Question No `1
audit draft a qualified report on assumption 2018-2019 public limited company

OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with our notification letter of 8 January 2020, a team of five auditors audited the financial statements of the World Food Programme (WFP) for the financial year ended 31 December 2019 with the objective of issuing an audit opinion on the financial statements. The audit was carried out mainly at WFP headquarters in Rome, in two stages: - an interim audit from 14 to 25 October 2019; and - a final audit from 17 February to 6 March 2020.
2. Pursuant to an Executive Board decision of 10 November 2015, the WFP External Audit was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with financial regulation 14.1 of the WFP Financial Regulations.
3. . The External Auditor's mandate is set out in section XIV of the WFP Financial Regulations and the annex thereto, and in the call for applications for the appointment of the External Auditor. The terms of reference for the mandate comprise the call for applications and the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board.
4. . The responsibilities of the External Auditor consist of auditing the accounts of WFP (financial regulation and making observations, as it sees fit, with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP

LIST OF RECOMMENDATIONS

The External Auditor has assigned a priority level to each recommendation: • Priority 1: An essential matter requiring the immediate attention of management; • Priority 2: A less urgent control issue requiring the attention of management; and • Priority 3: An issue brought to the attention of management for which controls could be improved. Area Priority Recommendations Employee benefits 3 1. The External Auditor recommends that WFP improve the validation of the 30 September payroll data used by the actuary and update the calculation based on the 31 December payroll data.

2. The External Auditor recommends that WFP obtain greater assurance from its actuary on the level of uncertainty associated with the assumptions used for future medical costs.
3. . The External Auditor recommends that WFP obtain sensitivity analyses for all actuarial assumptions, starting with the assumption relating to the staff turnover rate.
4. . The External Auditor recommends that WFP update the EUR/USD mix used to estimate long-term employee benefits based on more recent disbursement data.

Table 3: WFP's simplified statement of financial performance
(in USD million)

	2019	2018
Revenue		
Contributions	7 970	7 235
Other revenue	301	133
Total revenue	***8 271***	***7 368***
Expenses		
Food commodities distributed	2 346	2 133
Cash-based transfers distributed	2 134	1 760
Distribution and related services	864	759
Employee costs	1 109	980
Other expenses	1 160	1 008
Total expenses	***7 613***	***6 640***
Surplus for the year	***658***	**728**

Table 4: Status of long-term employee benefits[15]
(in USD million)

	Actuarial valuation	WFP valuation	2019	2018	Variation
After-service medical plans	891		**891**	625	+42%
Other non-current employee benefits[16]	81		**81**	72	+12%
Separation payments scheme	25		**25**	20	+25%
Compensation plan reserve fund[17]	20	2	**22**	15	+47%
Home leave travel		4	**4**	5	-
Total	**1 017**	**6**	**1 023**	**737**	**+39%**

Source: External Auditor based on financial statements.

Recommendation
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ACKNOWLEDGEMENTS
The audit team would like to express its sincere gratitude to the Finance and Treasury Division (RMF) for its support during the audit, and in particular to the Chief, General Accounts Branch (RMFG), who was the primary focal point for this audit. It would also like to thank the other WFP divisions for their contribution to the audit of the financial statements, particularly the WFP Technology Division

Question No 2

Although audits are generally considered stressful events, a lot of valuable information can be gained from these financial exercises. Internal and external audits are performed for a variety of reasons. Both can help pinpoint areas where a small business is lacking in internal controls, operational efficiency or regulatory compliance.

Small businesses can gain a lot from having a better understanding of their financial position. Benefits of regular audits include improved interest rates, increased protection from risk and legal liabilities and access to more capital. A financial review or audit can also give a business owner a better understanding of how their business operates, uses cash and assumes risk.

What is an audit?

An audit is an independent examination of a company's financial statements. Audits provide assurance to financial stakeholders that the company's financial statements are free from material errors. Certain types of audits also provide assurance that a company's policies and procedures are being carried out as intended. Information obtained during an audit can be used to help strengthen and grow the business.

Types of small business audits include:

- **Financial Statement Audit**
  Provides reasonable assurance about the business' financial information. This involves detail testing of accounts and records, walkthroughs of accounting processes and analytical testing. This type of audit ensures that the business is compliant with all governing body requirements.
- **Attestation Engagements**
  Provides verification of a business' financial or other data.
- **Financial Statement Review**
  Provides limited assurance that the business is running as it should and helps to locate areas that need improvement. These can be useful to any department

- or process within a business and may be required for some lenders and bonding agents.

Why Small Businesses Conduct Audits

Due to industry regulations, some small businesses are required to undergo internal and external audits. Sometimes a small business may need to produce a positive audit opinion in order to secure a small business loan. Other reasons for audits include suspected fraud, employee theft, and operating inefficiencies.

A clean audit opinion from a qualified external auditor can help small businesses gain the confidence of investors, customers and business partners.

BSB provides professional auditing services for a variety of industries. Our comprehensive financial reporting services provide a clear image of your company's performance and potential. We perform audits for not-for-profit entities, non-public companies, and retirement plans.

The most suitable audit for a small business is none whatsoever.

There's always risks in doing business. The company could misrepresent itself in a way that an audit would have prevented; alternatively the company might have been completely honest but about to lose some contracts it needs to survive.

Ordits do not exist in a vacuum, they are completed because they're required by a contract. A suitable audit for a small business is one that is sufficient to meet the terms of your contract. It's a tick-the-box compliance requirement, so you do what's needed and move on.

Demanding a small company undergo an audit is also pointless. Have a read of the disclaimers on an audit - any company that would be willing to misrepresent itself directly would be equally willing to misrepresent themself to auditors.

Forensic Audit

This is a specialized type of audit which is performed by a forensic accountant who is killed in investigation and accounting both. This is specially used in the cases where investigations of the report may be used in the court. Forensic auditing acts as proof in that particular subject matter and hence in this auditing is to be done by specialized accountant only.

The reason for auditing could be anything from fraud to crime or insurance claims or even a dispute between internal or external stakeholders. Forensic auditing needs to have a proper planning and execution while following the ethical guidelines of the finances very strictly. It is not a very popular method of auditing in case of financial

statements are of statutory audit going to the large costs involved. Forensic auditing may only be used in the cases where it is been made mandatory to perform it.

Statutory Audit

The auditing that is required by law for local authority about particular financial statements for a specific type of entities is called statutory audit. The common examples of statutory auditing are the that all banks' financial statements are required to be audited my proper audit firms which are approved by Central Bank. Statutory audit is conducted only after approval by higher authorities and for the submission to official authorities.

Question No 3
Part A
Liabilites and describe verification of long ter and short term liabilites

What is a Liability?

A liability is a financial obligation of a company that results in the company's future sacrifices of economic benefits to other entities or businesses. A liability can be an alternative to equity as a source of a company's financing. Moreover, some liabilities, such as accounts payable or income taxes payable, are essential parts of day-to-day business operations.

Liabilities can help companies organize successful business operations and accelerate value creation. However, poor management of liabilities may result in significant negative consequences, such as a decline in financial performance or, worse, bankruptcy.

In addition, liabilities determine the company's liquidity and capital structure.

Accounting Reporting of Liabilities

A company reports its liabilities on its balance sheet. According to the accounting equation, the total amount of the liabilities must be equal to the difference between the total amount of the assets and the total amount of the equity.

Assets = Liabilities + Equity

Liabilities = Assets – Equity

Liabilities must be reported according to the accepted accounting principles. The most common accounting standards are the International Financial Reporting Standards (IFRS). The standards are adopted by many countries around the world. However, many countries also follow their own reporting standards such as the GAAP in the U.S. or the RAP in Russia. Although the recognition and reporting of the liabilities comply with different accounting standards, the main principles are close to the IFRS.

What are Long-Term Liabilities?
Long-term liabilities are financial obligations of a company that are due more than one year in the future. The current portion of long-term debt is listed separately to provide a more accurate view of a company's current liquidity and the company's ability to pay current liabilities as they become due. Long-term liabilities are also called long-term debt or noncurrent liabilities.

Examples of Long-Term Liabilities
The long-term portion of a bond payable is reported as a long-term liability. Because a bond typically covers many years, the majority of a bond payable is long term.
The present value of a lease payment that extends past one year is a long-term liability. Deferred tax liabilities typically extend to future tax years, in which case they are considered a long-term liability. Mortgages, car payments, or other loans for machinery, equipment, or land are long term, except for the payments to be made in the coming 12 months. The portion due within one year is classified on the balance sheet as a current portion of long-term debt.

verification of short term liabilities
Verify Loan Agreement: The auditor should verify the loan agreement and refer to the correspondence for getting the loan.

2. **Enquire Purpose of Loan:** He should enquire the purpose or purposes for which loan has been raised and also confirm that the loan raised are being utilized for the specific purpose for which it is being obtained.

3. **Examine Borrowing Powers:** He should examine the borrowing powers of the company by referring to the Memorandum and Articles of Association of the company.

4. Disclosure in Balance Sheet: He should verify that secured loans are shown separately from unsecured loans and any interest due but not paid is treated as a current liability in the Balance Sheet.

5. **Obtain Confirmation Letter:** He should obtain confirmation letter from the parties who have advanced loans and should verify the balances with the books.

Part b
Steps in verification of revenue and describe main objectives

The two main **stages** of a **revenue** audit include **testing** the **revenue** accounts on your **income** statements followed by an examination of your accounts receivable on the balance sheet. The auditors may also check for **revenue** recognition issues, such as side agreements and channel stuffing.

Overview:
The audit procedure is one of the most important things that auditors need to make sure that they are well and correctly prepare, tailor, and execute to minimize audit works and reduce audit risks. Revenues are one of the sensitive areas that auditors need to place their great attention since it is the high risks areas in terms of nature and significant in terms of amount record in the financial.

nderstanding Internal Control:
Having obtained an understanding of how an entity sets up internal control over revenues is very important for auditors to tailor the practical audit procedures to address all possible risks that might happen.
The key internal control that auditors should look into is mainly related to price authorization, goods or services delivery process, the revenues recording process, billing, and collection process.
These processes are also importance for management to address the financial statements assertion related to revenues, not only auditor.

Financial Assertions Related to Revenues:
The following are the key financial statements assertion related to revenues. These assertions are used by management to making sure that the revenues are correctly and accurately records in the financial statements. And they are also use to making sure that the revenue are completely records in the period or year. On the hand, auditor use these assertions to assess if management correctly implements that assertions correctly or not. Here are the important assertions of revenues:

- Completeness: This assertion concern the completeness of recording in the financial statements. The incomplete record of revenues might be happening because many different reasons including the entity's process and procedure could not capture all the revenues, errors, and sometimes fraud.
- Cut off: cut off assertion concerning that revenues are recording in the different periods that they are belonging to. This could cause the understated and overstate of revenues being shown in the income statement.
- Occurrence: The auditor should consider assessing whether the revenues recorded in the period have really occurred. There are risks that revenues recorded might not occur.
- Right and Obligation: Right and obligation are very important and it is concerning entity rights and obligation over the goods that sold to customers. This is a link to the risks and rewards then auditors performing cut-off testing.

Main objective of verification

Identify the significant accounts, disclosures, and relevant assertions in the revenue cycle

2. Identify and assess inherent risks of material misstatement in the revenue cycle
3. Identify and assess fraud risks of material misstatement in the revenue cycle
4. . Identify and assess control risks of material misstatement in the revenue cycle
5 Describe how to use preliminary analytical procedures to identify possible material misstatements for revenue cycle accounts, disclosures, and assertions
6 Determine appropriate responses to identified risks of material misstatement for revenue cycle accounts, disclosures, and assertions 7. Determine appropriate tests of controls and consider the results of tests of controls for revenue cycle accounts, disclosures, and assertions