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MARA

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**FACULTY OF ACCOUNTANCY UNIVERSITI  
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**KAMPUS CAWANGAN DUNGUN**

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**INDUSTRIAL PROJECT (PAC671)**

**FIELD REPORT 30%**

**ISSUE ON ACCOUNTING FIELD: PROPER  
DOCUMENTATION FOR PREPARATION OF  
FINANCIAL REPORT**

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## **SECTION A:**

### **1.0 Introduction**

Izuan & Co. is a firm of Chartered Accountants based in Kuala Lumpur. We provide comprehensive solutions for our clients including auditing, taxation, accounting and corporate services. Established in Australia in the year 2008, we have gained collective background in accounting, law, information technology, human resource and marketing, we are at the forefront of blending innovative technologies with traditional needs of small and medium enterprises (SMEs). We are located in Setiawangsa, Kuala Lumpur as main office but now currently operate at Datuk Keramat, Kuala Lumpur. We deliver our services to meet client's satisfaction that align with our core value. We can offer you the assurance you need to manage your organization efficiently.

#### **Vision**

"We want to be a reputable Chartered Accountants firm in Malaysia that provides remarkable audit, tax and business advisory services".

#### **Our core values are as follow:**

##### **Integrity**

We are aware that not only are we in a position of trust, we also represent something greater.

##### **Bravery**

We are not afraid to venture into unknown territories. There is no such thing as failure.

##### **Dedication**

We are always finding ways to grow, be it via formal education or experiential learning.

## **FIRM'S PHILOSOPHY**

'By your side, every step of the way'

We believe in the value of relationships. With the collective background in accounting, law, information technology, human resource and marketing, we can guarantee that all works are properly managed. We view every client relationship like a partnership, and truly believe that our firm success is a result of our client's satisfaction. We are committed to providing close, personal attention to our clients. We consult or remind about due dates and the consequences of non-compliance. We take opportunity to give clients some improvement advice and giving them the assurance that the assistance they receive comes from experienced and reliable sources.

## **AUDITING AND ASSURANCE**

- Statutory Audit
- Financial Statement Review
- Internal Audit and Risk Assessment
- Due diligence audits
- Monitoring audits
- Compliance audits & System audits
- Advice on internal control systems

## **ACCOUNTING**

- Preparation management account

## **TAX SERVICES**

- Corporate and personal tax
- compliance
- Sales & Service Tax
- Tax planning and advisory
- Tax audit and Investigation

## **2.0 SUMMARY OF WORK DONE**

During my internship at an audit firm, I was given the opportunity to gain practical experience in the field of auditing and financial analysis. Over the course of the internship, I worked closely with experienced staff and had the chance to take part in various projects and tasks that allowed me to enhance my skills and knowledge in the profession.

One of my main responsibilities during the internship was assisting in the preparation of financial report. This involved gathering the data, recording transactions into accounting software, do bank reconciliation, prepare financial statements, and also review and analysis the financial statement for any suspicious transactions that were material. I also had the opportunity to attend client meetings, where I observed the auditors discussing the scope and objectives of each audit engagement. This experience helped me understand the importance of effective communication and collaboration between auditors and clients.

I also had the chance to apply my knowledge of accounting standards and regulations in order to ensure the integrity of the financial statements. Throughout the internship, I was exposed to various auditing software and tools that are commonly used in the industry. I received comprehensive training on these platforms, which allowed me to efficiently perform tasks such as data analytics and electronic workpaper documentation.

Furthermore, I had the opportunity to work on doing full set of accounting by myself with the supervision from the senior staff. This experience allowed me to recognize the importance of maintaining accurate and reliable documentation in accounting and audit profession and the need for auditors to maintain objectivity and independence. I also have given the chance to learn on how to do taxation and some secretarial services. I learnt many new things such as learning on how to prepare secretarial files if there is a change in the company details. Then, I also being taught on how to submit personal and organizational taxation.

Overall, my internship at the audit firm provided me with a well-rounded understanding on the things that I have learned in my studies. I got to apply all of my knowledge in the studies at the internship. Moreover, I developed professional skills that are crucial for success in a fast-paced and dynamic environment. The internship not only deepened my passion for accounting and auditing but also reinforced my desire to pursue a career in the field.

### **3.0 STRENGTHS AND WEAKNESS OF TRAINING**

Training serves as a vital component in the growth and development of professionals across various industries, including auditing. In an internship with an audit firm, training provides valuable exposure to real-world scenarios, enabling interns to acquire practical skills and knowledge. However, it is important to recognize that like any other aspect of professional development, internships present both strengths and weaknesses.

Strengths of Training in an Audit Firm:

#### **1. Hands-On Experience:**

One of the primary strengths of training as an intern in an audit firm is the opportunity to gain hands-on experience. Interns are exposed to real-life situations and tasks, allowing them to develop practical skills and enhance their understanding of auditing processes. Through direct involvement with audit engagement and financial reports, interns can witness and contribute to the execution of various audit procedures, observing the challenges and intricacies involved.

#### **2. Exposure to a Dynamic Work Environment:**

Training as an intern in an audit firm exposes individuals to a dynamic work environment. Interns become part of a team, interacting with professionals at different levels within the organization. This exposure brings an invaluable opportunity to understand how an audit firm operate, observe effective teamwork, and learn from experienced auditors. The blend of various personalities and backgrounds foster a rich learning experience and broadens interns' perspectives on auditing practices.

#### **3. Professional Networking:**

Another significant strength of training as an intern in an audit firm is the chance to build a professional network. During the internship, interns interact with a diverse pool of professionals, including auditors, partners, managers, and fellow interns. This networking opportunity can lead to future collaborations, employment prospects, and mentorship possibilities. Establishing positive connections within the industry can prove advantageous for long-term career growth.

Weaknesses of Training in an Audit Firm:

### **1. Limited Scope:**

Training as an intern in an audit firm may have a limited scope due to legal and organizational constraints. Interns often have access only to a subset of audit engagements, which restricts their exposure to different types of audits and sectors. This limited scope may hinder interns' ability to fully comprehend the breadth and depth of auditing practices, preventing a holistic learning experience. Additionally, due to confidentiality concerns, interns may be excluded from critical discussions and decisions, further limiting their understanding of the audit process.

### **2. Time Constraints:**

Training as an intern in an audit firm has inherent time constraints. Audit firms operate under strict deadlines, and interns must adapt to the fast-paced nature of the industry. These time constraints can create challenges in achieving a comprehensive learning experience. Interns may feel overwhelmed with the workload demands, compromising their ability to focus on skill development and deep understanding of audit concepts. Moreover, the short duration of internships limits the time available for mentors to effectively guide and train the intern.

### **3. Lack of Autonomy:**

As interns, individuals often lack the autonomy to make independent decisions and may face limited opportunities to take ownership of audit tasks. While this can be expected due to the novices' standing, it can be frustrating for interns seeking to gain practical experience and develop critical thinking abilities. The lack of autonomy may restrict interns' growth potential and prevent them from honing vital audit skills, as they are primarily assigned to assist with junior-level tasks rather than being entrusted with more significant responsibilities.

Training as an intern in an audit firm brings numerous strengths and weaknesses. The hands-on experience, exposure to a dynamic work environment, and professional networking opportunities are among the strengths that allow interns to gain valuable insights into the auditing profession. However, the limited scope, time constraints, and lack of autonomy act as weaknesses, potentially hindering interns' overall learning experience. While internships may have limitations, they still provide a crucial steppingstone towards a successful career in

auditing, laying the groundwork for future growth and development. By recognizing and addressing these weaknesses, audit firms can enhance training programs, ensuring interns receive a comprehensive and impactful learning experience.

## **4.0 SELF-REFLECTION**

### **Introduction**

Working in an audit firm is a challenging and rewarding experience that provides individuals with an opportunity for growth and development. I have had the privilege of working with various clients and teams, each offering unique insights into the world of finance and business. Through this essay, I aim to self-reflect on my experiences working in an audit firm and the lessons I have learned along the way.

### **Identifying Strengths**

One of the key areas of growth for me has been the ability to identify and leverage my strengths. Working in an audit firm requires attention to detail, analytical skills, and effective communication. Through my experience, I have discovered that my attention to detail is one of my greatest strengths. This enables me to carefully review financial statements, ensuring accuracy and identifying any discrepancies. Additionally, my analytical skills have been instrumental in evaluating internal controls and identifying areas for improvement.

### **Effective Communication**

One valuable skill that working in an audit firm has taught me is the importance of effective communication. Clients may not always possess an in-depth knowledge of accounting principles or audit processes. Through my experiences, I have learned the significance of tailoring communication to the intended audience, ensuring that they understand the findings and recommendations. It enables me to communicate effectively with colleagues and clients alike.

## **Time Management**

Working in an audit firm demands efficient time management skills. The ability to prioritize tasks and meet deadlines is imperative to ensure quality work and client satisfaction. Through my experiences, I have learned to optimize my time by breaking down projects into smaller tasks and setting realistic milestones. This has allowed me to allocate my time effectively, ensuring that I fulfill the demands of multiple clients simultaneously. Furthermore, it has taught me to adapt and be flexible when unexpected challenges arise, enabling me to deliver projects on time.

## **Teamwork and Collaboration**

Working in an audit firm entail collaborating with diverse teams and clients. Through my experiences, I have learned the importance of teamwork and effective collaboration. Accounting, taxation and auditing involves coordination between our teams, client personnel, and third party. It requires mutual trust, open communication, and a shared goal of delivering high-quality work. Moreover, working in a team has exposed me to different perspectives and ideas, broadening my understanding and challenging my own assumptions.

## **Professional Ethics and Integrity**

One of the fundamental principles of working in an audit firm is maintaining high ethical standards and integrity. Auditors are entrusted with the responsibility of ensuring that financial statements are accurate and conform to accounting standards. Through my experience, I have developed a deep appreciation for ethical values such as objectivity, independence, and confidentiality. I have learned that these values not only shape the work we do but also contribute to building trust with clients and the broader business community.

## **Section B:**

### **1.0 Issues: Documentation in Preparing Financial Report**

In attempt to prepare and present financial statement in accurate and presented manner, a Conceptual Framework has been issued as a foundation in setting the financial report. On July 2007, MASB Framework for the Preparation and Presentation of Financial Statements (Financial Accounting and Reporting in Malaysia, Volume 1 7<sup>th</sup> edition). These frameworks have been revised as revised Conceptual Framework (2018). Revised Conceptual Framework serve as a general purpose in explanation of financial reporting.

Proper documentation in preparing financial report is crucial as it can affect the analysis on the company performance. Financial report is important to the company as they need the information produces to be presented to the users of financial statements that will assess the prospects for future cash inflows to the reporting entity and in assessing management's stewardship of the economic resources.

Adequate documentation is necessary to support this information produces and provide stakeholders with confidence in the reliability of the statements. Unproper documentation can be cause by various matters, such as incomplete data provided by the client, missing documents, existence uncertainty of the assets and liabilities, changes in accounting policies and others. For example, if there are changes in accounting policies such as differentiation in calculating asset depreciation from last year to the current year. In this case, if the account team do not have clear communication towards the audit team, sure it will have some internal conflicts that will hinder audit documentation processes. Therefore, it is important to have proper documentation for other process to run smoothly.

Furthermore, if the issues occur, it will definitely affect the results of financial statements. Hence, there might influence on the company stock price as the confidence of stakeholder has been affected. Worst case, there might be a legal action from the stakeholder or investors of the company. Moreover, after completing the preparing the financial statements, the reports will be submitted to the auditors to make audit opinion on the company performance. The process will encounter additional issues if the documentation is not completed. For example, the restraint in obtaining some documentation may hinder the auditors to do their jobs. The audit process will take longer time to complete. This is why proper documentation is important in order to determine or analysis the company's performance.

## **2.0 Challenges in Obtaining Proper Documentation**

While gathering or obtaining proper documentation is vital, accountants and auditors often face challenges in obtaining sufficient evidence. Some common challenges include

### **1. Issue: Reliability of internal controls**

Inadequate testing of controls refers to the failure of auditors to effectively assess and test the design and operating effectiveness of internal controls. Internal controls serve as a framework that ensures the reliability and accuracy of financial reporting (MASOMO MSINGI Publisher, 2022). By not conducting adequate testing of controls, auditors run the risk of not identifying material misstatements and frauds, which can lead to inaccurate financial statements and loss of investor confidence. For example, if there is significant material misstatement but there is no supporting documentation to prove, then the audit team will have to find the root of the problem. Hence, it will take longer time for the audit team to complete their jobs. Moreover, if there is material misstatement but with no other logical explanation, it will surely be affecting investor confidence towards the company's performance. The investor will pull up their investment in the company as they are afraid for any legal dispute that may happen.

Moreover, other than finding out material misstatement, other significant implications of inadequate testing of controls is the increased risk of material misstatements going undetected. If controls are not properly evaluated, auditors may fail to identify weaknesses or deficiencies, resulting in reliance on internal controls that are ineffective or non-existent (500, MIA ISA, 2020). Consequently, auditors may not gather sufficient evidence to support their conclusions on the fairness of financial statements and may issue an incorrect opinion.

Furthermore, inadequate testing of controls undermines the overall quality and reliability of the audit process. Auditors are responsible for obtaining reasonable assurance, which requires evaluating the effectiveness of internal controls and assessing the risk of material misstatement. If auditors do not adequately test controls, they cannot sufficiently gather audit evidence, leading to an unfulfilled responsibility and a reduced level of assurance for stakeholders.

## **2. Issue: Inadequate Substantive Testing**

The role of auditors is crucial in ensuring the accuracy and reliability of financial statements, thereby enhancing the trust and confidence of stakeholders. To achieve this, auditors rely on substantive testing, a process of evaluating the reasonableness of financial information and gathering sufficient and appropriate audit evidence (MASOMO MSINGI Publisher, 2022). However, inadequate substantive testing has emerged as a significant issue in contemporary auditing, raising concerns about the reliability and validity of findings.

Firstly, insufficient evidence may result in an incorrect audit opinion being issued. It also can lead to the inaccurate company's financial status. This can mislead investors, lenders, and other stakeholders who rely on financial statements and place undue trust in the auditors' judgment. Misleading information not only has implications for individuals making business decisions but also undermines the credibility of the auditing profession itself. Secondly, weak substantive testing compromises the auditor's ability to detect material misstatements or fraud within financial statements. Such deficiencies may lead to unreliable financial reporting and subsequently damage the company's reputation and shareholder value. Moreover, inadequate testing might also expose auditors to professional liability, with legal and regulatory consequences.

Causes of inadequate substantive testing due to several factors contribute to the issue of inadequate substantive testing. Firstly, it could stem from time constraints imposed on auditing engagements. Auditors often face pressure to complete their work within tight deadlines, compromising their ability to conduct a thorough assessment of audit areas. Consequently, auditors may opt for a less robust and superficial audit procedure, resulting in inadequate substantive testing. Furthermore, insufficient training and expertise among audit professionals can contribute to ineffective substantive testing. Given the complexity of accounting standards and evolving business practices, auditors must possess up-to-date knowledge and skills to assess the inherent risks effectively. Without adequate training or continuous professional development, auditors may struggle to identify and implement appropriate substantive testing procedures.

Lastly, inadequate substantive testing may also be attributed to cost considerations. As audits become increasingly expensive, some audit firms might resort to reduced testing to maintain profitability. By cutting corners and relying on less rigorous tests, firms may compromise the quality and integrity of their audit services.

### **3. Issue: Insufficient Documentation**

The issue of insufficient documentation in preparing financial report is a significant concern within the field of auditing and accounting. Audit documentation serves as the primary means of recording the work performed, evidence obtained, and conclusions drawn during an audit engagement. Therefore, any shortcomings in documentation pose a considerable risk to the effectiveness of the account and audit process in generating professional judgement for the users of financial statements.

One of the main reasons behind insufficient documentation is the lack of awareness and understanding among auditors regarding its importance. Some auditors may overlook the significance of keeping well-documented records, assuming that their memory or verbal discussions will suffice. However, relying solely on memory or verbal communication can lead to inaccuracies, inconsistencies, and an inability to demonstrate a full understanding of the audit process to others.

Furthermore, auditors may face time pressures and tight deadlines, especially in the case of large, complex organizations. In such scenarios, auditors may be inclined to prioritize completing audit procedures over documenting their work adequately. They may perceive documentation as a time-consuming task that diverts their attention away from conducting the necessary procedures to maintain proper documentation. Consequently, this rush to complete the preparing financial report could result in incomplete or improperly documented documentation. Insufficient documentation not only undermines the quality and accuracy of financial statements but also has several negative implications.

Firstly, it hampers the ability of auditors to work collaboratively and effectively (Office of the Auditor General of Canada, 2023). Audit documentation serves as a communication tool between auditors and facilitates the sharing of information, lessons learned, and conclusions reached. Without proper documentation, auditors may struggle to effectively communicate their work and findings to colleagues, supervisors, or external reviewers, leading to misunderstandings and potential errors in the process. Secondly, inadequate documentation impairs the ability to provide evidence and support for producing accurate financial report according to the company financial status.

Thus, the product of financial report should be based on sound evidence, and the lack of documentary evidence weakens the credibility and reliability of the report. With increasing scrutiny from stakeholders, regulators, and the public, auditors must ensure that they can

substantiate their findings and judgments. Without sufficient documentation, auditors may be exposed to legal and professional risks, as their opinion may be deemed insufficient or inadequate.

### **3.0 Recommendations**

#### **1.0 Reliability of internal controls**

To address the issue reliability of internal controls, several recommendations can be implemented. Firstly, auditors should ensure that they possess a deep understanding of the entity's internal control environment (500, MIA ISA, 2020). This includes comprehending the design, implementation, and maintenance of controls. With a clear understanding, auditors can properly assess the risks associated with controls and plan the appropriate testing procedures.

Furthermore, accountants and auditors should update their knowledge and skills to keep pace with the rapidly evolving technological landscape. As technology continues to reshape business operations, adapting the technology with accounting and auditing procedures is significant in order to effectively evaluate automated controls and mitigate the risk of inadequate testing (500, MIA ISA, 2020). This includes utilizing data analytic and other advanced technologies to gather and documented documentation that is crucial for the company financial report. Thirdly, audit firms should invest in robust training programs for their staff personnel. These programs should focus on enhancing their understanding of internal controls, along with the latest developments in accounting and auditing standards and also procedures. By adequately training the personnel, firms can ensure that they possess the necessary skills and knowledge to conduct rigorous testing of controls and gather sufficient documentation for producing proper and accurate financial report.

Lastly, for the auditors, they should apply a risk-based approach in their testing of controls. This involves identifying significant accounts and related assertions, understanding the relevant risks, and tailoring testing procedures accordingly. By prioritizing controls that have the greatest impact on financial reporting, auditors can optimize their efforts and allocate resources effectively, resulting in a better assessment of the effectiveness of controls and the collection of sufficient audit evidence.

## **2.0 Inadequate Substantive Testing**

To counter this issue, auditors should focus on the completeness, accuracy, and validity of transactions, as well as the existence and valuation of assets and liabilities (500, MIA ISA, 2020). They can perform substantive testing through methods such as confirmation, recalculations, and analytical procedures. Additionally, obtaining evidence from independent external sources and using data analytics tools can enhance the effectiveness of substantive testing. Therefore, to address the issue of inadequate substantive testing, auditors and regulatory bodies should consider implementing the following measures by prioritize a comprehensive understanding of the client's business operations and financial reporting risks. This initial step enables auditors to design tailored substantive testing procedures that focus on high-risk areas.

Other than that, audit firms should invest in continuous professional development programs to ensure auditors have the necessary skills and knowledge to perform substantive testing effectively. Regular training on auditing standards, technological advancements, and emerging risks would enhance auditors' abilities to gather sufficient and appropriate evidence. For the bigger scope, the regulatory bodies should implement stringent oversight mechanisms to monitor audit firms and the quality of their work. This could involve conducting periodic inspections, reviewing audit documentation, and imposing penalties for non-compliance. Robust enforcement would promote adherence to auditing standards and discourage firms from engaging in inadequate substantive testing.

## **3.0 Insufficient Documentation**

To address this issue, both, accountants and auditors must undergo proper training and education regarding the significance of proper documentation. Promoting awareness about the critical role that documentation plays in the audit process will enhance auditors (Reyes, 2023) ' understanding and encourage them to allocate adequate time and resources for this task. Furthermore, audit firms should establish clear policies, guidelines, and templates to standardize the documentation process and ensure consistency across audit engagements.

They should also practice good organization skills, taking notes and documenting their work as they perform their jobs. This will help in capturing relevant information in real-time, reducing the risk of missing or inaccurate documentation. Additionally, audit firms should implement robust quality control procedures to review and verify the adequacy and appropriateness of audit documentation periodically.

## **4.0 Conclusion**

In conclusion, the issue in obtaining and maintaining proper documentation is an utmost importance for auditors and to the financial health of organizations. The reliable and proper documentation will affect the effectiveness of audit procedures that directly impacts the overall reliability and credibility of audit reports. Through the utilization of various techniques, including inquiry, observation, inspection, and confirmation, auditors meticulously gather evidence to support their opinions on the fairness and accuracy of financial statements.

However, challenges such as limitations on the availability and reliability of evidence, inadequate testing and insufficient documentation can hinder the thoroughness the procedures in preparing truest financial statement results. It is essential for the person who prepare the financial report to carefully plan and execute their process, ensuring a strong balance between the cost-effectiveness of the process and the sufficiency of the evidence collected. Furthermore, auditors should continually stay up to date with evolving audit regulations, standards, and best practices to enhance their understanding of effective working standards.

Additionally, the use of advanced technologies and data analytics can strengthen these processes, offering both accountants and auditors access to vast amounts of information and enabling them to identify patterns, anomalies, and potential areas of concern. In conclusion, the issue of maintaining proper documentation is a crucial and challenging task. It requires the producers of financial statements to possess a high level of professional skepticism, judgment, and technical expertise. By continuously improving procedures, embracing technology, and upholding the highest professional standards, they can enhance the reliability of financial reports, ultimately promoting transparency, trust, and integrity in financial reporting.

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