FACULTY OF ACCOUNTANCY

BACHELOR OF ACCOUNTANCY (HONS)

FIELD REPORT (30%)

PAC671

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SECTION A

1. INTRODUCTION

Wezmart International Berhad, a pioneering firm based in South East Asia, specializes in Corporate Advisory and Regulatory Technology (A-RegTech) services. The company supports subsidiaries across various compliance domains including Intellectual Property, Company Secretarial, Human Resources, and Accounting Shared Services. Wezmart International Berhad's branch, FS Wong & Co., is situated in Taman Miharja, Cheras, and is responsible for audit assurance services, known for its stringent adherence to international auditing standards and commitment to transparency.

Wezmart International Berhad internships offer invaluable experience through hands-on application in audit fieldwork. The intern worked on substantive testing, analytical processes, and control tests under the supervision of FS Wong & Co.'s seasoned auditors. Through this practical approach, they gained a deeper understanding of audit procedures and gained the confidence to successfully navigate intricate financial environments. The internship program offered RM1,000 in allowance money in addition to practical skills. This stipend demonstrated the company's dedication to supporting the professional growth of its interns.

Additionally, the internship program included considerable training in the use of innovative software and audit tools. The intern gained expertise in data analysis tools such as Excel and workflow and documentation management software specifically designed for audits. Additionally, the education program placed a strong emphasis on developing the communication skills necessary for client interactions. They gained knowledge on how to get pertinent data, objectively convey audit results, and interact with clients in an efficient manner—all skills essential to a successful audit engagement.

2. SUMMARY OF WORK DONE

a) Statutory Audit

Obtain documents associated with the statutory audit by going to the secretary company. Review of a company's fundamental information, including the register of directors, register of members, shares, business and registered address, end of the financial year, and any other changes.

b) Preparing Audit Working Papers And Vouching

Obtain management accounts from clients, including the balance sheet, statement of profit or loss, trial balance, general ledger, and other relevant supporting documents, in order to compile audit working papers during the audit process. These documents include comprehensive records of the audit techniques used, together with the conclusions reached and the data and results that supported them.

c) Prepare Relevant Confirmations:

Auditors prepare requests for confirmation to be sent to banks, suppliers, and customers, among other parties. Through these confirmations, the correctness and completeness of the transactions and balances reported in the financial statements are verified.

d) Bank Confirmation to Submit to Bank

Get the client's approved signatures on the bank confirmation, then prepare it and submit it to the bank branches for a bank response. Certain banks can be filed electronically through the Econfirm website, but others need to be mailed to the relevant branch by courier.

e) Prepare Audit Reports According to MPERS:

The standard framework used to prepare financial statements for private entities in Malaysia is called the Malaysian Private Entities Reporting Standard (MPERS). In compliance with MPERS rules, auditors draft audit reports that include their assessment of whether the financial statements accurately depict the company's financial performance and condition.

f) Release Report to ROC and Company Secretary:

Auditors compile their findings and conclusions into an audit report after the audit is finished. The auditor's assessment of the financial statements' fairness is included in this report. The company secretary and the Registrar of Companies (ROC) are then given access to the report. For the purposes of transparency and regulatory compliance, the ROC mandates audited financial statements.

3. STRENGTHS & WEAKNESSES OF TRAINING

3.1 Weaknesses

a) Workload during Audit Peak Season in a Small Audit Firm

Due to their smaller workforces, small audit companies typically have higher workloads during the busiest audit seasons. As a result, interns face strict deadlines and greater pressure to complete tasks quickly and successfully. Due to the heavy workload, interns would need to prioritize their duties and use good time management to fulfill deadlines without sacrificing the caliber of their work.

b) Fast-Paced Environment and Multitasking

Interns frequently have to adjust rapidly to the fast-paced work environment at small audit firms. They can have to manage several things at once, like reporting, interacting with clients, and conducting audits. Although difficult, this experience can improve interns' capacity for multitasking, setting priorities, and performing well under pressure—all of which are important abilities in the auditing industry.

3.2 Strengths

a) Opportunity to Learn Diverse Skills in a Small Firm

An internship in a small audit firm exposes interns to a variety of duties and responsibilities. They frequently get the chance to manage all facets of audits, including client relations, preparation, and implementation. An extensive skill set in auditing, financial analysis, and customer management can be developed by interns through this practical experience, which may not be as easily obtained in larger firms where positions are more specialized.

b) Development of Time Management, Communication, and Organizational Skills

Interns have to improve better time management, communication, and organizational abilities due to the fast-paced work environment. Interns get knowledge on how to properly prioritize activities, interact with clients and team members, and keep audit documentation structured. These abilities are essential for both professional development and success in the auditing field.

4. SELF-REFLECTION

Under the guidance of FS Wong & Co., I had the priceless chance to explore deeply into the field of audit assurance during my internship as an audit intern at Wezmart International Berhad. My comprehension of audit procedures has greatly improved as a result of this experience, and my proficiency in financial analysis and compliance has increased.

Using audit concepts in a real-world setting was one of the most important parts of my internship. I gained practical experience doing audit fieldwork by actively participating in substantive testing, analytical methods, and tests of controls. During this immersion, I was able to improve my technical proficiency and get firsthand knowledge of the challenges associated with maintaining financial transparency and adhering to international auditing requirements.

In addition, the internship provided a great deal of exposure to modern technology and audit tools. I gained expertise with programs like Microsoft Excel for data analysis and specialist audit management software for workflow and documentation management. In addition to streamlining my process, this technical training reaffirmed how crucial it is to use technology to improve audit accuracy and efficiency.

The internship highlighted the vital role that effective communication plays in audit engagements, in addition to technical abilities. I gained knowledge on how to communicate with clients in a professional manner, collect relevant data, and clearly and impartially deliver audit findings. I had regular mentorship and comments from seasoned auditors during my internship. Every review session offered helpful critique that pushed me to keep getting better and aim for perfection in every aspect of my work.

To sum up, I would say that my internship at Wezmart International Berhad has been a life-changing experience that has greatly expanded my knowledge of audit assurance and equipped me for the demands of the working world. I am appreciative of the chance to have contributed to the company's dedication to excellence and am eager to use the knowledge and abilities I have acquired to continue a fulfilling auditing career.

SECTION B

1.1 ISSUE ON ACCOUNTING FIELD

INDEPENDENCE IN AUDIT

This issue concerns the audit firms' independence from clients, including their ability to express unbiased opinions related to financial statements. Auditors play a critical role in maintaining the integrity and credibility of corporate financial statements and preserving investor confidence in the financial markets. Auditors are expected to conduct their work independently and with integrity, without being influenced by external factors such as client or stakeholder pressure.

In Malaysia, auditors are governed by a statutory framework that outlines their role, qualifications, and responsibilities. Independent audit firms are responsible for ensuring compliance with international auditing standards and standards set by the Malaysian Institute of Certified Accountants (MICCA). However, the independent audit sector in Malaysia has been facing several challenges, such as the increasing complexity of financial transactions, the evolving nature of audit engagements, and the growing regulatory burden. These challenges have made it more difficult for auditors to ensure their independence and maintain the quality of their work.

Taking the dispute between Serba Dinamik and its external auditor KPMG, which resulted in KPMG's resignation as Serba Dinamik's auditor as reference, as it raises concerns related to the independence of auditors in Malaysia. The dispute arose after KPMG resigned as Serba Dinamik's auditor, citing its inability to obtain sufficient and appropriate evidence to support the company's financial statements for the year 2020. KPMG's resignation and the dispute raised questions about the independence and effectiveness of auditors in Malaysia.

In Malaysia, auditors have a statutory obligation to maintain their independence and ensure their opinions are unbiased. In conclusion, while the concept of auditor independence forms the bedrock of trustworthy financial reporting and corporate governance in Malaysia, it is evident that challenges remain in ensuring its robust application. Regulatory reforms, enhanced oversight, and proactive measures by audit committees are pivotal in addressing concerns about auditor independence. Moving forward, sustained efforts from regulatory bodies, auditing firms, and stakeholders will be essential to strengthen transparency, mitigate conflicts of interest, and uphold the integrity of audits. By maintaining a steadfast commitment to these principles, Malaysia can foster a business environment where stakeholders can have confidence in the reliability and objectivity of audit outcomes, thereby contributing to sustainable economic growth and investor trust in the long term.

1.2 DISCUSSION OF ISSUES

1.2.1 IMPORTANCE OF AUDITORS' INDEPENDENCE

a) Objectivity and Impartiality:

Objectivity and impartiality are crucial aspects of auditor independence because they form the foundation of trust and credibility in the audit process. Auditors must approach their work without bias or favoritism towards the auditee. Objectivity ensures that audit findings are based solely on factual evidence and professional judgment, free from personal or financial interests that could influence the outcome. This fairness is essential for stakeholders who rely on audit reports to make informed decisions about investments, business operations, and regulatory compliance. Objectivity and impartiality are fundamental in building and maintaining trust between auditors, clients, investors, and regulatory authorities. Stakeholders need assurance that audit assessments are independent and unbiased, reflecting a true and accurate representation of the auditee's financial position and performance. Without these qualities, audit reports could be perceived as unreliable or manipulated, eroding trust in financial markets. For example, recent concerns, such as those raised by Datuk Ariff Farhan regarding auditor selection for HRD Corp, highlight the risks of perceived conflicts of interest undermining audit independence and eroding trust in financial markets (Source: Reported on TheEdgeMalaysia on 18th July 2024).

b) Enhanced Financial Reporting:

Enhanced financial reporting ensures that companies provide clear, accurate, and comprehensive information about their financial performance and position. This transparency enables auditors to conduct thorough assessments based on reliable data, reducing the likelihood of biased interpretations or concealment of material information. Enhanced financial reporting contributes to investor confidence and trust in the integrity of financial information. Investors rely on audited financial statements to make informed investment decisions. When financial reporting is robust and transparent, auditors can provide assurances that the information presented is fair and accurate, thereby bolstering investor confidence in the company's performance and governance.

c) Regulatory Compliance:

Regulatory compliance promotes consistency and standardization in audit practices. Auditors are required to comply with auditing standards and guidelines set forth by regulatory authorities, such as International Standards on Auditing (ISA) or local regulatory bodies. These standards outline the procedures and methodologies that auditors must follow to conduct thorough and effective audits. Compliance with these standards helps auditors maintain high levels of audit quality, ensuring that audit findings are reliable and credible. Regulatory frameworks often include ethical guidelines and codes of conduct that auditors must adhere to. These guidelines emphasize principles such as integrity, objectivity, and professional skepticism, which are essential for maintaining auditor independence. Compliance with ethical standards ensures that auditors conduct themselves with integrity and uphold the principles of independence and impartiality in their audit engagements.

d) Protection of Stakeholder Interests:

Auditor independence promotes corporate accountability and transparency. When auditors remain independent, they can challenge management assertions and ensure that financial disclosures accurately reflect the true financial position and performance of the organization. This transparency is essential for fostering trust between companies and stakeholders, as well as promoting good corporate governance practices. Auditor independence is crucial for preserving the reputation and professional integrity of auditing firms and individual auditors. Upholding independence safeguards auditors from conflicts of interest, ethical dilemmas, and pressures that could compromise their judgment or integrity. This commitment to independence reinforces the credibility of auditors and the auditing profession as a whole.

In conclusion, maintaining auditors' independence through objectivity, enhanced financial reporting, regulatory compliance, and protection of stakeholder interests is essential for ensuring the credibility, trustworthiness, and effectiveness of audit processes in upholding transparency and accountability in financial reporting.

1.2.2 CHALLENGES IN MAINTAINING INDEPENDENCE

a) Pressure from Clients and Management

Auditors may be under a lot of pressure from management or clients to ignore abnormalities or change audit results so they better serve the organization's objectives. This pressure has the potential to erode auditor independence by affecting audit choices and judgments. Management might undermine the auditor's capacity to remain neutral and objective by, for instance, threatening to terminate audit contracts or making promises about future business prospects.

b) Financial Dependence on Audit Fees

A significant amount of an auditor's income is frequently obtained from audit fees that clients pay. Auditors who are financially dependent on these payments may have a conflict of interest because they may put preserving client relationships and gaining repeat business ahead of carrying out thorough audits. Due to its potential to impact audit decisions that could impact audit quality and the objectivity of audit opinions, this dependency presents a risk to the independence of the auditor.

c) Familiarity Threat

Long-term customer connections can cause auditors to become too familiar, which could affect their objectivity. This familiarity hazard occurs when auditors become unduly dependent on past audit relationships or too sympathetic to client concerns, which may cause them to miss warning signs or vigorously question management assertions. It is difficult for auditors to remain objective and professional when they form a personal bond or empathy with client staff.

d) Scope Limitations

The range of audit techniques or information access may be restricted by clients, which would hinder auditors' capacity to carry out exhaustive and impartial evaluations. Limitations on scope may make it more difficult for auditors to gather enough data to back up their audit views, which could lower stakeholder confidence and damage the quality of the audit. In order to maintain their independence and complete the audit process within the limitations set forth, auditors must carefully manage these difficulties.

e) Regulatory and Legal Compliance

Maintaining auditor independence necessitates adherence to legal and regulatory obligations. Auditors have to maneuver through intricate regulatory environments that specify criteria for independence, morality, and expertise. Maintaining independence while adhering to regulations can be extremely difficult because non-compliance can result in penalties, legal ramifications, or reputational harm.

1.3 RECOMMENDATION

a) **Enhanced Oversight and Governance:**

Establish strong monitoring procedures in audit firms to keep an eye on and guarantee that independence requirements are being followed. strengthen governance frameworks to encourage moral conduct and impartiality in auditing assignments.Improving regulatory supervision and enforcement systems can lessen the likelihood that auditors will compromise their objectivity. Regulatory agencies ought to impose severe sanctions on those who violate independence requirements and offer unambiguous instructions on moral behavior.Regulatory bodies throughout the world have tightened rules and stepped up oversight of audit procedures in reaction to worries regarding the independence of auditors. For example, the Securities and Exchange Commission (SEC) in the United States has increased scrutiny to make sure auditors strictly follow independence rules.

b) **Diversify Revenue Streams for Auditing Firms**:

Advisory or consulting services can help diversify revenue streams and lessen the reliance of auditors' income on audit fees. This can lessen the conflict of interest brought on by a reliance on audit clients for financial support. The Big Four accounting companies now provide consulting and advising services in addition to traditional auditing. Through revenue diversification, organisations can alleviate the financial strain of preserving client connections exclusively for audit fees, consequently improving audit engagement independence.

c) **Strengthen Independence Policies and Procedures within Firms**:

Create strong internal policies and processes that place a focus on impartiality, independence, and moral behavior. Establish ongoing training courses to inform auditors about ethical quandaries and independence requirements. Relationships between auditors and clients are governed by extensive independence policies put in place by PricewaterhouseCoopers (PwC). Strict rules regarding financial ties, job history, and personal affiliations that can jeopardize independence are part of these principles.

d) **Enhance Transparency in Audit Engagements**:

Increase openness in the auditing process by revealing any possible conflicts of interest and the steps taken to ensure independence. To build confidence and trust, improve stakeholder communication regarding audit processes and results. Transparency reports detailing Deloitte's independence policies, audit quality initiatives, and conflict of interest resolution procedures are available. Stakeholders can learn more about Deloitte's dedication to independence and integrity in audit engagements from these reports.

e) Empower Audit Committees and Independent Directors:

Improve independent directors' and audit committees' oversight of auditor independence. Give these governance committees the authority to assess the independence standards, performance, and selection of auditors. Concerns with auditor selection and conflicts of interest have led to an increase in the authority granted to audit committees by Malaysian corporations to supervise auditor independence. With the support of this monitoring, auditors can continue to conduct audit engagements with independence and integrity.

f) Promote Rotation of Audit Firms or Engagement Partners:

In order to reduce the risk of familiarity and encourage new viewpoints in audit engagements, audit firms or engagement partners should rotate on a regular basis. Requirements for rotation can lessen the possibility that auditors will get too cozy with clients, improving objectivity. In order to improve audit quality and independence, the European Union requires listed corporations to rotate their audit firms every ten to twenty years. The purpose of this criterion is to avoid long-term connections that can jeopardize the independence of the auditor.

1.4 CONCLUSION

Auditor independence is paramount in ensuring the integrity and reliability of financial audits, underpinning trust among stakeholders and safeguarding the interests of investors, regulators, and the public. Objectivity and impartiality are the cornerstones of auditor independence since they are necessary for providing objective audit opinions that are supported by factual data and expert judgment. The fact that stakeholders depend on these evaluations to make defensible choices about investments, corporate operations, and regulatory compliance emphasizes the vital role auditors play in upholding accountability and transparency in financial reporting.

However, in the complex business landscape of today, preserving auditor independence presents a number of difficulties. The pressure auditors receive from customers and management to ignore abnormalities or modify findings to serve organizational goals is one of their biggest challenges. The reliability of audit results may be compromised by this pressure to compromise objectivity. An example of how apparent conflicts of interest can jeopardize audit independence and undermine confidence in financial markets is the recent worries expressed by Datuk Ariff Farhan about HRD Corp's auditor pick. These incidents emphasize how crucial it is to protect auditors from outside forces that can taint their objectivity.

Another issue with relying solely on audit fees is that auditors may feel pressured to put client relationships ahead of impartial evaluations in order to obtain new business. Major accounting firms like the Big Four have shown that diversifying revenue sources through consulting services can eliminate this conflict of interest. They have done this by moving beyond traditional audits in order to improve independence and lessen their reliance on audit fees.Another major worry is the familiarity danger, which arises when auditors and clients have long-standing ties and could cause complacency or bias in audit decisions. The European Union's requirement that audit firms or engagement partners rotate every year for listed companies helps to reduce this risk by bringing in new ideas and lessening the possibility of long-term client associations having an excessive impact.

A number of recommendations are necessary in order to properly address these difficulties and maintain the independence of auditors. To make sure auditors follow strict independence requirements and ethical criteria, regulatory oversight and enforcement measures must be strengthened. To encourage adherence to moral behavior and protect independence, the Securities and Exchange Commission (SEC) in the United States, for example, imposes severe penalties for non-compliance with auditing standards.

Auditing companies need to set up strong internal policies and processes that prioritize impartiality and moral conduct. Auditors might benefit from regular training sessions that maintain their commitment to impartiality and educate them on independence needs and ethical challenges. Accountability in audit engagements is encouraged and stakeholder confidence is increased by open communication of audit procedures and independence-maintaining measures. For instance, Deloitte's transparency reports offer details on their audit quality objectives and steps taken to resolve possible conflicts of interest, showcasing the company's proactive approach to integrity and transparency.

Furthermore, independence governance is further improved by giving audit committees and independent directors the authority to supervise the choice and performance of auditors. By ensuring that auditors are chosen impartially and assessed according to their adherence to independence norms, this monitoring promotes an environment of confidence and accountability.

In conclusion, early steps and strong governance structures help reduce risks and preserve the integrity of audit processes, even though retaining auditor independence presents significant hurdles. Auditors can effectively navigate complex situations and carry out their vital role in maintaining financial transparency and investor confidence by emphasizing objectivity, diversifying revenue streams, putting regulatory oversight in place, encouraging transparency, pushing for rotation, and giving governance bodies more authority. The legitimacy of audit opinions and global confidence in the integrity of financial reporting methods depend on these efforts.

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1.6 APPENDICES


wezmart
RISK & COMPLIANCE SOLUTION