Water auditing process pdf

Audits are external assessments of financial information carried out by public accounting firms. Before you engage in the audit process, accounting companies create an audit plan for each client. The audit plans consist of the accounting functions to be reviewed by auditors during the audit. Auditors can request a prepared of client list from their clients; This limits the time spent collecting information for the audit process. Audit plans specify which transactions and accounting functions to test during the revision. Auditors and customers will determine how intense the audit plan will be based on the fees paid by the customer. Companies may ask auditors to test the internal controls related to the accounting processes; this contributes to the accounting management understanding the weaknesses of their internal audit process. Audits give companies more opportunities for external financing and investment options. External stakeholders and banks rely on these audits as an approval of the company's accounting processes. Audit standards and guidance are provided by the American Institute of Certified Public Accountants, which helps audit planning to move quickly and smoothly. Audits can take many forms, but they usually follow time-tested accounting practices. At the outbreak, auditors look at a company's registers to identify problem areas where there is a potential for material misstatements in the financial statements. The auditors test management's claims using a variety of audit procedures. Audit procedures include good time, tracking, observation, inspection of property, confirmation, recalculation and use of analytical procedures. The purpose of an audit is to provide an independent opinion on the accuracy and fairness of a company's financial statements, processes and procedures. It confirms that entries have been prepared in accordance with appropriate accounting procedures, such as generally accepted accounting principles, and reports any exceptions. An objective analysis of the financial statements allows management, investors, creditors and lenders to have more confidence in the truth and reliability of the company's reports. The end result is to give an objective opinion on the validity of the company's financial statements and to provide reasonable assurance that the financial statements do not contain any material misstatements. The main objectives of an audit are as follows: Examine the accuracy of internal controls. Check the mathematical correctness of accounts and balances. Validate the authenticity of transactions. Ensure the correct classification of capital and income. Check the existence and valuation of assets and liabilities. Confirm that the company complies with all rules and regulations. Secondary goals for an audit are the following: Examine and create systems to prevent errors. includes errors in omission, deliberate errors and errors when applying accounting principles. Focus on ways to detect and prevent fraud. Construct systems to deter theft of cash or goods and counterfeits of accounts. Determine the over- or underestimation of stock. Provide correct information to the IRS. The different types of audits are as follows: Compliance determines whether the company complies with relevant government regulations and company policies, such as ensuring that the company complies with the indented terms of a bond and verifys that the calculations and payments for a royalty agreement are correct and are met on time. Other concerns include: Is pay for workers' compensation properly registered? Is the business meeting EPA regulations required for proper waste management? Construction: Construction reviews aspects of a project to ensure they comply with the terms of the contract. Construction costs tend to spiral out of control. Audits keep track of costs and enforce controls and make sure project managers do their job correctly. It ensures that timelines and completion dates are met and undergoes employee safety procedures. Financial: Financial focuses on accounting and reporting of financial transactions and examines receipts and payments of funds. Is the information correct and set according to the correct accounting principles? Are there sufficient checks for cash accounts and other liquid assets? Information: Information analyzes the company's computer systems, networks and databases and looks for potential internal and external security threats. The company's backup systems and ability to recover from computer viruses, power outages and natural disasters are also checked. Investigative: Investigative checks for evidence of criminal activities such as fraud, money laundering, bribery or misuse of assets and anything that could lead to civil lawsuits or criminal charges. Auditors sometimes carry out covert operations to hide their investigations from targets suspected of wrongdoing. Operational: Operational audits analyze a company's planning processes, operating procedures and goals. The aim is to determine whether the company's operations are in line with their goals and whether they achieve their goals. The results may have recommendations for improvement. Tax: The analysis of the tax return ensures that the information is correct and that the tax paid is fair. Tax audits are typically triggered when tax returns show unusually low tax payments. Allegations are allegations made by management about the various aspects of a business. They fall into three areas: transactions, account balances and presentations and disclosures. Auditors verify the accuracy of these claims by carrying out a number of audit procedures. Instance: Instance that all the transactions that the company claims to have occurred actually occurred. For example, if a company claims a sale, auditors look for supporting documents that show that the customer actually ordered the items and that the shipment was made. Existence: Do the assets exist? Auditors physically find a fixed asset to confirm its existence or see employees who take inventory counts to verify that the warehouse exists. Accuracy: Are transactions recorded in whole and correct amounts without errors? Valuation: Are the assets and liabilities registered at the right valuations? The valuation addresses an example of negotiable securities, checks current market prices and compares with values recorded in the company's books. Completeness: Completeness ensures that all transactions are recorded, and nothing is missing, for example, looks through bank statements to see if any payments to vendors were not recorded. Are all payments recorded from customers? Managers and third parties can also be interviewed to determine whether the company has committed further in contracts and obligations that are not registered. Cut-off: Cut-off checks to see if all transactions are recorded in the correct reporting period, such as reviewing shipment documents to see if shipments made on the last day of the month are recorded in the correct period. Another example involves items and materials delivered in a sale before the end of the fiscal year to be recorded as a cost in costs for sold items and not remain in stock. Registration of a sale in one period, but reporting related expenses in the next period will exaggerate the income. Rights and obligations: Does the company legitimately own its assets? For example, does the company own its inventory or is it on shipment and owned by a third party? Classification: Classification determines whether transactions are classified correctly. For example, fixed asset purchase entries are reviewed to determine whether they were registered in the relevant fixed asset account. Also, is income accounted for as current income and not deferred sales? Presentation and publication: All components of the financial statements must be described, classified and published correctly. For example, the method of inventory valuation, LIFO, or FIFO, must be presented in the notes. Loans to related parties, such as employees, must be entered separately and not buried in trade receivables. Contingent liabilities should be explained since these are debt obligations that are not included in debt. Auditors have procedures that they use to determine the integrity of the financial reports and allegations of their clients. The specific procedures used are different for each client. The choice of procedures depends on the nature of the business and the claims that the auditors must validate. Audit Include: Vouching: Vouching is an inspection of supporting documents, such as copies of invoices to customers, shipment documents, bank statements, purchase orders, vendor invoices, and receipt reports. The auditor's concerns are an exaggeration of assets or exaggeration of income. Walk down from the financial statements to confirm its existence. Tracking: Tracking is different from going good. This procedure arises from the auditor's concerns that certain obligations may be underestimated or that certain expenses are not registered on the income statement. Track upwards from the source documents to confirm the completeness of the financial statements. Auditors take source documents and track them down to ensure that the goods are recorded in the financial statements. Inspection of property, plant and equipment: A physical examination of property, plant and equipment has been taken to confirm their existence. Observation: Auditors observe employees who take inventory and methods of counting and notification if employees carry out the counts accurately. Personnel requests: Not all investigations involve documents. Take, for example, the collection of trade receivables. The auditor discusses the likelihood of collecting the receivables from the credit managers. There are no documents to record this probability. Perception of fundraising is based on the results of these discussions. Confirmation: The auditor confirms account balances, such as trade receivables and cash, with an examination of documents and contacts customers to get their recognition of the debt. They also confirm the amount of debt and terms of repayment with third party lenders. Recalculation: The auditor recalculates certain transactions to determine whether there are differences between the customer's work and the audit results. An example would be to recalculate the depreciation expenses. Another example is recalculating the monthly wages of employees and ensuring that the net amount paid to each person is correct. Reperformance: This is a testing of internal controls, such as going through the process of registering a sale, posting an invoice to sales and customers, or removing materials from inventory to accounting for the cost of sold items. The auditor compares his work with the process used by employees and looks for any discrepancies. Analytical procedures: The auditor compares one period with another and looks for changes. Analytical procedures are used during the planning phase to identify risk assessment areas. At the planning stage, the auditor looks for the areas where there is the possibility of misstatements. For example, if the auditor notices that sales are going down, but the trade receivables go up, it is not a normal relationship. This anomaly should be investigated. The company may have a collectible problem with customers. Monitoring procedures are used to test and as shown in the examples below. Existence: Auditors can verify the existence of inventory by taking an independent physical count, or they can observe the company's employees taking inventory. Good ordering can be used to match inventory with purchase documents. An analytical calculation can be made to compare inventory turnover with the cost of sold goods and see if the relationship makes sense. Valuation: A physical inspection can be performed to look for old and obsolete inventory to be depreciated. A recalculation will reveal the accuracy of product costing methods. Does the company use activity-based costing or distribution of indirect costs for indirect costs? Employees may be asked how they make product costs to arrive at a valuation. An analytical procedure can be used to identify slow-moving warehouses by calculating inventory turnover. Completeness: Is each warehouse registered in the inventory in the financial statement? The most common approach here is tracking, not going well. For the completeness claim, analytical procedures are used, and comparisons are made between how much should be in stock and how much is actually in stock. Inventory items are traced to inventory entries. Rights and obligations: Does the company actually own the stock? Raw materials are checked. Who owns raw materials? Talk to the purchasing manager and employees involved in the production, and send positive confirmations in the mail to the vendors. When does the company own the goods: at the time of shipment or after payment? The audit can turn good stock goods into documentation showing when the goods were delivered to the company and examine supplier contracts to determine when the buyer takes ownership of the delivery. Allocation: Allocation examines current assets and fixed assets, ensuring that everything is a asset for inventory and is not old and obsolete. Either tracking or vouching procedures can be used to classify assets for allocation. Presentation and disclosure: Information must comply with accounting standards. The financial disclosures are reviewed and staff are asked how they make political choices. The disclosures are compared to the financial standards required by normal accounting procedures. It is not necessary to test all allegations, but the audit must have appropriate evidence to cover all relevant allegations. Claims.

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