

Management Letter with Recommendations

Date: June 14, 2024

To: Board of Directors

Company Name: [Sample Company Name]

From: [Audit Firm Name] / [Internal Audit Department]

Subject: Management Letter - Audit for Year Ended [Year]

Introduction

This management letter is issued following our audit of the financial statements of [Sample Company Name] for the year ended [Year]. The purpose of this letter is to bring significant matters to your attention and provide recommendations for improvement. The findings do not affect our audit opinion but are intended to assist management in strengthening internal controls and operational efficiency.

Observations and Recommendations

1. Observation: Inadequate Segregation of Duties

Details: It was noted that the same personnel are responsible for processing and approving payment transactions.

Implication: This increases the risk of errors and potential fraud.

Recommendation: Management should assign payment processing and approval responsibilities to different individuals wherever possible.

2. Observation: Delays in Bank Reconciliations

Details: Monthly bank reconciliations were not prepared on a timely basis during the audit period.

Implication: This could result in misstatements going undetected.

Recommendation: Ensure that all bank reconciliations are completed and reviewed promptly each month.

3. Observation: Lack of Formal Policies for Asset Disposal

Details: There is currently no documented procedure regarding the disposal of company assets.

Implication: This may result in loss or misappropriation of assets.

Recommendation: Develop and implement formal policies for asset disposals, including approval protocols and documentation.

Conclusion

We appreciate the cooperation and assistance provided by management and staff during our audit. The recommendations outlined above are intended to support ongoing improvements. Please feel free to contact

us should you wish to discuss any matters in greater detail.

Sincerely,

[Auditor's Name]

[Audit Firm Name / Position]

[Contact Information]

Important Notes

- A Management Letter highlights control weaknesses and offers actionable recommendations.
- It is not part of the formal audit opinion but serves as an advisory communication.
- Management's timely response and corrective action to the recommendations are crucial.
- The letter should be treated as confidential and shared only with authorized personnel.
- Periodic follow-up reviews may be conducted to assess the implementation of recommendations.