

Audit engagement report

Business



Auditing involves investigating a firm's activities to reveal if there are any hitches involved in the conduct of the business. The hitches may include unclear financial statements, lack of accountability in various business undertakings, unclear budgeting and planning among others. For auditing to take place, there has to be an auditor, who has the qualifications of carrying out the auditing process, and the client, who is the one being audited.

In this case, the client is CableCo, Inc. For auditing to take place, it is acceptable to set out certain standards; several issues must be put into consideration before the initial commencement of the auditing process. Some of issues that affect the client might include their principles, integrity, status in financial matters, strategies and objectives, accounting practices, critical risks, reputation, etc. The auditing firm must also pass some test for them to be considered an effective auditor. This will involve issues like their independence objectivity, integrity, professional skepticism, competence and due professional care.

CableCo had Doyle Mathews as the head of the financial department in the company. He was tasked with controlling the financial processes of the company. This was to be achieved through putting internal controls in the company. Gail Bannett was one of the auditors involved in the process of carrying out auditing at CableCo. She has also been involved with auditing the company before. Steve Hollings was a junior manager in the auditor's firm with a lot of expertise in financial structuring.

Steve participated in the auditing process together with Gail Bannet as another partner. The CableCo's point of view involving Steve Hollins was that

he was not suitable for the position of the on-site manager. This is because it was his first chance to be auditing in CableCo. Bill Stewart was a high-rank official at CableCo, and he represented the company as the client. At a certain point, an issue was raised about the possibility of Mr. Stewart questioning Gail Bannet whether she would agree to use certain accounting methods in some hypothetical situations, and reply to this was found to be that Mr.

Stewart could be trying to obtain some from their auditors. Bannet was not to give out any information because consulting an audit client is prohibited. The situation also could have indicated that Mr. Stewart was trying to formulate certain elements of the business. The reason behind his actions is either evading audit questions or trying to find out how easily Gail could be manipulated.

Pete Patowski was among those, who took part in auditing; he was in the auditing team that included Steve Hollins. It is described that Pete and Steve addressed CableCo potential risk with technology, financial structure and credits for future acquisition and operation. The partner's and the manager's reaction concerning the client was that the client had some issues to hide. The CableCo was switching auditors, and the current auditor was not able to find the reason to this. Logically, there was a rise in suspicion about the activities of the client, as the company was reportedly growing faster.

Again, the auditing team needed to be sure that they could keep up with this growth. To meet the increasing demands of the client, the auditors saw a need of plenty of personnel, as they would also be faced with strict

deadlines. The CEO on the client side was used to change auditors in order to find a team of auditors. The expected auditors were supposed to be quick and cheap in conducting the audit process. It is reported that the controller at CableCo did not like exchanging auditors because it requires extra effort teaching a new team.

However, the CEO of CableCo uttered that his purpose of changing auditors is because the available auditors were slow for his business strategies and acquisitions. The CEO further mentioned that he needed someone knowledgeable people in the business. Putnam, Rhodes, and Shafer wanted to be informed regarding previous audits, and they were not happy to realize that they could not find information regarding the reason why CableCo was switching auditors. They raised suspicion about the activity of their proposed client, as the company was a fast growing one. The auditors needed to be sure they were capable of adapting with this growth, which is the reason why they needed plenty of personnel.

Some sources of information that Putnam, Rhodes, and Shafer used to gain information about CableCo and Doyle Mathews include AICPA guides, technical magazines, textbooks, hiring someone with expertise and prior year's work papers. This knowledge was necessary for the auditing personnel, because there were different clients, business risks, and audit risks they needed to be aware of. The auditing process involved both the successor auditor by the name Steve Hollins, and the predecessor auditor known as Gail Bannet. These two worked as a team and at some point it is reported that they had a disagreement concerning previous audits. At this point, Gail pulled Steve aside and pointed out that although she had

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approached the audit in a different way, she accepted the fact that Steve's way had worked out.

She did this prior to the auditing process at CableCo with the knowledge that they were going to work together with Steve. This is because in order to achieve the best they had to get along and be on the same team. If they could not have performed this, there could have been a lot of disagreements between them during the auditing process, and this could not produce good results. The manager at CableCo initiated the conversation in the video. This is evident by the questions he was asking the auditing team for getting to know their integrity. Doyle Mathews had to acquire the information, since it seems that he had much knowledge concerning the finance department at CableCo.

At some point, it is reported that Doyle Mathews usually performed some cash deals. One of the reasons as to why Cable Company is being audited is because it is a public company required to file audited financial statements. The audited financial statements are also expected to be filed with the banks and municipalities the company is associated with. Audited financial statements enhance credibility through improved accuracy and reduced bias. They also detect and deter fraud and provide insurance. Another reason for public companies to have audits is that it is required by regulations.

Private companies also do not have much choice to deter an audit. This is because the audits are needed for municipalities and banks, which they are part in. Some issues that Putnam, Shafer considered before issuing the

proposal include the CableCo's previous audit statements, knowledge of the business processes at CableCo, and the reason as to why CableCo was exchanging auditors. They were also concerned with the rapid growth rate of the organization. Nevertheless, they had to incorporate plenty of workforces in order to counter the increasing demand of their client. Putnam, Shafer, and Rhodes selected the audit team according to the level of experience and expertise.

This is clear that Steve Hollins was new in the team, while Gail Bannet had previously performed auditing in the company. Putnam, Rhodes, and Shafer included a list of items in the proposal as follows; they provided details about the service they were going to provide to Cable Company and this included the expertise they were offering in the auditing process. The information included the projects that they had performed. The proposal also contained information concerning their knowledge of acquisitions and expansions. The estimated time schedule and the cost of the audit were also included in the proposal. The auditing process at CableCo involved some specialists.

It is mentioned that the auditing team used an IT specialist to check the status of the hardware and software of CableCo. Pete and Steve were the specialists in the auditing team, as they were reported to have fast addressed Cable Company potential risks with technology, credit for future acquisition and operation and financial structure. Another specialist involved in the process was the Tax manager. Some of the accepted auditing standards mentioned in the video include the use of the AICPA industry audit guides. It stipulates the use of the 10-K, which is an annual report required by the U. S Security and Exchange Commission each year.

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The whole process went on well, despite some issues affecting the auditing process going unanswered. These issues included lack of information for the auditing team regarding the reason as to why CableCo was switching auditors.