

Detailed Audit Findings and Observations

Project: XYZ Financial Audit 2024

Auditor: Auditing Solutions LLP

Date: June 17, 2024

1. Executive Summary

The audit focused on the financial activities and compliance controls for the period January 2023 to December 2023. Below are detailed findings and observations identified during the engagement.

2. Detailed Findings

Ref. No.	Area	Observation	Risk Level
FND-01	Accounts Receivable	Outstanding invoices remain unpaid for more than 120 days.	High
FND-02	Expense Approval Flows	Lack of evidence for approval on 7% of tested transactions.	Medium
FND-03	IT System Access	Terminated staff accounts not deactivated within 48 hours.	Medium
FND-04	Inventory Management	Physical counts differ by more than 2% from system records.	Low

3. Observations & Recommendations

FND-01: Accounts Receivable

- Observation:** Invoices totaling \$95,200 remain unpaid for over 120 days as of audit date.
- Implication:** Potential cash flow issues and higher credit risk.
- Recommendation:** Strengthen follow-up and consider revised credit policy; assign responsible staff for monitoring overdue accounts.

FND-02: Expense Approval Flows

- Observation:** 7% of sampled expense transactions lack digital or manual approval evidence.
- Implication:** Possible non-compliance with internal policies.
- Recommendation:** Implement mandatory approval workflows; provide periodic staff training on policy.

FND-03: IT System Access

- Observation:** 2 of 12 terminated staff accounts remained active up to 5 days after departure.
- Implication:** Increased risk of unauthorized data access.
- Recommendation:** Enforce prompt user deactivation; conduct monthly access reviews.

FND-04: Inventory Management

- Observation:** Noted discrepancies exceeding 2% between physical and system inventory counts.
- Implication:** Inventory loss risk and potential reporting inaccuracies.

- **Recommendation:** Enhance periodic stock verification and improve staff training in inventory recording.
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Important Notes

- This document provides a factual summary of findings; recommendations are advisory only.
- The severity of findings is based on observed risk and potential impact.
- Management is responsible for ensuring timely corrective actions.
- Further details and supporting evidence are available upon request.
- This report should be treated as confidential and shared only with authorized personnel.