

Question:

The audit senior also left the following note for your attention:

'I have been working on the audit of properties, including the Group's storage facility warehouses. Customers rent individual self-contained storage areas of a warehouse, for which they are given keys allowing access by the customer at any time. The Group's employees rarely enter the customers' storage areas.

It seems the Group's policy for storage contracts which generate revenue of less than \$10,000, is that very little documentation is required, and the nature of the items being stored is not always known. While visiting one of the Group's warehouses, the door to one of the customers' storage areas was open, so I looked in and saw what appeared to be potentially hazardous chemicals, stored in large metal drums marked with warning signs.

I asked the warehouse manager about the items being stored, and he became very aggressive, refusing to allow me to ask other employees about the matter, and threatening me if I alerted management to the storage of these items. I did not mention the matter to anyone else at the client.'

**Required:**

Discuss the implications of the audit senior's note for the completion of the audit, commenting on the auditor's responsibilities in relation to laws and regulations, and on any ethical matters arising. (9 marks)