

Audit Documentation - Peer Review

Presented by

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For Pune Branch of ICAI jointly with Peer Review Board

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Objective

Peer Review is conducted :

- ✓ to suggest improvements in the reporting services

Audit and Investigations are conducted

- ✓ to focus on truthfulness of the FS.

Why prepare documents?

- What is not documented is not done
- The auditor's responsibility to prepare audit documentation
- Evidence of basis for a conclusion
- Evidence that audit was planned and performed in accordance with SA's etc.

Practicing Unit (PU) – Requirements:

1. Resources

- a. Personnel
- b. Infrastructure
- c. Hardware
- d. Software

2. Systems and Processes

- a. HR – Recruitment policy
- b. Training and CPE
- c. Checklist and Stand Operating Procedure
- d. Manuals and Guidance
- e. Research Material

Implementation of Processes

- a. To ensure that the processes are implemented thoroughly
- b. Implementation in spirit and not just in letter/form
- c. Documentation for forming an opinion
- d. not just a formality for peer review process

Staff Recruitment Process

- a. What is the process of interviews
- b. Reference and background checks
- c. Technical knowledge assessment
- d. Appointment letters
- e. Induction training manual

Continuing Professional Education (CPE)

- a. Internal training programs – documented
- b. CPE training program records for Partners and QA
- c. Knowledge resource bank with the PU
- d. Continuous research and update knowledge data bank

Hardware and Software Infrastructure

- a. Hardware configurations for efficient functioning
- b. Software updates
- c. Auditing tools in electronic forms
- d. Data storage and security

Systems and processes

- a. Attendance and biometrics
- b. Daily work records
- c. Job Records
- d. SOP and checklists (duly updated)
- e. Standard formats

Characteristics of good documentation:

- a. Clarity and Understanding
- b. Completeness and Accuracy
- c. Pertinence
- d. Logical arrangement
- e. Legibility and neatness
- f. Safety
- g. Initial and date
- h. Summary of conclusions

Audit Documentation enables the Audit Team to:

- a. Plan and perform the audit.
- b. Direct and supervise the audit work
- c. Be accountable for its work
- d. Retaining a record of matters of continuing
- e. Significance to future audits
- f. Conduct of quality control reviews
- g. Conduct of external inspections
- h. Support in case of any legal claims

Documentation – Essentials

- a. Electronic or Physical form
- b. Cross referencing
- c. Where an experienced auditor can understand entity and work done.
- d. Who performed – when and who reviewed and when
- e. Timeliness
- f. Contents
- g. Assembly within 60 days – only admin
- h. Retention – 7 years
- i. Papers which should not form part of file

Documentation – how it is to be done.

- a. Timely Preparation of Audit Documentation
- b. Audit Procedures Performed and Audit Evidence Obtained
- c. Form, Content and Extent of Audit Documentation
- d. Oral explanations do not stand test of work performed.
- e. Compliance with SAs
- f. Documentation of Significant Matters and Professional Judgments how arrived
- g. Identification of Specific Items or Matters Tested
- h. Documentation of Discussions of with Management
- i. Departure from a Relevant Requirement
- j. Matters Arising after the Date of the Auditor's Report
- k. Assembly of the Final Audit File
- l. Ownership of Audit Documentation

- j. Applying “What can go wrong” technique
- k. Identify problem areas in each processes
- l. Structure the audit plan to mitigate such problem areas

For example :

While verifying whether Company has complied with Section 185/186 for reporting in CARO:

- a. If one checks just opening and closing balances
- b. It may miss out transactions during the year which may result in debit balances
- c. So to avoid such miss outs – check full ledger accounts rather than year end balances for compliances

Human Resource Documentation:

- a. Application form
- b. Resume
- c. Interview noting sheet
- d. Appointment Letter
- e. Background check and reference check confirmations
- f. Letter from Employee for adherence to independence/NDA etc

Audit

- a. Audit Engagement Letter
- b. Letter asking for information about clients business
- c. Letter of communication with previous auditor
- d. Management Representation Letter
- e. Checklist on compliance with Accounting Standards
- f. Checklist on compliance with Auditing and Assurance Standards
- g. Checklist on compliance with Guidance Note
- h. Independence Policy
- i. Client Register
- j. Audit Program
- k. Checklist of documents to be obtained
- l. Draft Audit Report

Peer Reviewer:

- a. Practicing Units Expert Consultants List
- b. Guidelines of a PU for maintenance of Professional Skepticism
- c. Recruitment policy
- d. Checklist of Audit program of Reviewee
- e. Checklist on general controls observed by PU
- f. Independence
- g. Professional skills and standards
- h. Outside Consultations
- i. Staff Supervision and development
- j. Office Administration
- k. Illustrative list of documents to be obtained by PU
- l. Illustrative list of certificates to be obtained by PU
- m. Specimen Peer Review Report

Peer Review Documents – Detailed

Master Client Data

- a. Client Register
- b. Audit Register
- c. Certificate Register

Professional Skills and Standards – Partners and Staff

- a. CPE or other educational programs – attendance records
- b. Inhouse training documents – attendance
- c. Partners and staff discussion notes on various technical topics
- d. Bio data of partners and senior staff members
- e. List of books and periodicals in offices

Independence Policies

- a. Standard Policy of Independence
- b. List of partners, staff and their relatives having interest in clients business
- c. Organisation Structure

Staff Supervision and Development

- a. Recruitment Policy
- b. Training Policy
- c. Appointment letters and scope of responsibility
- d. Staff files
- e. Staff Orientation Program
- f. Quality review Policy
- g. Four eyes policy compliance

Office Administration:

- a. Policies and procedures for accepting and engagement
- b. Quality assurance relating to attest function
- c. Audit requirement and Manpower planning
- d. Office file list and policy regarding audit documents
- e. Time Management Sheets
- f. File saving protocols
- g. Work allocation with reference to qualified staff

Audit Record Administration

- a. Correspondence and communications with clients
- b. Current and permanent audit files
- c. Audit programs and follow up papers
- d. Audit Engagement Letters
- e. Monitoring of audit work – working papers
- f. Comprehensive Check list
- g. Storage, maintenance and security of soft copies

Review and Evaluation of System of Internal Controls:

- a. Knowledge of Clients business
- b. Audit program
- c. Policies and procedures of review by senior partner
- d. Four Eyes Concept

Financial Statement Presentation:

- a. Compliance with Technical Standards
- b. List of Certificates to be obtained
- c. Management Certificates
- d. Audit Checklist
- e. Procedure for drafting Audit Report
- f. Audit Conclusion and Reporting
- g. Quality Reporting
- h. Auditors Report and Qualification
- i. Overall audit evidences

Outside Consultations:

- a. Register of consultants
- b. Copies of opinion sought on which audit judgement is made
- c. Certification
- d. List of certificates issued
- e. Files containing working papers
- f. Compliance of law
- g. Disclaimer clause
- h. Management representation

Audit Documentation – golden rule:

- a. Must contain sufficient information to enable an experienced auditor,
- b. having no previous connection with the engagement,
- c. to understand the work that was performed and conclusions reached.

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QUESTIONS?

THANK YOU

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