

# 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.