

Peer Review Board of ICAI

Training Programme for Peer Reviewers



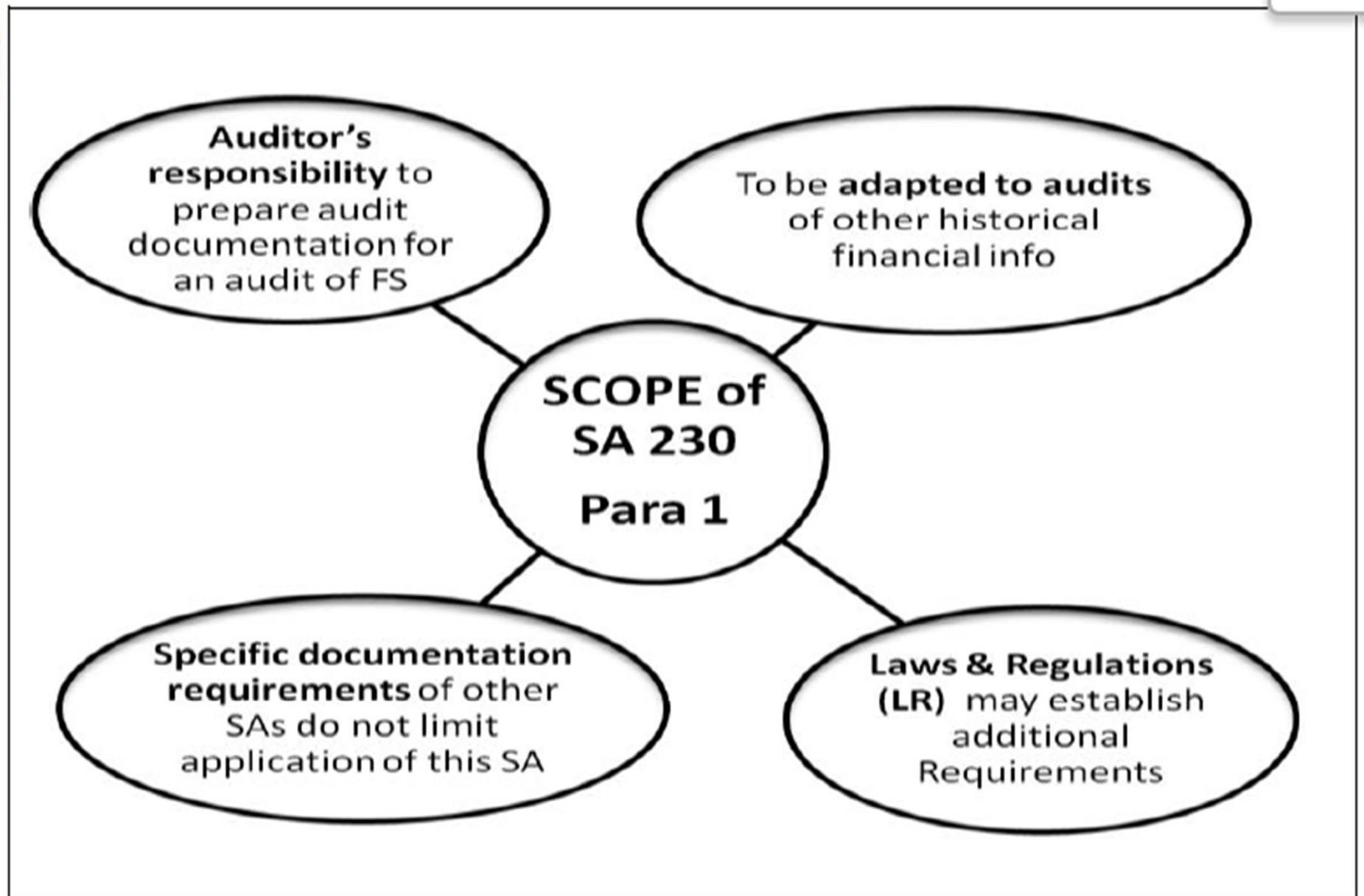
Compliance with Documentation Controls

Objectives of Peer Review



- To ensure that in carrying out the assurance service assignments, the members of the Institute **comply** with Technical, Professional and Ethical Standards including other regulatory requirements thereto, and
- To ensure that such a member has in place proper systems including **documentation** thereof, to amply demonstrate the quality of assurance services.

SA 230 – Audit Documentation



SA 230 – Audit Documentation

- **The reviewer should review**
- **the working papers** of the PU to establish **compliance** by the PU with ~~the technical, professional and ethical standards~~ and to evaluate the work done and the conclusions reached.
- whether the working papers are **maintained for the period** as specified in SQC 1 read with SA 230.
- And ensure that the firm has adequate policies and procedures to ensure compliance with SA 230 in respect of **assembly of file**.
- And verify whether the **permanent file** contains all the relevant information and whether the same is **updated regularly** to reflect the changes in the information contained in the file.
- And verify that the procedures used by the PU generate **sufficient appropriate evidence to support the conclusions arrived at** in relation to the assurance engagement being reviewed.

What is Audit Documentation

SA 230

“Audit Documentation” refers

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

Audit documentation is sometimes called *audit working papers or working papers*

Audit Documentation - Form

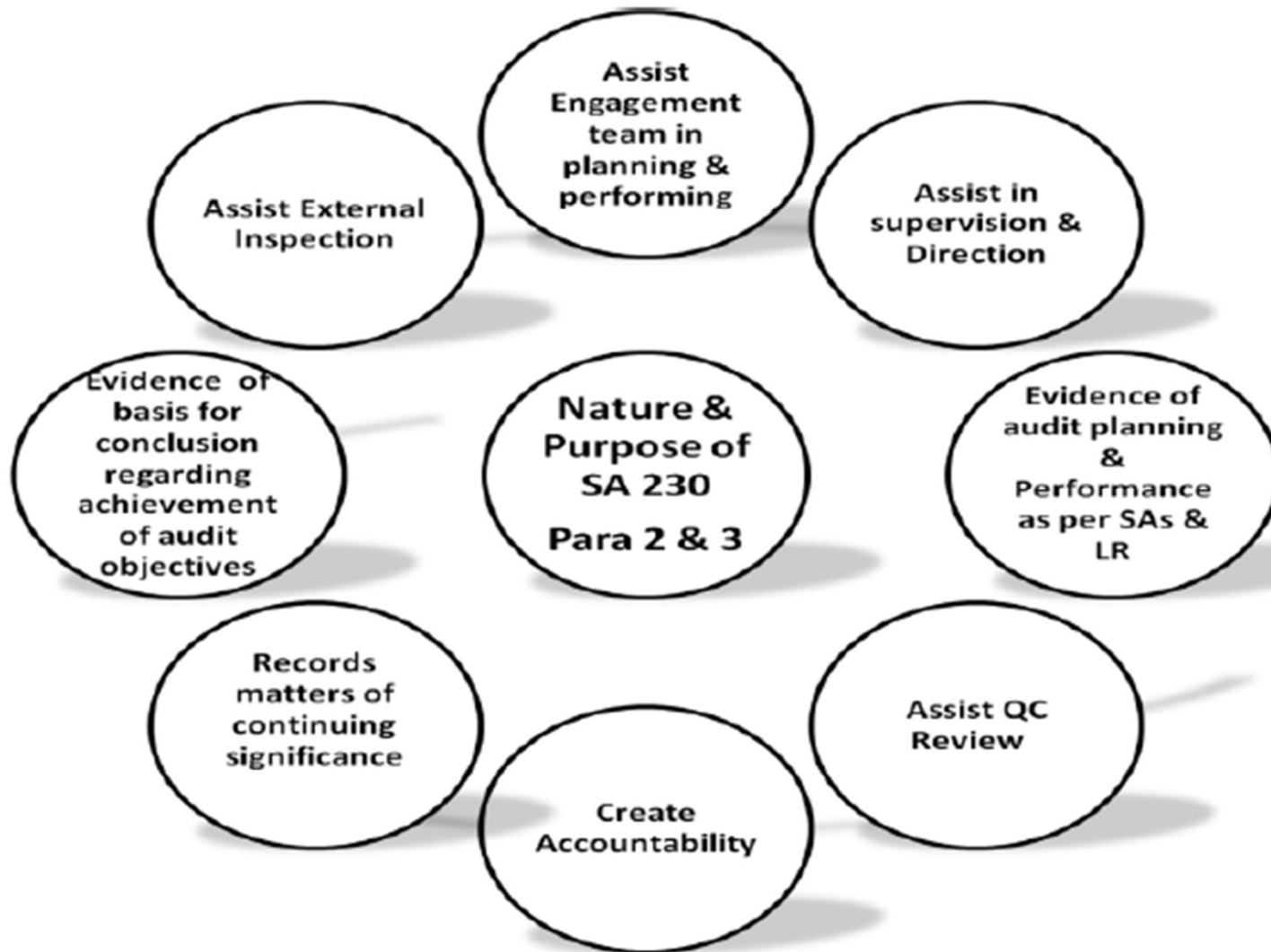
SA 230

The auditor shall prepare audit documentation that is sufficient to enable an **experienced auditor**, having no **previous connection** with the audit, to understand.

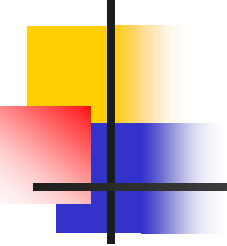
Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:

- (i) Audit processes;***
- (ii) SAs and applicable legal and regulatory requirements;***
- (iii) The business environment in which the entity operates; and***
- (iv) Auditing and financial reporting issues relevant to the entity's industry***

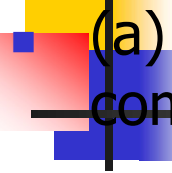
Audit Documentation



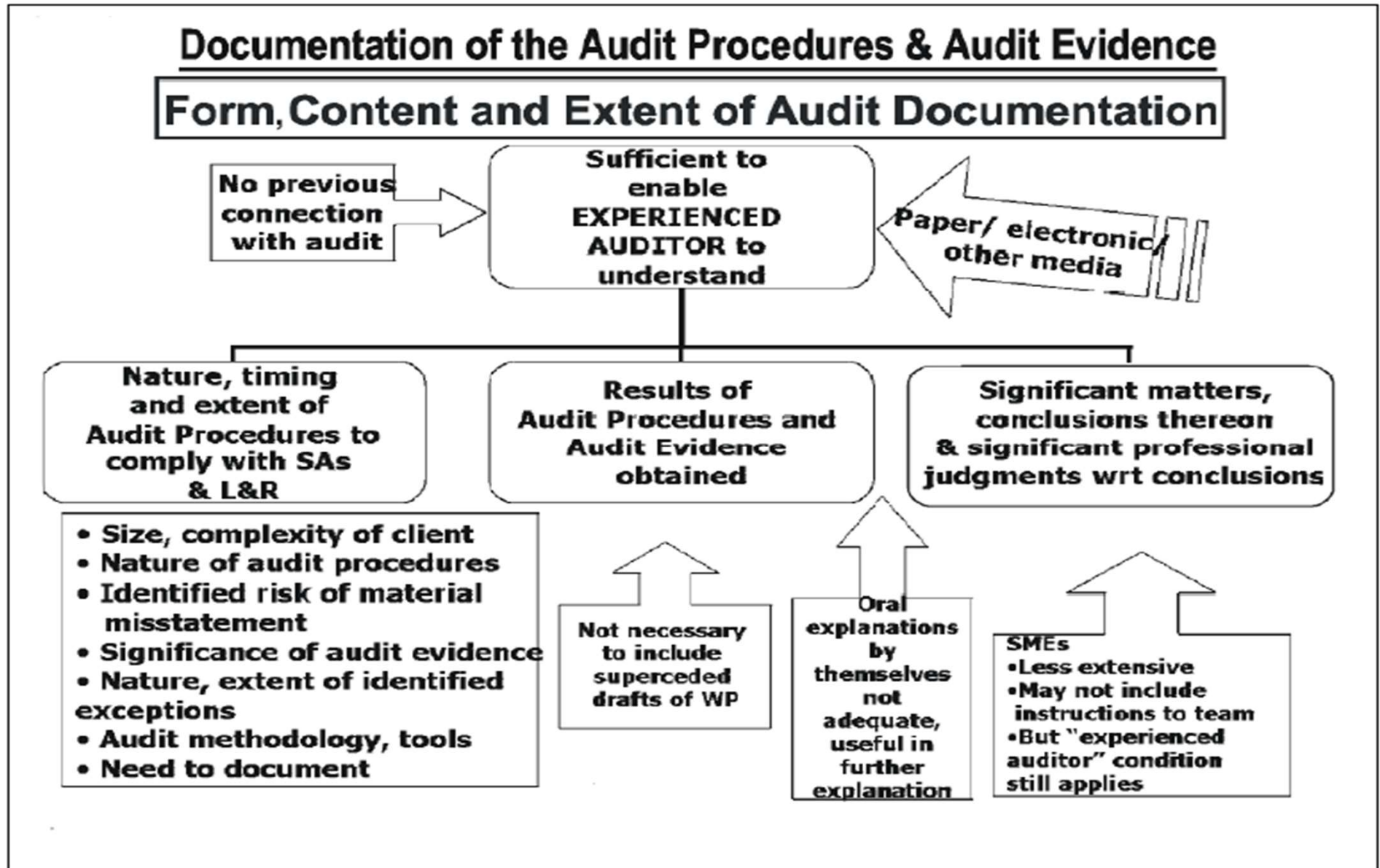
Importance of Audit Documentation

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- (a) Helps in planning an audit
 - (b) It assists supervision and review
 - (c) It results in better conceptual clarity, clarity of thought and expression
 - (d) It facilitates better understanding and helps avoid misconception
 - (e) It supports and evidences work performed and compliance with Standards

Key Elements in Audit Documentation

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- ~~(a) The nature, timing and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements.~~
 - (b) The evidence that auditor obtains, the procedures that they use for testing and the result of testing should be properly and clearly documented in the audit working papers.
 - (c) The auditor should clearly document significant matters related to financial statements, their ethics, as well as their process, during audit.
 - (d) Testing or sampling requires auditors' use of their professional judgement and it is important to document these judgments

Audit Documentation - Content



Permanent & Current Audit file



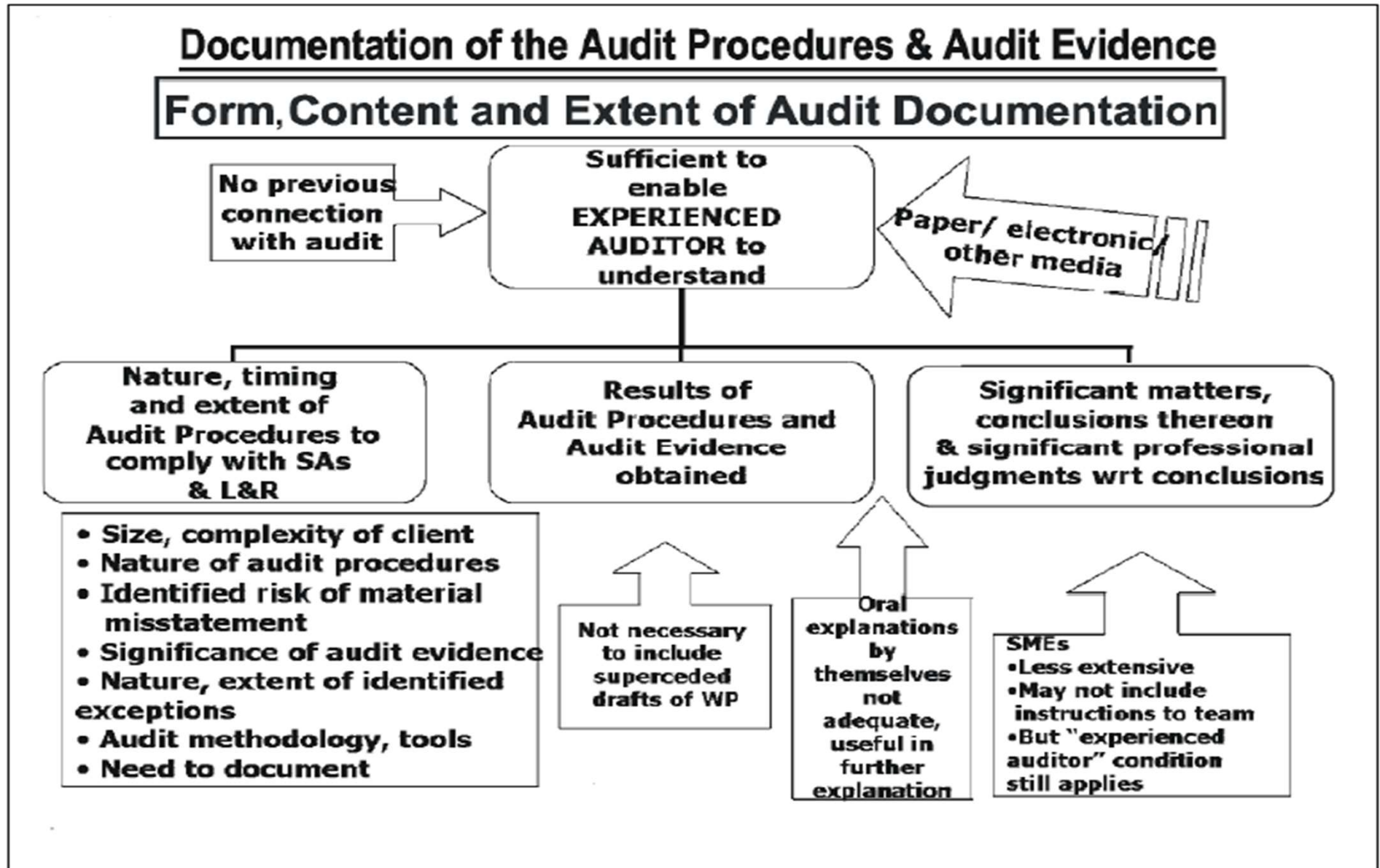
Permanent audit file

contains those documents, the **use of which is not restricted to one time period**, and extends to subsequent audits also e.g. Engagement letter, Communication with previous auditor, Memorandum of Association, Articles of Association, Organization structure, List of directors/partners/trustees/bankers/ lawyers, etc.

Current audit file

contains those documents relevant for that time period of audit.

Audit Documentation - Content



Audit Documentation - Examples

Understanding the entity.



- Time and cost details.
- Audit programme.
- Risk assessment.
- List of samples selected for testing and basis of selection thereof.
- Team discussion.


Audit Documentation - Examples



Working papers pertaining to significant areas.

- Analyses.
- Description of audit tools (IT software or other platform) used and computer files obtained from the entity, when an audit tool is used, for example to assist in testing of journal entries.
- Correspondence (including email) concerning significant matters.
- Abstract or copies of entity's records (for example significant and specific contracts and agreements).
- Communication with those charged with governance.
- Basis for conclusions, including issues memorandum.
- Reporting & completion.
- Quality/ engagement quality control review.

Audit Documentation - Examples



Checklists completed by the audit team for compliance with accounting standards and standards on auditing.

- Communication with previous auditors or other third parties.
- Letters of confirmation and representation.
- Documents relating to client acceptance/continuance.
- Assessment of reliance placed on other auditors or experts.
- Evidence of nature, timing and extent of procedures performed by internal specialist and professionals, evidence or results obtained from performing those procedures and conclusions reached.

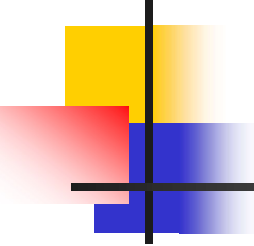
Assembly of Final File

- The auditor **shall assemble the audit documentation** in an audit file and complete the administrative process of assembling the final audit file on **a timely basis** after the date of the auditor's report.
- Maximum time prescribed is **not more than 60 days** from the date of Auditors report (Para 75 of SQC 1)
- After the assembly of the final audit file has been completed, the auditor **shall not delete or discard audit documentation** of any nature before the end of its retention period.

Assembly of Final File

- Where the auditor finds it necessary to ~~modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed,~~ the auditor shall, regardless of the nature of the modifications or additions, document:
 - (a) The specific reasons for making them; and
 - (b) When and by whom they were made and reviewed.

Audit Documentation - Retention



The retention period for audit engagements ordinarily is no shorter than **seven years** from the **date of the auditor's report**, or, if later, the **date of the group auditor's report**.

SA 230-Documentation – Key Take Away

9. In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:

- (a) The identifying characteristics of the specific items or matters tested;
- (b) Who performed the audit work and the date such work was completed; and
- (c) Who reviewed the audit work performed and the date and extent of such review.



THANK YOU

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