**AUDIT RISK**

**Revenue Sources, Market Segment, Key Customers**

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| **Audit Risk** | **Auditor’s Response** |
| Industry regulations of hotels.  There is a risk of non-compliance with relevant regulations necessary to run a hotel, for instance, health and safety regulations.  This may expose the entity to fines or litigations, which may have a material impact on the financial statements of the entity. | Auditor should first gain an understanding of specific health & safety regulations and other relevant legislations that apply to the hotel industry.  Auditor should monitor the entity’s compliance with health & safety regulations and other relevant legislations. |

**Key customers base of the Hotel includes:**

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| **Audit risk** | **Auditors response** |
| There is a risk that customers may take the opportunity for not paying or delaying the payment as ST hotel will still accepting customers even have a bad record in credit terms .  This will affect the revenue being overstated and bad debt is not been recorded in the financial statement | Auditor’s should discuss with the management and enquire them with supporting document whether all the bad debt is been recorded in the financial statement . |
| Sales and marketing division may have override the payment records from customers data. in order to show that the task have been done successfully .  This could result in payment made by customers to not be accounted for. This would overstate the receivable balance. | Auditors should advise ST hotel management , that should be a responsible official monitoring and supervising the sales & marketing division in monitoring the payment records from customers to ensure the task is done properly.  Any receipt of payment the to be authorise by the responsible official before recording in the receivables ledger . |

**Involvement in e-Commerce**

**Key Suppliers**

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| Audit Risks | Auditor’s response |
| Periodic price check will also be performed by the Purchasing Officer to ensure that the hotel is price efficient in order to set a competitive price against its competitors.  There is a risk that the management may be under pressure to complete the period check which could lead to errors. This could result in the expenses being under or overstated. | Audit to maintain professional scepticism throughout the audit, and be alert to the periodic check performed by the Purchasing Officer. |

**Research and Development Activities**

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| **Audit Risk** | **Auditor’s Response** |
| The company is committed to invest in research and development activities during the year. There is a risk that development expenditure is incorrectly accounted for as a research expenditure which would overstate the expenses and understate the assets. | Auditors need to review if the criteria for the amortisation is properly met.  Auditors can recalculate the amount of revenue and capital whether it is accurate and in accordance with IAS. |

**Adoption of Information Technology**

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| **Audit Risk** | **Auditor’s Response** |
| If the new system is not operating effectively, there is a risk that the records or data were not properly transferred from its previous system. The customer’s information might be missing, which could result in understatement of receivable balance. | Discuss with management the process of data transfer and perform sample  testing to ensure data transfer is complete and accurate. |

**Investment Activities**

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| **Audit Risk** | **Auditor’s Response** |
| There are no formal capital investment policies prior to the year. There might be errors in consistency of how the investment is evaluated as the company does not have policies on investment. There is a risk that the capital investment is treated as revenue expenditure. Which would result in an overstatement of expenses and understatements of capitals. | Auditors can discuss with management to introduce company policies regarding the investment decision for the company |
| The company is planning to invest more aggressively in overseas hotels and expand into the China market. There are currency differences if the company decide to invest in the oversea market. If this differences have not been properly accounted for during the calculations, the profit and valuation of the investment might be misstated. | Auditors should recalculate the amount of any investment to ensure its accuracy. |

**Financing Activities**

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| The Hotel obtains loans, and finance lease for major capital Expenditures. It increase the risk they can manipulate the revenue and profit to meet the requirements in the loan agreement to obtain the loan. This would result in the revenue and profits to be overstated. | The audit team should assign the experienced team into this field and adequate time allocated to specific area: revenue, profit  The audit team should maintain professional scepticism and be alert to this condition |