Case study on tim hortons auditing planning

Psychology, Success

Tim Horton's internal audit plan is conducted by the accounting staff to provide specific guidelines to be used by the management review team and private certified public accounts to carry out accounting processes. The audit plan consists of several phases and these include planning, fieldwork, a take notes meeting and a counteractive audit. Planning processes are the most important step in ensuring a successful internal audit. Tim Horton Inc. operations include the development and franchising of quick service restaurants principally in the United States and Canada serving premium coffee, fruit smoothies, soups and other food products. As a franchisor, royalty revenue is collected from franchised restaurant sales. The organization also controls real estate underlying a substantial of the system restaurants and finally the company has vertically integrated manufacturing, distribution and warehouse operations which supply the majority of the already established system restaurants with coffee and other beverages, supplies, non-perishable food, equipment and packaging. The organizations audit plan offers a description of the nature and extent of planned risk assessment processes; nature, timing and extent of planned further audit processes at the relevant assertion level and other required planned audit procedures to be carried out to ensure that the engagement complies with the set auditing standards (Pickett, 2006). The company's fiscal year is made up of 52 weeks ending on the last Sunday of the month of December.

The organizations audit objectives represent anticipated accomplishments and high level goals of the review meant to address risks and controls associated with the client's activity while the scope defines the strategies to be used towards achieving the set objectives. The scope and objectives should be defined before the commencement of fieldwork and the objectives should address the controls and risks associated with the activities under review. The main objective of the organization's internal auditor as well as the audit committee is to plan the audit to enable the process to be performed in an effective manner as set by the auditing standards. The organization has several types of material transactions and transaction cycles that are vital to be included in the audit plan. Tim Horton's sources of revenue result from franchise fees and rents and royalties. Receivable and receipt processes mainly result from sales of their wide range of products. Purchases and payment processes are mainly for supplies and payroll processes would deal the number of employees within the organization while investment processes include areas to extend the system restaurants and expand their manufacturing, warehouse and equipment firm.

The audit plan should involve reviewing of the consolidated statement of operations, comprehensive income, equity and cash flows for a three year period ended December 30, 2012. The auditor should perform procedures regarding the specific audit engagement and continuance of the client relationship; determine compliance with ethics and independence requirements and establish an understanding of the terms of the audit engagement with the audit committee as required by the auditing standard on communication. Tim Horton's specific audit strategy would include identification of characteristics of the engagement that define its scope. It is also important to make certain the reporting objectives of the engagement so as to plan the timing of the audit and nature of communications required. The internal auditor should consider factors that in his professional judgment are vital in directing the engagement team's efforts and finally an audit plan should ascertain the nature, extent of resources and timing required to perform the engagement (Ruppel, 2006). The timing of the procedures would be divided according to priority and available resources to ensure the development of an effective audit plan that would lead to an effective auditing process. The audit effort would be allocated differently among geographical areas with most effort being direct to region within Canada since it is the region where the region has intense operations. However, the United States region cannot also be ignored considering the need to effectively audit the company's operations to ensure effective establishment and expansion.

Inadequate audit planning leads to the likelihood of missing relevant control weaknesses and in other instances to some extent alter the organizations objectives after much of the audit work has already been done. Planning is a continuous non discrete process of audit that takes place after the completion of a previous audit and continues to the end of the present audit.

References

Pickett, K. H. S. (2006). Audit Planning: A Risk-Based Approach. Hoboken: John Wiley & Sons.

Ruppel, W. (2006). Not-for-Profit Audit Committee Best Practices. Hoboken: John Wiley & Sons.