination describes the five Professional Skills* as follows:

I PROFESSIONAL SKILLS

**Note that for each of the five skills there are three sub-skills which help to define them and inform markers of what these skills entail and below that a summary of these is given.*

1) Communication*

A *Inform concisely, objectively, and unambiguously, while being sensitive to cultural differences, using appropriate media and technology.*[3]

B *Persuade using compelling and logical arguments demonstrating the ability to counter argue when appropriate.*[3]

C *Clarify and simplify complex issues to convey relevant information in a way that adopts an appropriate tone and is easily understood by the intended audience.*[3]

In summary, this means the candidates have to express themselves clearly and convincingly through the appropriate medium while being sensitive to the needs of the intended audience.

2) Commercial acumen*

A *Demonstrate awareness of organisational and wider external factors affecting the work of an individual or a team in contributing to the wider organisational objectives.*[3]

B *Use judgement to identify key issues in determining how to address or resolve problems and in proposing and recommending the solutions to be implemented.*[3]

C *Show insight and perception in understanding work-related and organisational issues, including the management of conflict, demonstrating acumen in arriving at appropriate solutions or outcomes.*[3]

In summary, this means the candidates have to show awareness of the wider business and external factors affecting business, using commercially sound judgement and insight to resolve issues and exploit opportunities.

*3) Analysis**

A *Investigate relevant information from a wide range of sources, using a variety of analytical techniques to establish the reasons and causes of problems, or to identify opportunities or solutions.*[3]

B *Enquire of individuals or analyse appropriate data sources to obtain suitable evidence to corroborate or dispute existing beliefs or opinion and come to appropriate conclusions.*[3]

C *Consider information, evidence and findings carefully, reflecting on their implications and how they can be used in the interests of the department and wider organisational goals.*[3]

In summary, this means the candidates have to thoroughly investigate and research information from a variety of sources and logically process it with a view to considering it for recommending appropriate action.

*4) Scepticism**

A *Probe deeply into the underlying reasons for issues and problems, beyond what is immediately apparent from the usual sources and opinions available.*[3]

B *Question facts, opinions and assertions, by seeking justifications and obtaining sufficient evidence for their support and acceptance.*[3]

C *Challenge information presented or decisions made, where this is clearly justified, in a professional and courteous manner; in the wider professional, ethical, organisational, or public interest.*[3]

In summary, this means the candidates have to probe, question and challenge information and views presented to them, to fully understand business issues and to establish facts objectively, based on ethical and professional values.

*5. Evaluation**

A *Assess and use professional judgement when considering organisational issues, problems or when making decisions; taking into account the implications of such decisions on the organisation and those affected.*[3]

B *Estimate trends or make reasoned forecasts of the implications of external and internal factors on the organisation or of the outcomes of decisions available to the organisation.*[3]

C *Appraise facts, opinions and findings objectively with a view to balancing the costs, risks, benefits and opportunities, before making or recommending solutions or decisions.*[3]

In summary, this means the candidates have to carefully assess situations, proposals and arguments in a balanced way, using professional and ethical judgement to predict future outcomes and consequences as a basis for sound decision-making.

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General guidance

When examiners produce the SBL exam they will set exam requirements which will examine the technical skills of candidates, but will also help discriminate between candidates on the basis of their overall 'professionalism' in writing their exam answers. They will also supply professional mark grids within the marking schemes containing detailed criteria relating to how specifically candidates can demonstrate the above Professional Skills against individual examination requirements.

Before specific exam requirements from the specimen exams are considered in more detail, some general principles about demonstrating professionalism will be discussed. This article will show how candidates can complement technical skills with 'professionalism' and how this should be rewarded.

Professionalism can be demonstrated specifically against particular requirements, but also holistically across the whole exam and adopting this approach should help markers discriminate between weaker and stronger candidates. Professionalism in general can be evidenced as follows:

1 *Making the most important or crucial points* relating to the requirement where a wide number of weaker points could potentially have earned all technical marks available per part-requirement. *(In the current exam marking rubric, candidates can earn all their technical marks while at the same time missing the most obvious points. Professional marking allows this skill to be rewarded and the abler candidates to be more fairly rewarded).*

2 *Showing deep/clear understanding of underlying or causal issues and integrating knowledge* from a number of sources to make points rather than making fairly obvious points directly obtained from discrete information stated in the case. *(This is slightly different to making the most relevant points. This is about making points which require greater understanding of the issues through linking information from different sources which the less able candidate would not normally have picked up).*

3 *Only making relevant points* and not including superfluous information or erroneous or unsupported points, which under the current exam marking structure would not affect performance. *(Under the new exam format, a candidate who consistently makes valid points is rewarded additionally for demonstrating their wider credibility).*

4 *Not repeating points already made.* Professionally competent candidates do not needlessly repeat information or points already made. They may reinforce a previous point, but this is usually made as a development of a point rather than repetition.

5 *Addressing the requirements as written* is an indication of professionalism and this is certainly not evident when candidates either make significantly more points than would be required for the marks available (showing poor time management), or who deliberately choose to discuss more issues than asked for in the hope that the marker will select their best answers. This practice is unprofessional and shows poor judgement. *(This is about showing professionalism as expected in the work place and commercial awareness, personal effectiveness and integrity).*

6 *Showing an ability to prioritise* and make points in a logical and progressive way, building arguments rather than using a random or 'scattergun' approach to answering the question. (*This is about telling a coherent and compelling story, not only to gain communication skills marks, but can also be used as a way of earning other professional skills marks as identified).*

7 *Structuring and presenting answers in a professional manner* through faithfully simulating the task as would be expected of the person being asked to carry it out and having a clear stakeholder focus to the style of answer given. *(This means adopting the style of media as specified in the requirement, including headings, tables and figures, if relevant, and presenting figures or quantitative analysis succinctly and logically).*

8 *Evidencing sound knowledge from previous learning* (underpinning exams) or wider reading and applying this knowledge appropriately to strengthen arguments and make points more convincing. *(This requires candidates to revisit the main relevant content from the Fundamentals Applied Skills level of the qualification).*

9 *Demonstrating professionalism in SBL is not about linguistic eloquence* or having an extensive vocabulary, or even about grammatical style. English, for many of our students is not their first language, so what we are looking for, more specifically, is the ability to express points clearly, factually and concisely. In addition to being clear, factual and concise, students should express themselves convincingly, persuasively and show credibility in what they say and how they express themselves to gain professional marks.

The above general principles should help markers judge, in a holistic way, how to reward candidates for showing professionalism in any given requirement. The marker will first and foremost pay particular attention to the demonstration of specifically identified professional skills within each requirement, and against which a marking grid is associated, containing the specific criteria and describing what in particular the marker should be looking for in order to award these marks fairly and consistently. While this is the case, candidates who write in a style and with a focus which keeps the above general points about professionalism in mind, are more likely to achieve a higher professional mark in any specific requirement, as many specific professional marking grid criteria would often draw on these general principles as can be seen in several of the professional marking grids illustrated below.

This will be illustrated by taking four part-requirements; two from each of Specimens 1 and 2.

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Example A

SPECIMEN 1, Q1c)

Under the Strategy and resource allocation heading in the October board report, the possibility of DCS Company supplying and supporting such technologies as cloud computing and big data analytics is referred to. To accompany the consultancy report a presentation is needed about the exploitation of such new technologies.

REQUIRED

Prepare information for two presentation slides to be presented to the DCS Company board, including relevant bullet points and supporting notes, highlighting the key benefits and identifying the main opportunities presented by big data analytics to DCS Company and its customers.

(6 marks)

Professional Skills marks are available for demonstrating communication skills in highlighting the key points to include in the slides and for clear supporting notes.

(2 marks)

Below is the professional marks criteria grid for this part-question:

1 (c) Communication skills in highlighting the key points and for clear supporting notes.	*The candidate has failed to use a slide format to communicate the benefits of big data for either the business or their customers.*	*The candidate has only loosely used a slide presentation format, but has either far too many or too few points or has failed to identify benefits for both the business and customers. The candidate has produced some notes but they are either too long or fail to adequately explain the main points.*	*The candidate has used a slide format and bullet points, and has covered both benefits to the customers and the business, but there may be too many of them or they have not been expressed succinctly enough. There are slide notes, but they only loosely explain the bullet points selected.*	*The candidate has appropriately selected and prioritised the key points about benefits to the customer and to the business in a logically flowing bullet list and has produced clear supporting notes which relate closely to the points selected.*
	0	**1**	**1.5**	**2**

Example A - Sample answer

Presentation slides

Slide 1: Benefits of big data analytics

Bullet points:

- Sentiment analysis
- Soft surveillance and consumer behaviour tracking
- Open communication channels with clients
- Predictive analytics (which can monitor inventory levels and ensure product availability)
- Analysis of customers' purchasing behaviours

Notes: As DCS operates in a country with 75% of the population connected to the internet and presumably purchasing a significant proportion of their products and services online, DCS can sell data analytics capability to its clients. It can do this by showing them how to use this capability to capture, store and process data from their customers. By developing sophisticated marketing analytics with big data, DCS's clients can properly evaluate their own marketing performance, gain insight into their customers' purchasing patterns, discern key market trends and permit them to make evidence-based marketing decisions.

Slide 2: Further opportunities to DCS customers of big data analytics

Further opportunities offered by big data analytics for DCS's customers, include the following:

Bullet points:

- Potential to unlock significant value
- Ability to collect more accurate and detailed performance information
- Big data allows ever-narrower segmentation
- Sophisticated analytics can substantially improve decision-making
- Big data can be used to develop the next generation of products and services

Comments

An appropriate number and length of bullet points in the slide

Identifying training needs as a selling point

Good persuasive language to sell benefits to customers

Again the use of 5-6 bullet points to highlight main benefits per slide makes the slide more effective

Notes: Big data analytics makes information about DCS customers' clients more transparent and allows DCS's customers to collect more accurate and timely information at a fraction of the costs of hosting expensive architectures such as data warehouses and allows DCS's clients considerable cost savings using cloud computing capability or open source software such as 'Hadoop clusters' for storing and processing large amounts of data. Using this, and through 'data mining' using social and business networking data, DCS's clients can undertake a much more sophisticated analysis of their customers and therefore much more precisely tailor their products or services allowing valuable insights which would otherwise remain hidden and unlock more customer value. The other key opportunity is to allow DCS's clients to develop bespoke products for their customers based on their precise needs and consumer behaviours.

Comments

Good use of language to emphasise benefits of data analytics against alternatives

Again a good example of persuasive selling of benefits to clients as would be expected of the presenter in this situation

Mark allocation for this requirement:

- To gain 2 marks the candidate would have presented two slides with an appropriate number of bullets and these would contain the most significant benefits to both the company and to the client using excellent communication skills as evidenced by the notes.
- To gain 1.5 marks the candidate must have demonstrated some good communications skills by using a clear slide format and included notes explaining some benefits to both the company and clients, but the number of bullets may be too many or too long or some key bullets may have been missed. The notes should link well to the bullets, but may not be as persuasive as the best answers.
- To gain only 1 mark there must be some attempt at communications skills through having a slide format with accompanying notes, but the slides may not necessarily cover the main benefits to the company or clients and the notes may not adequately explain or support the bullets in the slides.
- To gain no marks for communications skills, there would be no attempt at a slide format or notes, but just a written answer (however technically correct).

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Example B

SPECIMEN 1, Q2a)

In the October board report, the executive directors refer to a number of factors affecting DCS Company and the need to choose one of two alternative strategic options. You now need to do the following:

REQUIRED

Draft a section of the report to identify and briefly discuss THREE main risks which DCS Company currently faces and plot them on a heat map, recommending appropriate strategies to manage those risks using an appropriate risk management framework.

(6 marks)

Professional Skills marks are available for demonstrating commercial acumen/judgement in identifying and locating the risks appropriately.

(2 marks)

Below is the professional marks criteria grid for this part-question:

2 (a) Commercial acumen skills and judgement in identifying and locating risks appropriately on a heat map.	*The candidate made no attempt to construct a heat map so they failed to illustrate the probability and impact of the categories of risk detailed in the scenario.*	*The candidate attempted to construct a heat map as required. However, either the accuracy of plotting the risks was wrong or the presentation of the diagram was below standard so it did not help to support the candidate's answer.*	*The candidate constructed a good heat map, plotting the main risks identified in the scenario correctly. However, the candidate did not reference the heat map to their answer so its usefulness was very limited.*	*The candidate constructed an accurate heat map, plotting all of the main risks identified in the scenario correctly. The heat map was carefully referenced to the answer thereby constituting part of an effective risk management framework.*
	0	**0.5**	**1**	**2**

Example B - Sample answer

Key risks facing DCS Company

Below is a heat map identifying and locating the key risks that DCS is facing currently.

Heat map for key risks faced by DCS Company

As far as the company is concerned the key risks are as follows:

Strategic risk

The key strategic risk which DCS faces is the increased competition in the data communications components manufacturing market, the reduced margins and potential decline in the future. At the same time DCS faces the risk of missing an opportunity to use its competencies to develop the potentially more profitable area of its business. DCS currently faces lower market share and declining shareholder value and this is projected to be a 10% decline year on year for the next three years. To reduce or avoid these risks, DCS could re-align its business towards the more profitable domestic market by investing in the network support business in terms of increased R&D, fixed asset investment and improvements in policies relating to staff retention and recruitment to support this potential growth area. This would also reduce its general cost base.

Business risk

As already explained in the five forces analysis, apart from heavy dependence on its main business sector of data communications (65% of its total turnover), DCS is facing economic risk from overdependence on key customers (one of the OEM customers accounts for 40% of its sales). DCS is also over reliant for its supplies of data communications sub-components on two large

Comments

Specifying the most important risk and explaining why

Commercially aware terminology

Recognising another key commercial implication

Referring to an earlier response and a relevant commercial model as would be done in a consultancy report

Selecting a key commercial statistic from the case as evidence

multinational suppliers from which it currently faces serious supply shortages. It also risks further losses of staff and greater recruitment difficulties caused by poor staff morale and due to the unattractive location of DCS's headquarters. Under the TARA framework, it is advisable to reduce these risks by widening the supplier and customer base. From a supply perspective, the benefits of this strategy would be to spread the risk of a disruption to the supplies from one or both of the two current suppliers. The strategy would also help DCS in terms of bargaining power, particularly if it is not getting favourable terms from them. Similarly, widening the customer base, or concentrating on a higher value strategy will reduce its dependence on the data communications business and also the bargaining power of their main OEM customer and help their profitability. DCS can reduce the staff retention and recruitment risk by adopting tactics and implementing policies to improve the culture of the organisation and the morale of their key staff. This could be achieved through offering greater empowerment and devolving more authority to middle managers. An improvement in intrinsic rewards and in pay and conditions, or allowing staff to relocate, or work from other geographical locations, which are more attractive to them, may also help to mitigate this risk.

Financial risk

The main risk is the devaluing currency in the main market into which DCS sells a significant proportion of its data communications components. A weakening currency in the economic community from which customers settle their payments means that DCS is facing a currency translation exposure as monies received in the devaluing currency will effectively reduce the turnover collected from customers in these markets. Under the TARA framework, the risk could be reduced or transferred by using foreign currency hedging instruments or by taking out loans in the denomination of the weaker foreign currency, using the payments from the continental customers to offset the liability. The other main financial risk is the high level of gearing and the risk of breaking bank covenants and of default. This risk could be mitigated by either converting some of the debt into equity or by repaying or redeeming loans from DCS's considerable cash reserves, or by issuing more shares.

Environmental risk

DCS is not itself at risk of potential environmental impact, but is facing a risk of creating an increased carbon footprint or environmental impact which it is not effectively managing and which may itself create environmental costs and incur a carbon tax liability. This risk could be transferred through carbon offset strategies, avoided by ceasing to manufacture or distribute goods in a way that creates such a significant carbon footprint, or reduced through pursuing tactics or strategies to avoid waste and reduce emissions.

Comments

Recognising the dynamics of the commercial relationship with suppliers and how to improve commercial position

Recognition of a lack of authority given to middle managers and linking to motivation

Again prioritising which financial risk to discuss and focus on and mentioning it first

Drawing appropriately from underpinning knowledge of previous subjects and applying to the question

Recognises that companies can both suffer from or create an environmental footprint

Recognising the commercial reality of creating an environmental footprint

Note: Under general principle 5; a candidate who discusses more than THREE risks as asked for could not earn maximum professional marks even if they met all the other criteria.

Mark allocation for this requirement:

- To gain 2 marks many of these points or similar points demonstrating commercial acumen would be made and most general principles of professionalism would be very evident.
- To gain 1 marks some of these or similar points demonstrating commercial acumen may be covered and many of the general principles of professionalism would be evident.
- To gain only 0.5 marks, one or two of the type of points highlighted above demonstrating commercial acumen would be made, but only some general principles of professionalism would be evident.
- To gain no marks none of the points above or similar commercial acumen skills would have been demonstrated and general principles of professionalism would not be at all evident.

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Example C

SPECIMEN 2, Q5a)

You are a project manager working for the director of Projects and Infrastructure of Rail Co. The director of Projects and Infrastructure is putting forward a proposal to the board of directors of Rail Co for a project to invest in an online ticket sales system. The project should be fully operational within 12 months but would need to be undertaken by an external firm of developers, as Rail Co does not possess the internal expertise. However, Rail Co would manage the project.

REQUIRED

You have been asked by the director of Projects and Infrastructure to write a business case to the board, in which you will:

Justify why the investment in online ticket sales could assist Rail Co in producing detailed and timely customer data to assist in customer relationship management.

(8 marks)

Professional skills marks are available for demonstrating evaluation skills in assessing the impact of online ticket sales on customer relationship management.

(2 marks)

Below is the professional marks criteria grid for this part-question:

5 (a) Evaluation skills in assessing the impact of online ticket sales on CRM.	*The candidate has demonstrated no evaluation skills. The candidate has demonstrated no professional judgement in considering the relevance of an online ticket sales system to Rail Co. The answer is largely theoretical and the candidate has demonstrated little evidence of an ability to take into consideration the impact of the decision on the stakeholders of Rail Co.*	*The candidate has demonstrated some evaluation skills in assessing the impact of an online ticket sales system for Rail Co. The candidate has used little professional judgement to evaluate the impact of the system on producing more timely customer information and in CRM. There is evidence of some limited evaluation of the impact of the decision on the stakeholders of Rail Co.*	*The candidate has demonstrated some sound evaluation skills in assessing the impact of an online ticket sales system for Rail Co. The candidate has made a reasonable attempt to evaluate the impact of the system on more timely customer data and improved CRM. The candidate has demonstrated a reasonable ability to assess the impact on the stakeholders of Rail Co.*	*The candidate has demonstrated excellent evaluation skills. They have clearly demonstrated excellent professional judgement in assessing the impact of the system on timely customer data and CRM. The candidate has also demonstrated a clear ability to assess the impact of the new system on the stakeholders of Rail Co.*
	0	**0.5**	**1**	**2**

Example C - Sample answer

Business case for the investment in an online ticket sales system for Rail Co.

Introduction

The following business case sets out how investment in online ticket sales could assist Rail Co in producing more timely customer data and assist in customer relationship management.

Current situation

Presently, Rail Co does not operate an online ticket sales facility for its customers. All tickets are purchased at ticket offices located at each station. Recent evidence suggests that as a result of inadequate ticket buying facilities at the stations combined with a lack of ticket barriers, there is a high level of fraud occurring in the network. Some of this fraud could be eliminated with the introduction of improved ticket buying facilities such as an online booking facility.

In addition, customers are used to being able to buy products and services online and as a modern organisation Rail Co should be considering offering customers such a facility. It has become an expectation of digital life that customers are provided with the flexibility to buy products and services from the comfort of their own home. Research also suggests that other national passenger rail service providers offer customers such a facility. Therefore, not to offer such facilities may be detrimental to Rail Co's competitive position.

Analysis of the benefits of an online ticket sales facility

The purpose of CRM is the building of relationships in order to affect customer acquisition, retention and loyalty, resulting in the development of 1:1 relationships with these customers. This 'customer focused' approach, which will involve building a strong relationship with Rail Co's customers as well as gathering, storing and sharing information about these customers across the organisation, will likely improve customer loyalty. Electronic CRM, in the form of an online ticket sales system, would make it possible for Rail Co to have as much contact as possible with its customers through the internet. This internet support for Rail Co's customers would likely take the form of presales information, such as timetabling information, ticket purchasing services and after-sales support, such as online refunds or customer account queries. The internet would make it possible for Rail Co to have frequent contact with its customers, and so enable us to operate and maintain a detailed customer database, assisting us even further in developing better customer relationships. A further value of the internet for Rail Co could be seen in the quicker flow of information (real time sales data) and more consistent communications which can result from its use.

Comments

Evaluation of current situation in terms of competitive position

Evaluating impact on stakeholder

The effective use of CRM systems could assist in Rail Co's relationship-building activities while also contributing to the profitability of the business. Some of the goals which we should set would include retaining our existing passengers, improving customer satisfaction with the services we offer and increasing customer loyalty. Customers who receive excellent services remain loyal and a further advantage is that they provide free advertising by talking about the organisation's services.

Operational CRM includes customer-facing applications such as sales force automation, enterprise marketing automation and customer service and support. Rail Co may consider the implementation of a customer call centre, which is also a component of operational CRM. In this way, all interactions with the customer could be recorded, enabling Rail Co to gather even more data on the customer and thus track the customer.

Analytical CRM could also be used to analyse the data which has been created through operational CRM, to build a picture of the customer. Analytical CRM includes the capturing, storage, extraction, processing, interpretation and reporting of customer data stored in data warehouses. This will enable us to examine customer behavioural patterns in order to develop marketing and promotional strategies which can be tailored to specific customer groups, such as students, the elderly, daily commuters or leisure travellers.

Risk assessment

A detailed cost analysis must been undertaken to assess the financial viability of an investment in an online ticket sales system for Rail Co. Further risks should also be considered including the customer perception of such a system and also a stakeholder mapping exercise will need to be undertaken. The main risk is that customers will not use the system, either due to a reluctance to change purchasing habits or due to a lack of awareness of the facility. These risks can be overcome through adequate customer awareness strategies such as in-station advertising and national and regional TV and radio advertising.

Comments

Evaluation of contingent benefits

Further evaluation of benefits

Evaluation of stakeholder dynamics in respect of risk

Mark allocation for this requirement:

- To gain 2 marks many of these points or similar points demonstrating evaluation would be made which relate to stakeholder implications and most of the general principles of professionalism would be very evident.
- To gain 1 mark some of these or similar points demonstrating evaluation may be covered with some reference to stakeholder implications, and many of the general principles of professionalism would be evident.
- To gain only 0.5 marks, one or two of the type of points highlighted above demonstrating evaluation would be made, but not specifically focused on the stakeholder, but only some general principles of professionalism would be evident.
- To gain no marks none of the points above or similar evaluation skills would have been demonstrated and general principles of professionalism would not be at all evident.

Example D

SPECIMEN 2, Q2b)

A few days later Alex Reed called you into his office to discuss Rail Co's governance and internal controls. During that meeting he referred to the transport report in the Beeland Herald newspaper (Exhibit 2) and handed you a copy of the minutes of the latest board meeting held by Rail Co (Exhibit 4).

REQUIRED

Alex has asked you to draft a letter to be sent to the chairman of the Rail Co Trust Board which:

Reviews the effectiveness of the internal controls at Rail Co using evidence from the minutes of the latest Rail Co board meeting and any other suitable source and justifies that the chief executive of Rail Co is failing in his fiduciary duties to the trustees of Rail Co.

(8 marks)

Professional skills marks are available for demonstrating scepticism skills in questioning the opinions and assertions made by the chief executive at the recent board meeting.

(2 marks)

Below is the professional marks criteria grid for this part-question:

2 (b) Scepticism skills in questioning the opinions and assertions made in the minutes to the board meeting.	*The candidate has failed to demonstrate any scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate demonstrated no evidence of challenging or questioning the internal controls or the opinions of the CE. The candidate failed to clearly justify why the CE should be removed from his position.*	*The candidate has demonstrated some, but limited, scepticism of the internal controls and the opinions and assertions made by the chief executive. The candidate questioned some of the internal controls and challenged some of the assertions made by CE. However, the depth of the questioning was limited and the challenge to the CE's opinions was not presented in a professional manner.*	*The candidate has demonstrated scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate recognised and challenged most of the internal controls. The challenge of the CE's opinions was reasonably sound. The challenge to the opinions of the CE could have been presented in a more professional manner.*	*The candidate has demonstrated deep scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate strongly questioned, with evidence, the validity of the internal controls. The candidate challenged the opinions of the CE in a professional and justified manner.*
	0	**0.5**	**1**	**2**

Example D - Sample answer

In this example, good, marginal and poor professional skills answer will be demonstrated.

The good answer is the sample answer taken from the specimen exam which has earned very high technical marks and all the professional skills marks. The marginal answer has gained good technical marks but not all professional marks skills as against the professional skills marking grid. The poor answer has gained some few technical marks but no professional marks at all.

(i) Sample 'Good' answer

The Rail Co Trust Board

Beeland Xx/xx/xxxx

Dear Chairman

The following is our report on the effectiveness of internal controls of Rail Co based on the evidence I have been able to collect and analyse.

Having thoroughly reviewed the Rail Co performance data, the recent board meeting minutes of Rail Co and the transport report in the Beeland Herald, a number of internal control weaknesses can be highlighted. First, there appears to be a serious weakness in the control of passengers accessing trains without tickets. This is referred to in the Beeland Herald transport report, where it is mentioned that this issue had already been raised in the last two annual reports. This creates a significant business risk which does not seem to have been acted upon or mitigated by the Rail Co board. It has been highlighted for over two years that Rail Co believes that significant numbers of passengers are travelling on Rail Co's network without tickets. A key internal control weakness would appear to be that approximately 40% of Rail Co's stations do not operate ticket barriers, allowing the potential for customer ticket fraud. This potentially will have seriously damaging consequences on the performance of Rail Co in that revenues are not being optimised.

Second, there appears to be a weakness in staff management and safety procedures, in that there has been an increase in the number of injuries to staff reported by Rail Co in the last year. This is evidenced in the recent performance information analysed by one of my colleagues in Exhibit 3. Although Kim Lun has assured the BHSO that a thorough investigation would be undertaken immediately, it indicates that Rail Co has potential weaknesses in safety procedures and also in staff training procedures.

Comments

Relating the internal control failure to a category of risk

The performance statistics indicate that Rail Co has lower levels of training than its competitors and Kim Lun (non-executive director) has noted that there had been a lack of investment in the training of staff in the last three years, which is also a key internal control weakness and one which could seriously impede the performance of Rail Co. Staff who are not appropriately trained are more likely to have accidents and to make mistakes. Again, this will have serious repercussions on the overall performance of Rail Co and could have seriously damaging impact upon reputation if serious injuries occur.

A further internal control weakness could be seen as the lack of investment in online booking systems. Several other national train operators offer online booking facilities and evidence suggested that this had positively impacted upon revenue growth and customer satisfaction in all of these businesses (Appendix 3). Lack of focus upon IT investment and development in key strategic information systems could be seen as an internal control weakness and could hamper the long-term performance of Rail Co.

A further internal control weakness could be the current pay structure. Poorly paid staff who are dissatisfied will leave or may take strike action. HR policies on fair pay could be considered to be weak if they are not commensurate with the expected pay rate.

Throughout the board meeting, there is evidence of the chief executive's inability to react to these key internal weaknesses effectively and it would seem that in some cases, this reluctance and inactivity could have seriously damaging consequences for Rail Co. In a number of cases, there is evidence of a failure to achieve his fiduciary duty to the trustee of Rail Co. First, his comments in relation to Rail Co's performance are inaccurate and reflect his own opinion, based on historic performance and not the actual performance in 2016. Clearly, some narrow aspects of performance have improved, but it is not in line with competitors and customer expectations in the current climate. His comment that the target for punctuality set by the Trust Board was unachievable and not relevant is highly inappropriate and shows a breach of his fiduciary duty to the trustees. It is his role as chief executive to ensure that these targets are achievable and they cannot simply be ignored. Also, his statement that customers do not understand value for money demonstrates his lack of understanding of the customers' perception of this critical measure. It is wrong for him to make such a sweeping and unjust statement and could seriously damage the reputation of Rail Co if these views were made public.

His response to the investment in ticket barriers is unfounded and demonstrates a lack of understanding of a key internal control weakness in relation to the potential level of fraud in Rail Co. He had made a significant judgement founded upon no evidence of costs outweighing the benefits and his assessment that most fraud being unpreventable is ill-judged and incorrect.

Comments

Scepticism in relating accidents to poor training and supporting the point by referring to corroboration by board member

Scepticism in recognising that while low wages reduce costs, they can have detrimental longer-term effects on the business

Scepticism in recognising the subjective opinion of the CE and implying his lack of integrity

Again good example of scepticism

Again good expression of scepticism

Sceptical about the CE's view about the viability of introducing measures of preventing fraud

Again, his lack of understanding of such an important issue is a failure of his fiduciary duty.

His comment that there is no evidence to suggest that staff morale is low is incorrect, as staff turnover is increasing, strongly indicating low morale. He pointed to evidence in the customer survey report which indicated an annual growth in customer satisfaction levels in relation to staff helpfulness and attitude but this is not linked to staff training in any way. His logic is flawed and his attitude towards staff and adequate training could be seriously damaging to Rail Co.

The CE also commented that online ticket facilities went against the traditional values of customer service focus of Rail Co.

His reluctance to invest in such technology could prove to be seriously damaging to Rail Co's performance. It is clear that customers are not happy with ticket buying facilities and should this continue more will use other means of transport. To delay this decision could be damaging to Rail Co, should customers continue to choose other forms of transport to commute.

The chief executive's attitude towards the unions could be severely damaging to Rail Co, should the unions decide to take strike action. The CE commented that the unions were merely taking advantage of the latest survey results to put the board under pressure to increase levels of pay for its members. Although Rail Co must negotiate with the unions, to take an aggressive stance could be counter-productive. His comment relating to the media as an unimportant stakeholder is incorrect as adverse media reports about Rail Co are a potential reputational risk to the organisation.

In conclusion, my overall opinion is that the comments made by the chief executive demonstrate a number of serious failures and weaknesses in his fiduciary duty to the principals and trustees of Rail Co. I have grave concerns regarding his awareness of the current situation facing Rail Co and his abilities to respond effectively to the changes which will be required in the coming months.

Yours sincerely

Assistant auditor, NAA

Comments

Good use of evidence to challenge an unsupported and incorrect opinion

Recognition of a serious risk associated with the incorrect assessment of an external stakeholder by the CE

Good concluding remark summarising a sceptical view of the CE as a leader of the organisation

Mark allocation for this answer:

- The answer has gained all the 2 professional marks. Many of the points demonstrating scepticism have been made and most general principles of professionalism are evident.
- To gain an understanding of the difference between the standard of the very good answers in terms of professional skills given to the questions above, for the above requirement we have also produced two other answers. The first is a marginal pass answer and the second a very poor answer. We have added notes to these to confirm our opinion of the standard of the answers produced.

(ii) Sample 'Marginal' answer

The Rail Co Trust Board

Beeland Xx/xx/xxxx

Dear Chairman

The following is our report on the effectiveness of internal controls of Rail Co based on the evidence I have been able to collect and analyse.

Having thoroughly reviewed the Rail Co recent board meeting minutes of Rail Co and the transport report in the Beeland Herald, a number of internal control weaknesses can be highlighted.

First, there appears to be a serious weakness in the control of passengers accessing trains without tickets. Significant numbers of passengers are travelling on Rail Co's network without tickets. This is due to the fact that Rail Co's stations do not operate ticket barriers. This is also referred to in the Beeland Herald transport report.

Second, there appears to be a weakness in staff management as staff turnover is very high. There has also been an increase in the number of injuries to staff reported by Rail Co in the last year. Although Kim Lun has assured the BHSO that a thorough investigation would be undertaken immediately, it indicates that Rail Co has potential weaknesses in safety procedures.

A further internal control weakness could be seen as the lack of investment in online booking systems. The IT director stated that several other national train operators offer online booking facilities and evidence suggested that this had positively impacted upon revenue growth and customer satisfaction in all of these businesses.

A further internal control weakness could be the current pay structure. HR policies on fair pay could be considered to be weak if they are not commensurate with the expected pay rate.

Throughout the board meeting, there is evidence of the chief executive's inability to react to these key internal weaknesses effectively and it would seem that in some cases, this reluctance and inactivity could have seriously damaging consequences for Rail Co.

First, his comments in relation to Rail Co's performance are inaccurate. Clearly, some narrow aspects of performance have improved, but it is not in line with competitors and customer expectations.

It is wrong for him to make a statement that customers do not understand value for money.

Comments

Very limited scepticism of the staff safety controls is demonstrated here

Clearly questioning the assertions made by CE, but lacks depth

Good points, but have not been supported at all. Why is it wrong or incorrect?

His comment that there is no evidence to suggest that staff morale is low is incorrect.

His response to the investment in ticket barriers demonstrates a lack of understanding of a key internal control weakness in relation to the potential level of fraud in Rail Co.

The CE commented that the unions were merely taking advantage of the latest survey results to put the board under pressure to increase levels of pay for its members. This attitude could be damaging to Rail Co.

In conclusion, my overall opinion is that the comments made by the chief executive demonstrate a number of serious failures and weaknesses in his fiduciary duty to the principals and trustees of Rail Co.

Yours sincerely

Assistant auditor, NAA

Mark allocation for this answer:

- The answer has identified properly the internal control issues and made good attempt to question the CE assertions but has not challenged them well enough except saying that his comments are not appropriate.
- This answer would sit in between 0.5 and 1 marks. The answer has some points demonstrating scepticism but only some general principles of professionalism are evident.

Comments

Good points, but have not been supported at all. Why is it wrong or incorrect?

Sceptical about the opinion of CE here, but has not been challenged well enough

This has not been challenged at all

(iii) Sample 'Poor' answer

The Rail Co Trust Board

Beeland Xx/xx/xxxx

Dear Chairman

The following is our report on the effectiveness of internal controls of Rail Co based on the evidence I have been able to collect and analyse.

Firstly, there appear to be weaknesses in the performance of Rail Co. The chairman of the board stated that the Co has failed to meet a number of key performance targets set by the trust board for 2016. He expressed his disappointment with the latest customer survey results. However there is no clear evidence that there are weaknesses. The CE highlighted the fact that the targets set by the trust board were not achievable and were ignored hence the target for customer satisfaction was not met. He further stated that the customer satisfaction rate has improved greatly from less than 65% to as high as 87% but also levels of punctuality has increased after making investments in new trains. This proves that internal controls are effective.

There is an issue with significant numbers of passengers travelling on Rail Co's network without tickets. This is due to the fact that 40% of Rail Co's stations do not operate ticket barriers. There was a discussion to install ticket barriers to all stations to prevent customer fraud. The finance director is to produce the impact of potential fraud at the next board meeting but any capital investment must be justified financially. If costs outweigh benefits, then it should not be undertaken unless there are other good business reasons for it to go ahead. The CE has warned that this investment is risky but also has said that the cost of the investment will outweigh the benefits. He further stated that this measure will simply bring in more customer dissatisfaction. This means that current controls are effective and putting in more ticket barriers will dissatisfy passengers more.

There is a concern over increasing number of staff injuries at Rail Co and there seem to be lack of investment in staff training. This would indicate a weakness in controls over staff development and welfare. However there is strong evidence to suggest that staff morale is not low because there is an annual growth in customer satisfaction levels in relation to staff helpfulness and attitude. The CE also confirmed the staff training levels were satisfactory.

Comments

Failing to challenge the CE's inappropriate comment about simply ignoring targets set by the Trust Board

Again failing to question these assertions in light of other evidence that exists

Although the principle is technically correct, the validity of it in this situation is not questioned

Clear lack of scepticism in relating staff morale to staff helpfulness and attitude towards customers and simply agreeing with CE's view that staff training is satisfactory without any evidence to support that

The IT director stated that several other national train operators offer online booking facilities and evidence suggested that this had positively impacted upon revenue growth and customer satisfaction in all of these businesses. The CE once again warned that this could be merely reacting to the current challenges and would be going against the traditional values of customer service focus at Rail Co. He offered an alternative strategy of training ticket office staff, which is both a better investment opportunity and less costly.

Yours sincerely

Assistant auditor, NAA

Mark allocation for this answer:

- The answer here simply agrees with the comments by chief executive without questioning or challenging them. It also focuses only on information in the board minutes and does not consider evidence from other sources.
- This answer therefore has gained no professional skills marks because scepticism skills have not been demonstrated and general principles of professionalism are not at all evident.

Comments

No scepticism at all is demonstrated here by simply agreeing with unfounded statements made by CE

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