**AC555 – External Auditing**

**Project Description**

**For this project you will work independently and prepare your own document.**

Assume that you have just completed the audit of XYZ Corporation and you are the lead auditor on the assignment. As the lead auditor it is your job to write and prepare the audit report that will be presented to the corporation’s CFO, Controller and Internal Audit Manager. Your audit has found 5 items that need to be explained in detail to these officers and included in your report. They are material in nature and will require an adjusting entry, so you need to have them accept your findings and you need to fully explain your findings to them. For descriptive purposes you do not need to include the journal entries in your findings, but assume that the amounts are somewhere between $5,000,000 and $30,000,000 each. You decide which amount fits each finding.

**For the project you are to discuss five different findings that your audit team discovered. You need to include in each finding, the following:**

1. The area under audit where the finding occurred.
2. The steps you undertook during the audit (summarize these steps, you do not need to detail each individual step or transaction looked at).
3. The problem that was noted.
4. The amount of the finding and the suggested accounting correction.
5. The conclusion of the auditor as a result of the steps taken and the problem noted.
6. The corrective action necessary to prevent this problem from reoccurring.

**As an example:**

An audit of cash was undertaken, specifically the area of cash deposits by the various branch offices. During the audit we made a selection of 25 branch offices (out of a total of 155 branches), and looked at the deposit slips on 5 different business days; selected at random, during the month of September. We traced the deposit amounts to the individual branch bank statements and noted that the deposit slips did not always correspond to the amounts on the bank statements and at times, just the opposite was true. As a result, we recomputed the deposits under review and noted that approximately $7,500,000 in deposits is being delayed in the processing by the bank for an average of 5 business days. Extrapolating this to all branches within the Company and based on the company’s internal rate of return, this amounts to approximately $1,500,000 in lost interest revenue. We recommend that the Company strengthen its policies regarding deposits by the branches so that cash received is held no longer than the same business day that it is received. If there is any variation to this policy, Controller and/or CFO approval is required.