

Evidence law and audit program essay sample



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As corporate controller for Apollo Shoes, you are tasked to find and explain any irregularities in the Apollo Shoes Case.

Resource: Apollo Shoes Casebook

Define the process you will use and address the following assessed classroom discussion questions:

What procedures will be used to collect accounting evidence? What sampling tools and techniques will be used for the examination? How will you use analytical and inferential tools to evaluate accounting evidence?

Submit your assignment to the facilitator.

Note. APA formatting is not required for this assignment. Use a title and reference page where appropriate. Consider using a checklist or flowchart to outline your process.

There are many irregularities that can arise within the different accounting departments at Apollo Shoes. An audit program will be designed according to the three cycles that will be outlined below. The first cycle that will be discussed is cash, then accounts payable and finally the payroll function. These cycles will be evaluated for substantive procedures for Apollo Shoes and detect irregularities for each section and an appropriate audit program will be designed for each department.

Cash

At Apollo Shoes irregularities or cash schemes, which could occur in the audit cycle of cash include fraudulent disbursement schemes and cash receipt

schemes. Fraudulent disbursement schemes are those in which a distribution of funds is made from some company account in what appears to be a normal manner. Cash receipts schemes is the outright stealing of cash (Wells, 2005, p. 77).

Cash is the only account that is included in several cycles. The audit of cash balances is the last studied because the evidence accumulated for cash depends heavily on the results of the tests in other cycles. Auditors for Apollo Shoes will have to group the cash accounts into cycles to simplify the audit plan. The cash account appears in the cycles: finance and investment, production cycle, acquisition and expenditure, and revenue and collection cycle. The substantive audit program will consist of several audit programs related to each cycle (Louwers, Ramsay, Sinason & Strawser, 2007, pp. 79-80).

Substantive procedures for detecting irregularities in cash receipts include the following:

- review the cash receipts journal and master file for unusual transactions;
- trace cash receipts entries from the cash receipts journal entries to the bank statement;
- prepare a proof of cash receipts;

- obtain a...

Although every investigation case is unique, the investigation process is similar for most cases and usually consists of four stages: Goal Setting, Planning, Investigation and Evaluation. The investigation process starts with goal setting. Goal Setting sets the expectation and identifies the complainant's goals as well as obtainable results and acceptable outcomes. “

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The effectiveness of every fraud investigator, in pursuing either criminal or civil fraud investigations, is ultimately judged by how closely—and consistently—she reaches or exceeds her investigative goals.” Once the goals and expectation have been clearly defined, then an investigative plan is developed. Financial fraud investigations usually involves large amounts of data and information, an investigative plan focuses and controls the investigation and helps to manages the volumes of data gathered in an investigation. The investigation process begins with intelligence gathering, these procedures includes database searches, interviewing witness and gathering documentary evidence.

Database searches include emails, text messages, IM chats, court records, financial records. Information Technology is everywhere from your office network to your home computer to your cell phone. What one might say on their facebook or personal website can be a clue to their state of mind as well as to their overall financial picture. We use data every single day and it provides a vast knowledge base of personal and private data. Interviewing witnesses opens a channel of communications and starts the conversation with witnesses and potential suspects. Documentary evidence is gathered which includes written statements (checks, invoices, bills, emails) and computerized document trails, any items that may be considered physical evidence. The investigation plan uses sampling tools and techniques such as systematic random selection in which a starting point is determined and every n item are selected. The number of items that need to be sampled determines N. “ Systematic random selection has the advantage of ensuring

all items have an equal probability of selection while providing a more efficient method of selecting items.”

Another sampling tool that is used is attribute sampling which is used when the investigator “wants to examine a subset of items within a population to determine the extent to which a particular attribute exists within that population.” Another sampling tool is variables sampling which is used to test the dollar amount of errors or estimate a population value. Variables sampling is sometimes used with dollar unit sampling and data mining techniques to look for unusual dollar variables. Data mining techniques are valuable in the process of extracting patterns from data. The final phase is to perform the analysis of the evidence. Every document is carefully assessed to support or deny any fraud. Two types of analysis are used to evaluate the accounting evidence: associational and inferential. Associational analysis is the visual representation of the evidence; it provides a link or a diagram from point A to point B in the chain of evidence. Inferential analysis provides a visualization of complex relationships, the connectivity of the evidence or the timeline of how all things are connected. On the other hand, inferential tools analyze the inductive logic sequence from the evidence.