1. Solved in standard format checklist shared by the student.
2. Analysis performed in the WER Financials shared by the student.
3. Within the context of the current company users of financial statements will include the following company management, current and potential providers of capital, government agencies and tax authorities. Needs of each of the financial statement user group are explained below;

|  |  |
| --- | --- |
| Company Management | Financial statements are required by the company management to appropriately understand company performance and position in terms of profitability, liquidity and solvency. Said information will in turn allow the management to make informed financing and operational decisions. |
| Debt Holders/ lenders | Debt holders use financial statements to ensure the company remains in compliance with agreed debt covenants and to ensure the company has continued ability to service debt. |
| Equity Investors | In the context of the company potential equity investors will use the financial statements to understanding company’s position and performance and to determine the intrinsic value of company stock. |
| Government Agencies | Government agencies will use to financial statements to determine if the royalties paid to government of Alberta were in line with actual revenues earned. |

(Bragg, 2021)

1. An external audit engagement to provide reasonable assurance that financial statements are free from any material misstatement is recommended for the company.
2. Provided in standard format checklist shared by the student.
3. Inherent risk is simple terms is the associated with errors or omissions within the financial statements as a result of factors other than a failure of internal control. Inherent risks associated with the company are summarized below;

|  |  |
| --- | --- |
| **Risk Description** | **Risk Assessment** |
| Risk associated with management estimates used for development of financial projections. | High |
| Risk associated with management estimates used for preparation of existing financial statements as the company was not required to follow international financial reporting standards. | High |
| Management discretion involved in determination of appropriate levels of cleaning up costs which can range from $150,000 to millions. | High |
| Estimates used by management for deprecation of leased asset at five percent double declining method. | High |

1. Given the high levels of inherent risk it is recommended that the audit engagement is not accepted. Specifically significant assertions were made by the management with regards to preparation of the financial statements as discussed above and any change in the said assumptions may cause substantial changes to the overall financial statements.

**References:**

Bragg, S. (2021). Users of financial statements — AccountingTools. Retrieved 10 November 2021, from https://www.accountingtools.com/articles/users-of-financial-statements.html

Types of Audit Risks and Their Sources. (2021). Retrieved 10 November 2021, from https://www.backoffice.com.my/audit/types-of-audit-risks-and-their-sources/