




Compliance with Audit Documentation

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**‘NO ONE WILL BELIEVE YOU DID
SOMETHING ON AN AUDIT IF THERE IS
NOTHING IN YOUR WORKING PAPERS
FILE TO SHOW FOR IT!’**

Audit Documentation

Audit Documentation as defined in SA 230 refers to :

- 1.the records or documentation of procedures that auditors performed,
2. the audit evidences that they obtained
3. and the conclusion that is made by them based on the evidence obtained

(Audit documentation is sometimes called working papers)

Audit Documentation

'लिहिलेले करायचे आणि केलेले लिहायचे'

Whatever is written (in SAs, technical standards etc.) is to be done and whatever is done is to be written

Importance of Documentation

- Proper and Adequate Documentation results in better conceptual clarity, clarity of thought and expression
- It facilitates better understanding and helps to avoid misconception
- It serves as a reference for future audits, enabling auditors to understand the previous work done and identify areas for improvement or further investigation
- It promotes transparency and accountability

Key Information in Audit Documentation (Mandatory)

- Nature , Timing and extent of the audit procedures performed to comply with the SAs
- Evidence the Auditor obtains and procedures used for testing and results of testing
- Reviewer, date and extent of Review
- Significant matters related to financial statements
- Professional judgements used for testing or sampling.

Quality Control Policies and Procedures relating to

- Leadership responsibilities for quality within the firm
- Ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources Development and Training
- Engagement performances (EQCR)
- Monitoring

(Reviewer should see documentation to provide evidence of operation of each element. Ref SQC 1)

Check Documentation for contents in

- Questionnaire Copy as received from the Practice Unit.
- Annexure I to the Final Report
- Annexure II to the Final Report
- Annexure III to the Final Report

*'CHARITY BEGINS AT
HOME'*

Preparation to be done by Peer Reviewer for this topic of documentation

Suggested Reading :

- Chapter 5 on Documentation in Peer Review Manual Volume I
- SA 230 – Audit Documentation
- Relevant SAs or relevant paras from relevant SAs
- Start preparing the documentation in your office for your clients

**Audit File of Each Sample
Selected should contain the
documentation given in
subsequent slides
(Grouped under broad heads)**

Engagement

- Letter from Partner and employees' confirming Independence for the particular assignment
- Appointment letter and resolutions- Pre Audit Minutes
- NOC from the Previous Auditor
- Engagement Letter acknowledged by the client
- ADT 1
- Discussion with the Out going accountant by a Letter requesting appropriate information to assist the firm in deciding whether to accept the appointment
- KYC norms issued by ICAI whether fulfilled?

Master Data

- MOA or Partnership Deed etc
- Nature of Business of the entity
- Particulars of Promoters, directors and their powers
- Shareholding Pattern
- List of KMP
- PAN
- Last Year signed financial statements
- List of branches
- Details of bankers, solicitors etc.

Reports & Final Papers

- Qualifications/ EOM duly supported by notes / working
- Directors' Report
- Auditors Report (whether in proper Format)
- Directors non disqualification letters
- Internal Audit Report & Compliance thereof
- Correspondence with other auditors and experts
- Management Representation Letter from the client

Financial Statements

- List of records, books maintained by the client
- Checklist for compliance of Accounting Standards
- Checklist for compliance of Auditing standards
- Working Papers -Queries raised and Queries unresolved- summary of work done
- Minutes of the meetings with Management
- Review of Internal Control Systems
- Closing Stock Certificate
- Checklist that the Financial Statements are prepared as per the statutory requirements. (e.g Schedule III)

Financial Statements

(Cntd.)

- Cost sheet for procuring any work for tender
- Compliance of CARO
- Final Trial Balance Signed by the Management & resolution / Certificate that these are the financial statements approved by the Board
- Checklist for fundamental accounting assumptions (Consistency, Going Concern and accrual basis)
- Abstracts, copies of significant contracts

Financial Statements

(Cntd.)

- GST checklist/ 26AS/ TDS compliance etc
- Procedure for passing closing Journal Entries (SA 240)
- Final Financial Statements signed by both the Directors
Rs in millions/ thousands
- Financial Statements signed by Directors in Rs.
- Various Checklists and Manuals for ensuring quality of the assignment
- Details of Audit Procedures carried out to identify litigations & claims

Documentation as per SAs

- Communication to the management (SA 260)
- Audit Strategy(SA 300)
- Audit Plan – giving description of the nature timing and extent of planned risk assessment procedure (SA 300)
- Audit Procedure carried out relating to related party transactions (SA 550)

Standards on Auditing

(Cntd.)

- Work done by Internal Auditor (SA600)
- Noting regarding entity's activity to continue as a going concern (SA 570)
- How the sample size is determined (SA 530)
- Management Reporting about the significant Matters(SA 230) & Deficiencies in Internal Control (SA265)
- External Confirmations & Procedures (SA 505)

Standards on Auditing (Cntd.)

- Procedure to verify opening Balances (SA 510)
- Basis on which accounting estimates have been made (SA 540)
- Quality Control Manual (SQC 1) and Various policies
- Technique of identification of materiality (SA 320)
- Assessing Audit risk by using professional judgment (SA315)
- Performance of substantive tests conducted (SA 330)

Standards on Auditing contd.

Details of analytical procedures carried relating to related party transactions. (SA 550)

Check list of Compliance with various laws & regulations (SA 250)

Checklists, Correspondence reg. significant matters, confirmations (SA 230 – Audit Documentation)

Results of Analytical Review Procedures (SA 520)

Audit Plan

- Audit Plan
- Briefing Notes
- Copy of Planning letter to client
- Composition of Audit Team
- Overall audit strategy and plan for completing the audit
- Details of Staff engaged on the audit assignment
- Details of training and CPE Records of Partners and Employees

MISCELLANEOUS

- Permanent Audit File
- Current Audit File
- Working papers must contain all evidences and cross references details should be mentioned.
- Whether qualifications and audit conclusions are discussed with clients.
- Assessment of risks, Procedure for Compliance and substantial tests are important.
- At the time of verification of Annexure I & annexure II you will notice what you have to check

MISCELLANEOUS

(Cntd.)

- Review the Process by which audit was conducted by PU- Discuss with PU
- Compliance with SAs is important
- Tax Audit, Internal Audits may have additional/ different set of documentation e.g for tax audits – certifications, quantitative details, 43 B disallowances etc.

Last but not the least !

The Peer Reviewer is not supposed to REAUDIT the Financials of the client of the Practicing Unit!

Take away !

Becoming Peer Reviewer will certainly help you to make your office better so that No one can say to you

चिनायशेठ, जिनके अपने घर शिशोंके
हो वो दूसरोंपर पत्थर नहीं फेका करते
!

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Thank You!

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