

# [Zzzz best company, inc. essay sample](https://assignbuster.com/zzzz-best-company-inc-essay-sample/)

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1. A review differs from an audit because a review does not allow the auditor to test or observe internal controls and assess control risk. According to AS 5, effective internal control over financial reporting provides reasonable assurance regarding the reliability of financial statements. As a result, an auditor cannot provide reasonable assurance regarding the reliability of the financial statements by just completing a review; they must complete a full audit. An auditor can only provide limited assurance by completing a review.

2. There are a few limitations of the evidence that ZZZZ’s Best’s auditors obtained through obtaining third-party confirmations, reviewing available documentation, performing analytical procedures to evaluate reasonableness of revenues and visiting selected restoration sites regarding the management assertion of occurrence. First, obtaining third-party confirmations, reviewing paperwork and performing analytical procedures based on information given to the auditor by the company’s management is not reliable enough to prove that the contracts actually occurred. Tom Padgett made the confirmations and management provided the paperwork, all of whom were involved in the fraud.

3. Apparently reliable evidence such as verification of payment may lead an auditor to an improper conclusion because these documents can be easily falsified. The auditor should always look to verify these payments based on outsiders/third parties.

4. The purpose of predecessor-successor auditor communications is to help an audit firm determine whether to take on a new client or not. This communication would allow for the auditor to decide if it has the capability to serve the client, and also find out about any prior issues that may have occurred during previous audits such as fraud or disagreements between management and the other auditor.

5. The confidentiality agreement that Minkow required Ernst & Whinney to sign improperly limited the scope of the ZZZZ Best audit. According to AS 5, the auditor should always withdraw from the engagement or disclaim an opinion if there are restrictions on the scope of the audit. 6. There are not any professional standards that require auditors to perform particular procedures when reviewing a client’s pre-audit report and post-year-end press releases.