

Management Letter: Exception-Based Audit Findings

To: Management of XYZ Corporation

From: Internal Audit Department

Date: June 18, 2024

Subject: Exception-Based Audit Findings for FY 2023-2024

Purpose

This management letter summarizes key audit findings identified through our exception-based review of XYZ Corporation's operations for the financial year ending March 31, 2024. The letter is intended to highlight areas requiring management attention and corrective action.

Summary of Exception-Based Audit Findings

Reference No.	Observation	Risk/Impact	Recommendation	Management Response
EB-01	4 out of 48 vendor payments reviewed did not have approved purchase orders attached.	Potential for unauthorized payments or misappropriation of funds.	Ensure that all payments are supported by approved purchase orders before processing.	Agreed. All departments have been reminded to follow procurement protocols.
EB-02	2 instances of delayed bank reconciliations beyond 30 days.	Increased risk of undetected errors or fraud.	Adhere to monthly reconciliation deadlines and monitor compliance.	Procedures are being updated to improve timeliness.
EB-03	5 employees had access to restricted financial modules without justification.	Risk of unauthorized transactions or data breaches.	Review user access rights and revoke unnecessary privileges.	Immediate access review initiated by IT.

Conclusion

The identified exceptions indicate areas for strengthening internal controls and ensuring policy compliance.

Management is requested to address the above findings and provide updates on corrective actions within 30 days.

Should you require clarification on any of the highlighted issues, please contact the Internal Audit Department.

Important Notes about Exception-Based Audit Findings Management Letters:

- Focuses on notable exceptions, not comprehensive coverage of all processes.
- Aims to prompt timely corrective actions by management.
- Serves as supporting documentation for audit follow-up and tracking improvement.
- Should be shared with relevant process owners and stakeholders.
- Findings are prioritized based on risk and materiality.

