

Ch.6 - Audit Documentation (SA 230)

(1) Meaning: SA 230 "Audit Documentation" defines the term "Audit documentation" as to the Record of:

- (a) Audit Procedures performed; (Ex. Audit Programme)
- (b) " Evidence obtained; (Ex: Confirmation, Contracts, WR)
- (c) " Conclusion reached. (Ex: Audit Report)

Stds. Already Covered:

SQC-1 - Ch.11

SA-200 - Ch.1

SA-210 - Ch.11

SA-220 - Ch.11

(2) Objectives of the Auditor as per SA 230: (Nature of Audit documentation)

Auditor is required to prepare audit documentation that provides:

- (a) Sufficient and appropriate record of the basis of audit report.
- (b) Evidence that Overall Objectives of the auditor are achieved.
- (c) Evidence that audit was planned and performed in accordance with the SAs and applicable L&R requirements.

Imp:

(3) Purposes of audit documentation:

- (i) Assist engagement team to plan and perform an audit.
- (ii) Assist engagement partner to direct and supervise the audit and discharge review responsibilities.
- (iii) Enable engagement team to be accountable for their work.
- (iv) Retaining a record of matters of continuing significance for future audits.
- (v) Enable conduct of Quality control review and inspections by Engagement Quality Control Reviewer (EQCR).
- (vi) Enable conduct of External Inspections^{*} in accordance with legal, regulatory and other requirement.

* Peer Review, Quality Review by QRB, Investigation by NFA

(4) Form, Content and Extent of Audit documentation:

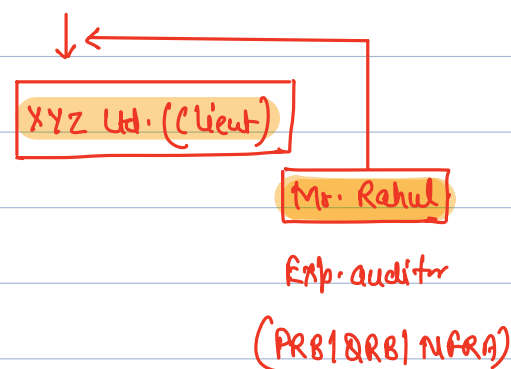
Auditor shall prepare audit documentation that is sufficient to enable an experienced auditor to understand the following:

- (a) NTE of audit procedures performed;
- (b) Results of " " " ;
- (c) Audit Evidences collected;
- (d) Significant Matters arising during the audit and conclusions reached thereon; and
- (e) " Professional judgements made in reaching the conclusion.

Examples of documentation of NTE of audit Procedures:

- (i) Characteristics of Matters / Items tested;
- (ii) Who performed audit work;
- (iii) Date when such work was completed;
- (iv) Who reviewed the audit work;
- (v) Date and extent of review.

AB and Co. (CA firm)



Examples of Significant matters: (forming part of audit documentation)

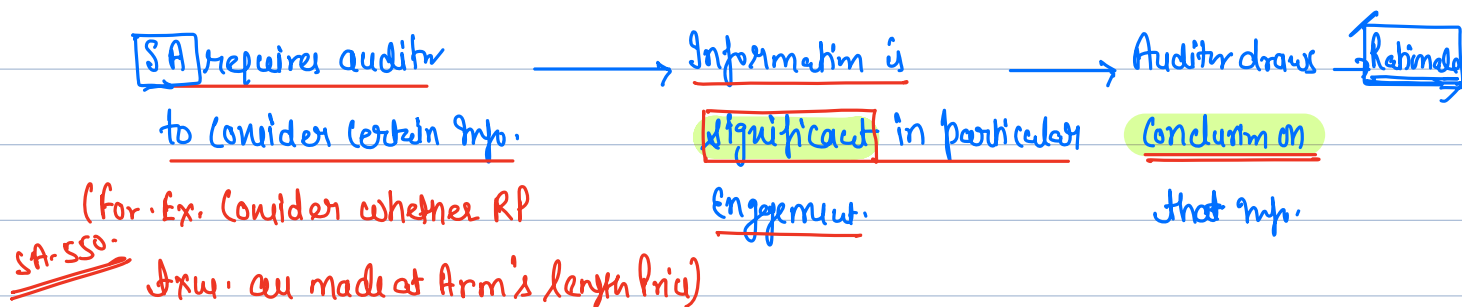
- (i) Matters that give rise to significant risk (e.g. RP transactions, Adverse media comment)
- (ii) Results of audit procedures indicating that:
 - (a) F.S. could be materially misstated; or
 - (b) a need arise to revise the assessment of Risk of Material Misstatement.
- (iii) Circumstances causing significant difficulty in applying audit procedures -
- (iv) Findings that requires modification in audit opinion or inclusion of Emphasis of Matter (EOM) Para in audit report.

* SA 705

** SA 706

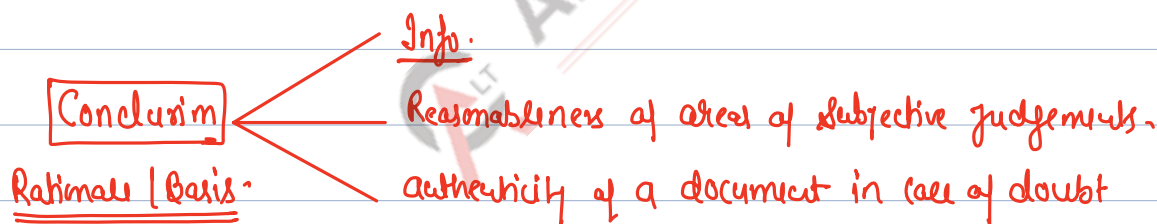
Imp: Examples of Circumstances Requiring documentation w.r.t. Professional Judgement:

(i) Rationale for auditor conclusion [when a requirement provides that auditor (justification) shall consider certain information and [that information is significant in particular engagement]



(ii) Basis for auditor conclusion on reasonableness of area of subjective judgements (for Ex. Accounting Estimates)

(iii) Basis for auditor conclusion about authenticity of a document in case of any doubt (for Ex. Doubt on reliability of response of confirmation requests)



v. Imp: Factors affecting Form, Content and Extent of Audit Documentation:

- (i) Size and Complexity of Client Business;
- (ii) Nature of audit procedures to be performed;
- (iii) Identified Risk of Material Misstatement;
- (iv) Significance of audit evidence obtained;
- (v) Nature and extent of exceptions identified;
- (vi) Need to document a conclusion;
- (vii) Audit Methodology and Audit Tools/Techniques used.

- (5) Examples of Audit Documentation:
- (A) Audit Programme
 - (B) Analysis
 - (C) Correspondances regarding significant Matters
 - (d) Checklists, Internal Control Questionnaire;
 - (e) Letters of Confirmation;
 - (f) Summaries of Significant Matters
 - (g) Issues Memoranda, etc.

Note: Copy of client's records may form part of audit documentation; but audit documentation is not a substitute of entity records.

Note: Records not included in audit documentation:

- (i) Superseded draft of working papers and f.s.
- (ii) Notes that reflect preliminary thinking.
- (iii) Duplicates of documents.
- (iv) Preview copies of documents corrected for Typographical or other errors.

(6) Preparation of audit documentation:

- Auditor shall prepare audit documentation on a timely basis.
- It helps the auditor
 - to enhance the quality of audit;
 - to facilitate effective review;
 - to evaluate audit evidences obtained and conclusion reached.
- Audit documentation to be prepared before the audit report is finalised.
- Documentation prepared after the audit work has been performed is likely to be less accurate than the documentation prepared at the time when such work is performed.

Imp:

① Assembly of Audit File:

Audit file: One or more folders or other storage media, in physical or electronic form, containing the records of audit documentation for a specific engagement.

Requirements:

(i) Auditor shall assemble the documentation in audit file and complete the administrative process of assembly of final audit file within 60 days from date of audit report.

(ii) This process does not involve performance of any new audit procedure or drawing of new conclusion.

However, following changes may be made in audit documentation:

(a) Deleted superseded documentation (for ex. superseded draft of working paper).

(b) Sorting, collating, cross-referencing working papers.

(c) Signing off on completion check list relating to assembly process.

(d) Documenting audit evidence that auditor has obtained, discussed and agreed with members of ET before date of audit report.

(iii) After the assembly, auditor shall not delete the audit documentation before the end of retention period*

* Not shorter than 7 years from the date of audit report.

⑧ Ownership: Unless otherwise specified by law or regulation, audit documentation is considered as property of auditor.

However, auditor may, at his discretion, provide extracts from audit documentation to clients provided such disclosure does not undermine the validity of work performed or independence of auditor.

- ⑨ Completion Memorandum : Audit documentation summary that describes:
- (a) Significant matters identified during audit; and
 - (b) How such matters are addressed.

Completion Memorandum facilitates effective and efficient reviews and inspection of audit documentation.

It also helps the auditor in identifying whether any individual objective of any SA is not met

or

auditor is unable to meet that objective, which prevents him to achieve the overall objective of the audit.



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