

Audit Documentation

Q-1 → Meaning of audit documentation.

Record of audit procedures performed, relevant audit evidence obtained, & conclusions the auditor reached.

Q-2 → Basic requirements of a work paper.

- Designed & organised
- Kept in standardised form
- Complete, dated & signed
- Significant matters including judgements should be documented
- Maintained upto 7 years from date of signing of audit Report
- If electronic/magnetic media — Proper care for storage & retrieval
- maintain confidentiality

Q-3 → Advantages / Benefits / Purpose of audit documentation

- Assist in planning & performing audit
- For supervision to direct & supervise the audit work
- Engagement team — accountable for its work
- Retain record for future audits
- Enable quality control review & inspection
- Enable external inspection
Eg: Review by CG / ICAI / Peer review
- Provides guidance to audit staff
- Act as a defence if charge of negligence is brought against auditor

Q-4 → NTE of Audit documentation (content)

- Size & complexity of entity
- Nature of AP
- Identified RMM
- Significance of audit evidence obtained
- Exceptions identified
- Need to document conclusion or basis of conclusion
- Audit methodology & tools used

Q-4(B) → How much documentation should be done?

a) N.T.E. of AP performed

- Matter of AP
- who performed the work & date of completion
- who reviewed & signed & date & Extent of review

b) Result of AP performed & evidence obtained

c) Significant matters arising, conclusions reached & significant professional judgements made.

Q-4(C) → What does Audit Documentation includes (Egs)

- Audit Programmes
- Analyses
- Issues memoranda
- Summary of Significant matters
- Letters of confirmation
- Checklists
- Correspondance concerning significant matters (including e-mails)

• Audit documentation is not a substitute for the entity's accounting records.

Q-5(A) → What significant matters should be documented? Give Eg.

i) Matters that give rise to significant risk.

Eg: Related Party transaction / future event / Going concern

ii) Result of AP indicating

a) that f/s could be materially misstated

Eg: Valuation of Inventory is different in auditor's working & entity's books of A/c.

b) need to revise previous assessment of ROMM & auditor's (AP) response to those risks.

Eg: Due to fraud or failure of control at execution stage

iii) that cause significant difficulty in applying AP

Eg: Mgt. not providing data

iv) Findings that could result in a modification in audit opinion

Q-5(B) → On what basis it is appropriate to prepare audit documentation relating to the use of professional judgement?

The basis for the auditor's conclusion:

i) when a auditor shall consider a certain information & that consideration is significant in a particular engagement.

Eg: Employee benefit liability basis

Going concern basis

ii) on the reasonableness of areas of subjective judgement

Eg: Accounting Estimates

iii) about the authenticity of a document during investigation of a condition that caused auditor to believe that the document may not be authentic.

Eg: Making appropriate use of an expert or confirmation Procedures

Q-6 → Define completion memorandum.

- It is a documentation summary that describes:

- Significant matters identified during audit

- how they were addressed

- It may facilitate effective & efficient review & inspection of audit documentation for large & complex audits.

Q-7 → Define permanent audit file.

It contains matters which don't change very often. This file is updated during each audit. Its contents are:

- Information of legal & organisational structure
- Legal documents, agreement, minutes
- Info of internal controls
- Copy of audited f/s of PY
- Analysis of ratios & trends

Q-8 → Define Current audit file.

It contains matters relating to audit of single period. Its contents are:

- Imp. matters in the minutes of board & general meeting.
- Evidences of planning process
- Analysis of transactions & balance
- Record of NTE of AP.
- Correspondance relating to acceptance of annual reappointment

Q-10 → Define audit note book.

It is generally a bound book which records matters observed during audit.

Some of its contents are:

- Queries not solved immediately
- Irregularities observed
- Imp. info. about entity not appearing in Accounts
- Imp. matters for future reference

Features:

- Permanent record of auditor
- All details of work carried out
- All workflow in detail
- Imp. defence for auditor
- Shows weakness in client's system
- An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.

Q-11 → What changes may be made to the audit documentation during the final assembly process?

Changes may be made during final assembly process if they are administrative in nature.

Eg: i) Cross referencing of work papers

ii) Signing off on completion of checklist relating to file assembly process.

iii) Documenting audit evidences that the auditor has obtained, discussed & agreed.

iv) Deleting or discarding superseded documentation

B-1 → Subsequent event (Exception of fact that ~~an~~ ~~event~~ ~~AP~~ can't be applied after the report is signed)