Case 4 Homework

[Name of the Writer]

[Name of the Institution]

1. Before you begin your research for the case, outline your initial reaction regarding whether your responsibilities as the auditor would be affected by your knowledge of the CFO’s act?

When I learned about the unethical action taken by the CFO of the Bills Manufacturing I was shocked that how a person can violate the laws of the country and get a promotion. The company was even involved in this case because the second part of his form was not filled and signed. While its first form was signed and stamped. The CFO entered the USA illegally and also got a job at Bills Manufacturing illegally. To me being a professional auditor, my professional responsibilities will never change. I can record a complaint against him so that the government will take appropriate action against him. I will never change my course of actions and my responsibility what this position is demanding me. Being the auditor, I have the authority to check all the documents of the company. As I received his documents, I will forward this case to the CEO of the company if the CEO didn't take proper action than I would send the case to government agencies.

Q.2

According to the (AICPA 2002b) being a professional auditor, it is my responsibility to report such a case to the audit committees. The provides high-quality financial reports and could work under stressful situations. Moreover, the Sarbanes-Oxley Act of 2002 states that it is something the Sarbanes-Oxley legislation requires the SEC to study. It is aimed at removing the wide array of exceptions we have in the present standards. Rules are issued by four various bodies, and we are having numerous pages of rules. The definite matter with that, in my opinion, is that for those who want to obey the rules, they are not always clear in their mind of everything they need to look at. This act also supports an auditor to take corrective and legal action against any person who is guilty (Alleyne et al., 2016).

3. Address each of the following from the context of the impact on your financial statement audit

work. Support each position by researching and discussing guidance provided by GAAS.

1. Does the illegal act increase the potential for fraud in the financial statements?

According to the case study when a person is doing something illegal and unethical he could do fraud in the financial statement as well. Such a person could no more be a trustworthy and fair person. The unethical person is not suitable for such a sensitive position. He could also do other illegal actions. According to the GAAS, this case provided a dynamic example which required the audit professional and students to treat as an illegal action. Financial reports are very sensitive documents, and a single mistake can lead to any fraudulent activities. The fraud is committed by a person who is doing something illegal and violate the laws of the states. The company has to take corrective action against the CFO.

b. Assess the impact on the audit of the internal controls in the human resources department.

The human resources department has all the confidential data of the employee along with its documents. It is an ethical responsibility of the HR department not to disclose the personal information of an employee to any unauthorized person (Khelil et al., 2016). So in some cases, it could be a challenge for the professional auditors to access the required information which the HR department is possessing. Moreover, it is widely believed that auditor has to investigate financial reports only. While in real sense auditor can audit any of the department.

References

Alleyne, P., Haniffa, R., & Hudaib, M. (2016). The construction of a whistle‐blowing protocol for audit organizations: a four‐stage participatory approach. International Journal of Auditing, 20(1), 72-86.

Khelil, I., Hussainey, K., & Noubbigh, H. (2016). Audit committee–internal audit interaction and moral courage. Managerial Auditing Journal, 31(4/5), 403-433.