

Detailed Audit Findings Management Letter

Date: June 20, 2024
To: ABC Company Limited “ Board of Directors
From: XYZ Audit Firm
Subject: Audit Findings for the Financial Year Ended March 31, 2024

1. Introduction

This management letter presents the detailed audit findings identified during our audit of ABC Company Limited for the year ended March 31, 2024. The recommendations aim to enhance internal controls and operational effectiveness.

2. Summary Table of Findings

No.	Finding	Risk Level	Reference No.
1	Lack of timely bank reconciliations	High	F-01
2	Inadequate segregation of duties in procurement	Medium	F-02
3	Outdated fixed assets register	Low	F-03

3. Detailed Audit Findings and Recommendations

Finding 1: Lack of Timely Bank Reconciliations (F-01)

Description: Monthly bank reconciliations were not performed for three months during the financial year.

Risk/Implication: Increases risk of undetected errors or potential fraud and could lead to inaccurate cash balances.

Recommendation: Ensure bank reconciliations are performed and reviewed within 10 days of month-end and documentation maintained.

Management Response: Management agrees and will assign responsibility to the finance controller effective immediately.

Finding 2: Inadequate Segregation of Duties in Procurement (F-02)

Description: The same employee is responsible for purchase requisition, approval, and receiving of goods.

Risk/Implication: Heightened risk of unauthorized or inappropriate purchases.

Recommendation: Separate the procurement duties to ensure authorization and receiving are done by different staff members.

Management Response: Management will reorganize roles to address the segregation of duties by July 2024.

Finding 3: Outdated Fixed Assets Register (F-03)

Description: The fixed assets register has not been updated to reflect recent disposals and acquisitions.

Risk/Implication: Increased risk of asset misstatement or loss.

Recommendation: Update the fixed asset register quarterly and conduct regular physical verifications.

Management Response: The finance department will update the register and schedule asset verification bi-annually.

4. Conclusion

The above findings and recommendations are provided to strengthen internal control processes and enhance financial reporting reliability. We appreciate management's cooperation and constructive responses.

Important Notes

- This document is an internal communication tool between auditors and management.
- Findings are based on the auditors' observations during the audit period; management responses are crucial to address risks.
- The management letter is not a substitute for the formal audit opinion or financial statements.
- Timely and transparent action on the recommendations is key to effective risk mitigation.