

# Adverse Audit Report on Asset

Report Reference	AUD/2024/ASSET/003
Date	07 June 2024
Auditee	XYZ Corporation Ltd.
Asset Audited	Inventory of Machinery and Equipment
Period Covered	01 January 2023 - 31 December 2023

## Objective of Audit

The objective of this audit was to assess the existence, accuracy, and ownership of the inventory of machinery and equipment as recorded in the financial statements of XYZ Corporation Ltd. for the period ended 31 December 2023.

## Scope of Audit

The audit encompassed physical verification, examination of supporting documents, and assessment of compliance with applicable accounting standards pertaining to asset management and reporting.

## Findings

- Significant discrepancies were observed between the physical count and the fixed asset register, with several items unaccounted for or not traceable to supporting documentation.
- Depreciation calculations were not applied consistently in accordance with the relevant accounting policy, resulting in misstatement of asset values.
- Certain assets recorded as existing have, in fact, been disposed of or are not present on-site, with no relevant disposal documentation available.
- Internal controls over asset acquisition, transfer, disposal, and recording were found to be inadequate.

## Adverse Audit Opinion

In our opinion, because of the significance of the matters described in the Findings above, the financial statements do not present fairly, in all material respects, the financial position of XYZ Corporation Ltd. with regard to Assets as at 31 December 2023, in accordance with applicable accounting standards.

## Auditor's Details

Audit Firm	ABC & Associates LLP
Lead Auditor	Maria Lopez
Date of Report	07 June 2024

## Important Notes

- An adverse audit report indicates material misstatements and unreliable asset representation.
- Such a report can have significant implications for stakeholder trust and regulatory compliance.
- Prompt corrective actions and transparent disclosure are advised to mitigate adverse effects.
- Management should address control weaknesses identified in this report as a priority.

