

AUDIT AND INTERNAL REVIEW

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Solution for question one

Ethical Implications and Reporting Requirements:

There are numerous ethical issues that arise when preparing unaudited quarterly financial accounts for Valley View Development Ltd. The auditor's independence, which is a core value of the Code of Ethical Conduct, is the first area of concern. For the audit process to be objective and honest, the auditor must be separate from the client. Accepting remuneration from Valley View Development Ltd in the form of shares, nevertheless, could put the auditor's independence in jeopardy because the auditor might start to have a financial stake in the company's performance. The auditor can be reluctant to submit unfavorable facts or uncover serious flaws in the financial statements as a result.

The job of the auditor to give stakeholders accurate and trustworthy financial information is another ethical issue. To create unaudited financial accounts, the auditor must adhere to Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) as a professional. The auditor must also guarantee that there are no substantial misstatements in the financial statements and that all pertinent information is disclosed in a sufficient manner.

The International Standards on Auditing (ISAs) and International Standard on Review Engagements specify the pertinent reporting standards that the auditor must adhere to if they accept the engagement (ISREs). For instance, the auditor is required to include a disclaimer of opinion in the unaudited financial statements saying that they were not the subject of an audit or review. The declaration of disclaimer of opinion alerts the interested parties to the fact that the financial statements are the management's responsibility and have not been independently verified.

Solution for question two

Self-Interest and Self-Review Threats:

The auditor faces several self-interest and self-review threats as a result of the engagement to prepare unaudited quarterly financial statements for Valley View Development Ltd. Three of the most serious risks to self-interest and self-review are as follows:

- a. A member of the assurance team with a direct financial stake in the assurance; this applies when the assurance is directly owned and managed by the entity.
- b. Starting negotiations with the client about a new job.
- c. Advocacy: If the auditor offers biased and independent comments on the financial accounts rather than promoting Valley View Development Ltd.'s interests, they may be subject to an advocacy threat.

Solution for question three

Eminent Safeguards and Security Measures:

The auditor may use the following measures to reduce the threats of self-interest and self-review noted in the engagement:

i. Confidentiality: The auditor can uphold the strict confidentiality of the engagement by limiting access to the financial statements and audit files. This will stop stakeholders from being accidentally given access to financial information.

Independence: To maintain openness and prevent any potential conflicts of interest, the auditor may declare their shareholdings to Valley View Development Ltd. and other stakeholders.

iii. Quality Control: In order to make sure that the financial statements are prepared in accordance with GAAP and IFRS, the auditor may create and put into place quality control methods. In addition to ensuring the accuracy and dependability of the financial information, this will help to reduce the possibility of substantial misstatements.

Answer for question four

Planning Suppositions:

Adequate disclosure: When creating the unaudited quarterly financial statements for Valley View Development Ltd., the auditor should take into account three crucial planning suppositions: The auditor should presume that Valley View Development Ltd. will adequately disclose all pertinent financial information in the unaudited financial statements.

ii. GAAP and IFRS compliance: The auditor should expect that Valley View Development Ltd. would prepare the unaudited financial statements in accordance with GAAP and IFRS.

iii. Management Integrity: The auditor should presume that Valley View Development Ltd.'s management has integrity and is dedicated to giving stakeholders accurate and trustworthy financial information.

Solution for question five

Confidentiality Issues:

The auditor will have access to confidential financial information concerning Valley View Development Ltd., so maintaining confidentiality is a key concern in this engagement. To avoid unapproved disclosure to stakeholders, the auditor must preserve absolute secrecy of the financial information.

By restricting the number of employees who have access to the financial statements and audit files, the auditor can preserve confidentiality by controlling who has access to the financial information. Additionally, the auditor needs to put in place safeguarding measures like password-protected files and file encryption to preserve financial data.

As far as confidentiality is concerned, the auditor must also make sure that they abide by all applicable legal and ethical obligations. Before starting the audit engagement, this entails securing a confidentiality agreement in writing from Valley view Development Ltd.

In conclusion, accepting the contract to compile Valley View Development Ltd.'s unaudited quarterly financial statements have ethical ramifications and may jeopardize the essential values of the Code of Ethical Conduct.

However, these risks can be reduced by taking significant security precautions, like upholding the values of independence, integrity, and objectivity, exposing potential conflicts of interest, and adhering to GAAP and IFRS.

The auditor must also follow confidentiality guidelines and set up safeguarding measures for financial data.