

# Technical & Professional Standards and Audit Documentation



**Organised by Peer Review Board of ICAI**  
**Hosted by EIRC**

**Vivek Agarwal**

FCA | FCS | Dip in IFRS ( ACCA UK ) | DISA

A tropical sunset scene with palm trees and a car. The background features a large, glowing orange sun setting behind a horizon line, with palm trees silhouetted against the sky. In the foreground, a silver car is parked on a paved surface, with its reflection visible. The overall atmosphere is warm and serene.

# Technical & Professional Standards and Audit Documentation

**CA Vivek Agarwal**

Change is the only Constant

**Introduction**

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**Technical and Professional Standards**

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**Audit Documentation**

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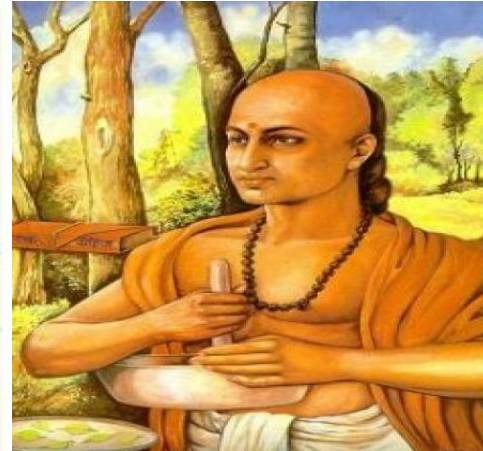
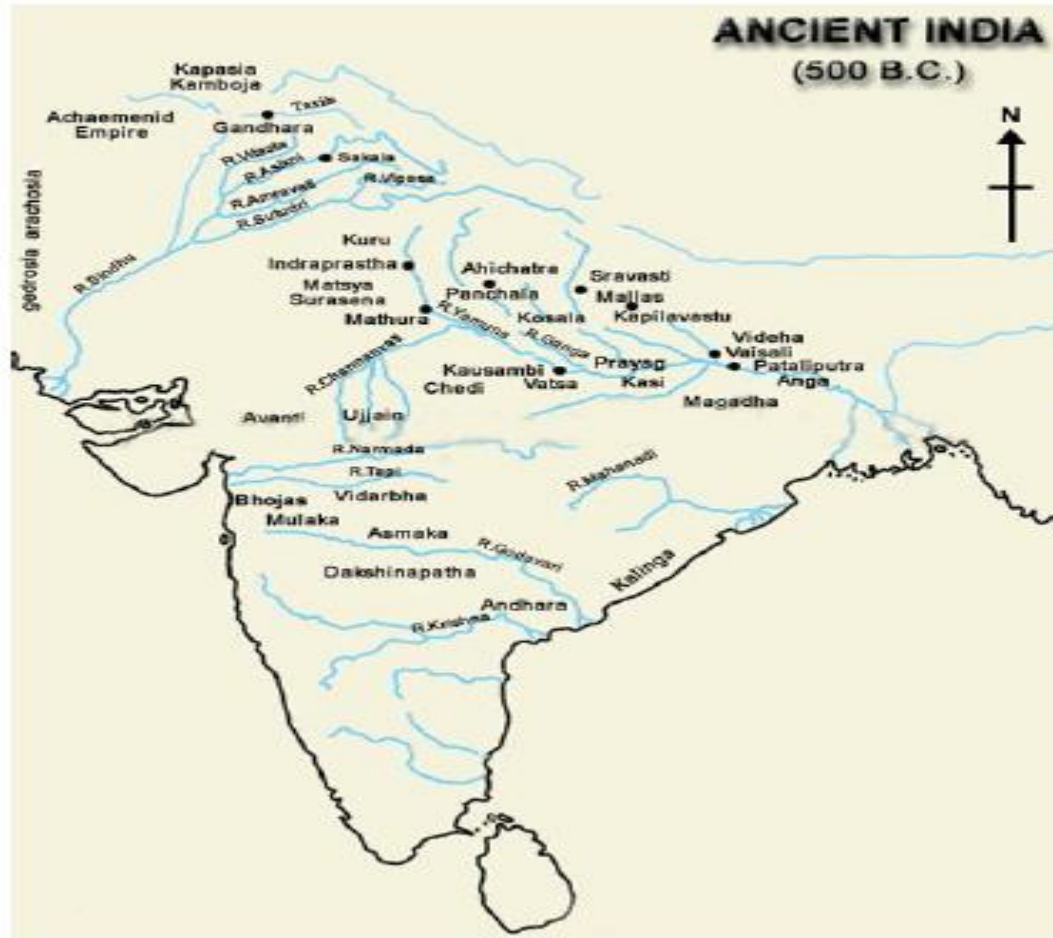


## Introduction



## Transition of Audit Profession

# Early History of Auditing : INDIA



Vishnugupta  
Kautilya - better  
known as  
Chanakya first  
introduced concept  
of auditing in his  
book - Arthashastra

Birbal - A great  
auditor for  
Emperor Akbar.  
Gave him facts  
and solutions  
on several  
complex matters  
with desired  
evidence.



Important

*“Audit not  
Documented is  
audit not done”*

Vivek Agarwal



*Audit not Documented is audit not done*

कृपया

आपका

ध्यान

आगत

जारी

है।

।



*How many Standards on Audits are there ?*

*45 including SRE*

# IL&FS crisis: CA Institute holds statutory auditors 'prima facie guilty'

K. R. Srivats | New Delhi | Updated on December 07, 2019 | Published on December 07, 2019

# Satyam accounts: CA institute debars two audit managers

K. R. Srivats | New Delhi | Updated on December 26, 2011 | Published on December 06, 2011

## Fraudulent acts: have to pay for t

KR Srivats | New Delhi | Updated on May 09,



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# Aiding 'organized crime': India alleges 22 audit violations by Deloitte, KPMG arm in fraud case

June 13, 2019 admin Business News Comments Off

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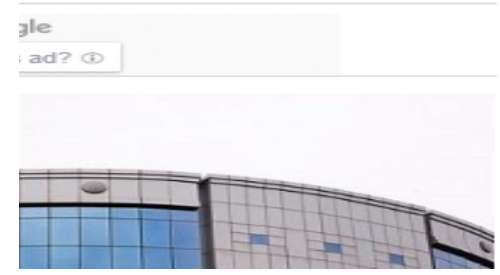
India detected at least 22 violations of auditing standards by Deloitte Haskins & Sells and a KPMG affiliate while investigating a fraud at a financial company, leading it to seek a five-year ban on the auditors, according to government legal filings seen by Reuters.

## iditors: Deloitte, in Audit Inc's

## dit violations arm in

to fulfill the duty entrusted to them'

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CFO News / Latest CFO News

**Audit is a serious business, stay away from it if you can't meet expectation gap: ICAI Pres Debashis Mitra**

A row of grey office chairs is shown in a conference room. The chairs are arranged in a line, receding into the distance. The background features light-colored wood paneling on the wall. The floor is a light-colored carpet. A semi-transparent grey banner is overlaid across the middle of the image, containing the text "Technical & Professional Standards" in a bold, black, sans-serif font.

## **Technical & Professional Standards**

Auditor shall comply with the auditing standards – Section 143(9) of Companies Act, 2013;

Second Schedule of the Chartered Accountants Act, 1949 states that a member in practice guilty of professional misconduct, if he:

- discloses information acquired in the course of his professional engagement ~ SA 200;
- certifies or submits a report of an examination of financial statements without examination of such statements and the related records ~ SA 500 series;
- fails to disclose a material fact ~ SA 320;
- fails to report a material misstatement ~ SA 450;
- is grossly negligent in the conduct of his professional duties ~ SA 200 series;
- fails to obtain sufficient information necessary for expression of an opinion ~ SA 500 series;
- fails to invite attention to any material departure from the generally accepted
- procedure of audit ~ SA 700 series

# Engagement and Quality Control Standards

Total 5 components:

- Standards on Auditing [SA]
- Standards on Related Services [SRS]
- Standards on Review Engagements [SRE]
- Standards on Assurance Engagements [SAE]
- Standard on Quality Control [SQC 1]

## **Question:**

RST (P) Limited. It is having 25 employees and payment of Gratuity Act is applicable. No actuarial valuation was made for such employment benefit. The company and its auditor are of the view that since number of employees are less than 50, AS 15 on employee benefits need not be complied (as there is exemption)

## Question:

RST (P) Limited. It is having 25 employees and payment of Gratuity Act is applicable. No actuarial valuation was made for such employment benefit. The company and its auditor are of the view that since number of employees are less than 50, AS 15 on employee benefits need not be complied (as there is exemption)

Ans.:

- No such exemption is there under AS 15
- Actuarial valuation is required
- Peer Reviewer will check the audit file [SA 230] of the auditor for:
  - MRL [SA 580]
  - Qualification basis [SA 705]



# Authority Attached to Standards on Auditing and General Clarifications

- ❑ Standards issued by the Auditing and Assurance Standards Board (AASB) under the Authority of the Council of ICAI;
- ❑ Statements on Auditing are issued with a view to securing compliance by professional accountants on matters which, in the opinion of the Council, are critical for the proper discharge of their functions. **Statements are, therefore, mandatory;**
- ❑ It is the **duty of the professional accountants** to ensure that the Standards/Statements/General Clarifications are followed in the engagements undertaken by them – Para 11 of “**Preface to Standards on Quality Control, Auditing, Review, Other Assurance and Related Services effective from April 1, 2008**”

## **Auditor shall make a report to the members of the company**

- after taking into account the provisions of this Act, the accounting and auditing standards, as to the true and fair view ~ Section 143(2)
- sought & obtained all the information & explanations to the best of his knowledge & belief were necessary for purpose of audit ~ Section 143(3)(a)
- proper books of account have been kept by the company ~ Section 143(3)(b)
- report on the accounts of B.O. dealt in his report ~ Section 143(3)(c)
- B.S. and P & L are in agreement with the Books of A/c ~ Section 143(3)(d)
- F.S. comply with applicable AS ~ Section 143(3)(e)
- Observations or comments w.r.t. adverse matters ~ Section 143(3)(f)
- Directors disqualified u/s 164(2) ~ Section 143(3)(g)
- Qualification, reservation or adverse remark w.r.t. maintenance of accounts  
Section 143(3)(h)
- ICoFR ~ Section 143(3)(i)
- Rule 11 matters ~ Section 143(3)(j)

# Tax Audit

In my/our opinion and to the best of my/our information and according to examination of books of account including other relevant documents and explanations given to me/us, the particulars given in the said Form No. 3CD are true and correct subject to the following observations/qualifications, if any.....[Para 3 of Form 3CA]

# Words and Expressions requiring reference to Standards on Auditing

Words and Expressions	Relevant SAs
Obtained Information	SA 500 – Audit Evidence
Obtained Explanations	SA 580 – Written Representations
Necessary for the purpose of .....	SA 315 and SA 330 – Risk Assessment and Responses thereto
Branches .....	SA 600 – Using the work of another auditor
Examined the .....	SA 450 – Evaluation of Misstatements
Observations/ Qualifications.....	SA 700, SA 705, SA 706 – dealing with form and content of audit reports

# Commonly used SAs for various audit procedures

Audit Procedures	Relevant SAs
Stock/ Investments/ Pending Litigations	SA 501 – Audit Evidence : Additional Considerations
Compliance of applicable laws – e.g. Section 43B, 40(a) of I. Tax Act, CARO, GST, etc.	SA 250 – Consideration of Laws and Regulations in Audit of F.S.
Opening Balances and Comparatives	SA 510 and SA 710
External Confirmations	SA 505
Going Concern	SA 570
Subsequent Events	SA 560
Related Parties	SA 550
Letter of Engagement	SA 210
Documentation of all of the above	SA 230

- ❑ RST (P) Limited
- ❑ You are appointed as Statutory Auditor at the AGM
- ❑ You have filed ADT 1 for the same
- ❑ You are also carrying out the tax audit of RST (P)Limited (However, the same was not discussed at BM or AGM)
- ❑ Question: Is there any requirement to have Board Resolution for appointment as Tax Auditor of the same Statutory Auditor

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- ❑ Question: Is there any requirement to have Board Resolution for appointment as Tax Auditor of the same Statutory Auditor
- ❑ Ans.: Yes ~ Section 144 of Companies Act

An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case maybe, but which shall not include any of the following services.....





**Inconsistency  
in Notes  
and Board's R  
eport**

# What Companies Act, 2013 says

- **Board's report to state** the following:
  - a) the amounts, if any, which it proposes to carry to any reserves [Section 134(3)(j)];
  - b) the amount, if any, which it recommends should be paid by way of dividend [Section 134(3)(k)]
- **Schedule III requires disclosures in Notes** for the following:
  - a) balance in Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and **transfer to/from reserves**, etc.
  - b) The **amount of dividends proposed** to be distributed to equity and preference shareholders for the period

**Other Information [or another title if appropriate, such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]**

The Company’s Board of Directors is responsible for the other information. The other information comprises the [information included in the X report<sup>45</sup>, but does not include the financial statements and our auditor’s report thereon]. **The X report is expected to be made available to us after the date of this auditor’s report.**

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

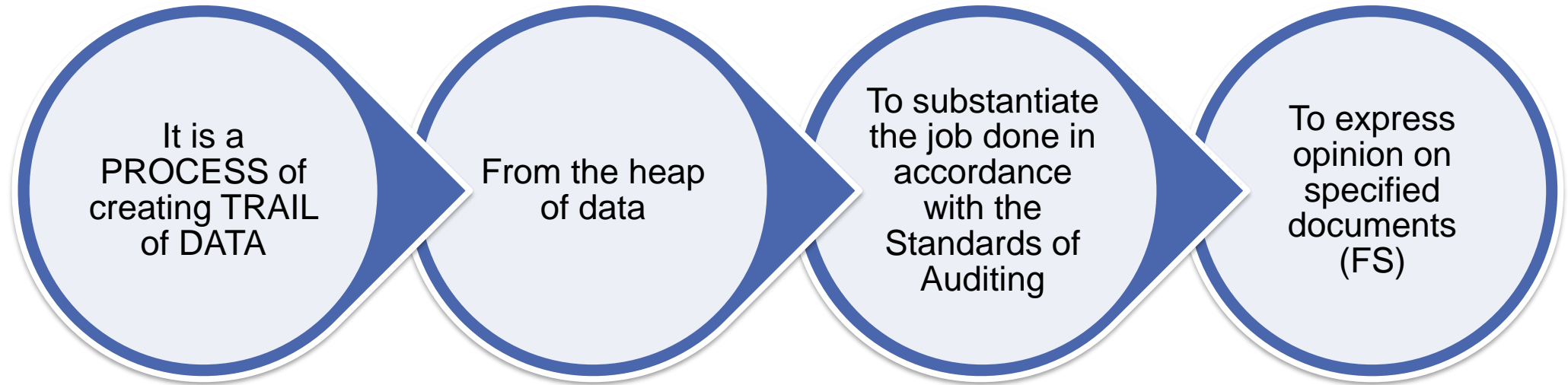
[When we read the X report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and *(describe actions applicable in the applicable laws and regulations)*.]<sup>46</sup>



# **Audit Documentation**

“The more you learn, you  
learn that you still have lot to  
learn”

# AUDIT

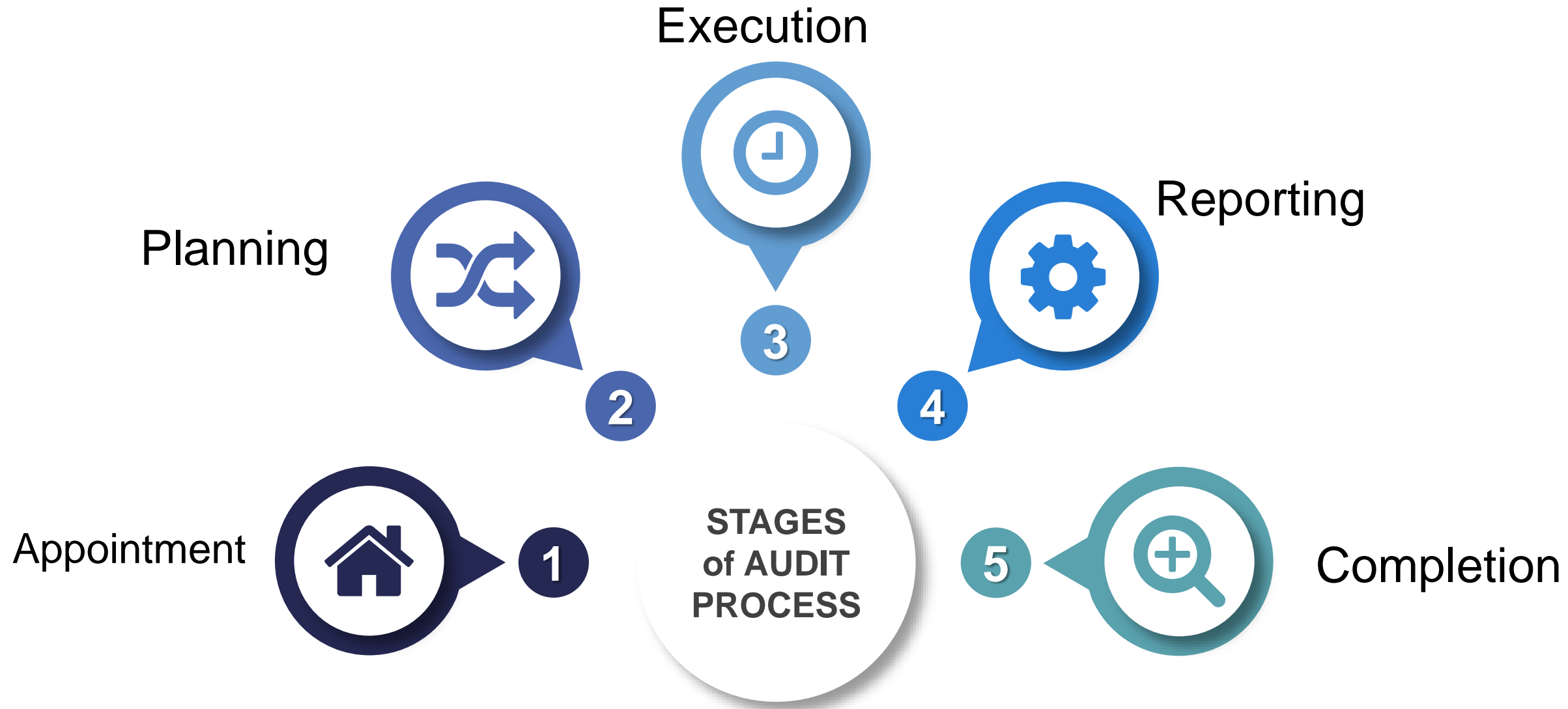


Create documents from documents for documents

# PURPOSE OF DOCUMENTATION

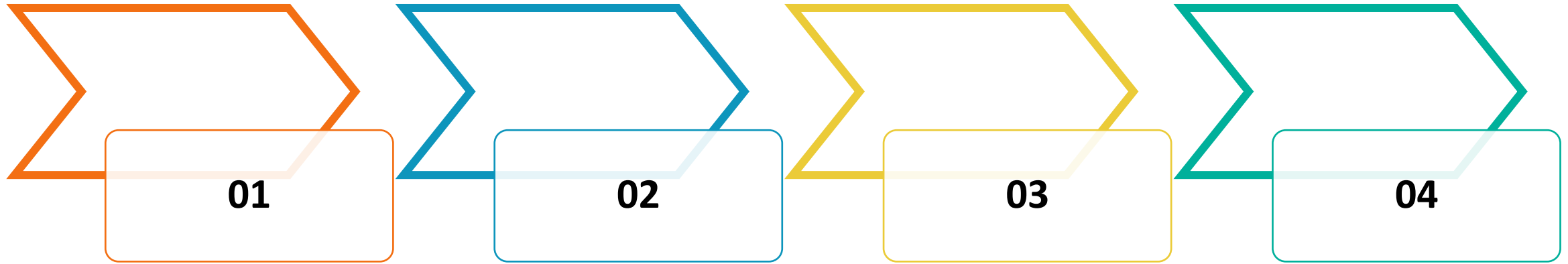
- Evidence of:
  - the auditor's basis of conclusion
  - Audit planned and performed in accordance with SAs and applicable legal & regulatory requirements
  - Enabling the conduct of quality control reviews/ external inspection

# Stages of Audit Process





# Appointment



## Consent letter

Generally When a new client is appointing a firm, they ask for consent letter for board meeting, before appointment

## Appointment letter

The Appointment Letter is issued by the company once appointment is done by Shareholders in AGM

## Acceptance and continuation of client

Once The appointment letter is issued, the auditor accepts the appointment once he has understood the client.

## Engagement Letter

The engagement letter is issued by the auditor, after he accepts the appointment, informing in detail, Scope, limitation, and the reporting to be done.

**Don't forget to take NOC of previous auditor in case of new assignment.**

# Planning

## ❑ Gather Information:

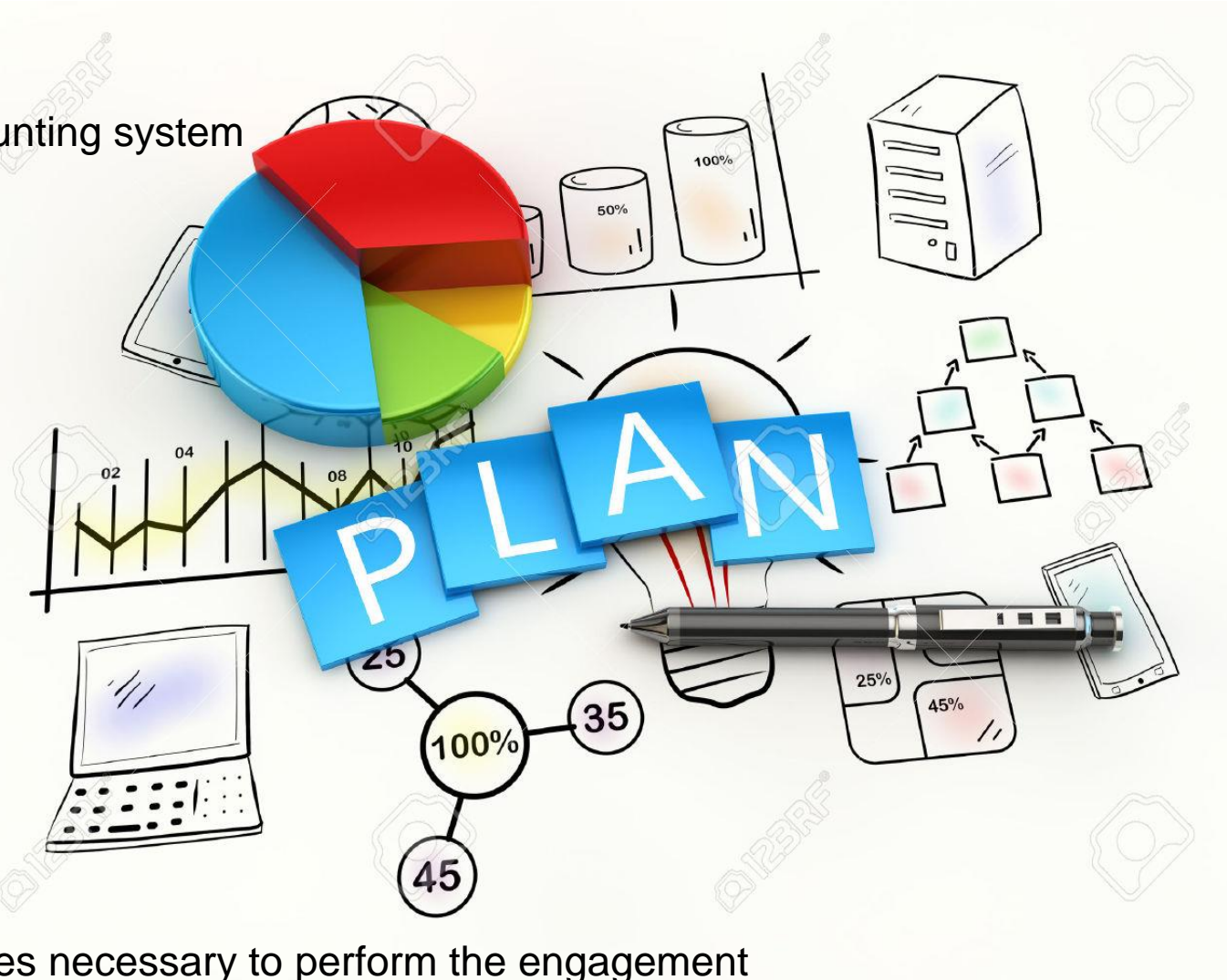
- Gain understanding about the business and accounting system
- Identify Audit units

## ❑ Develop audit strategy:

- Assess inherent risk
- Assess control Environment
- Develop Risk Profile
- Determine Planning materiality
- Perform Analytical Review
- Cost and Time summary

## ❑ Audit Plan and sample size

- Develop area wise audit plan at assertions levels
- Ascertain the nature, timing and extent of resources necessary to perform the engagement



# Execution

- Sample selection
- Perform the audit procedures as planned
- Evaluate the evidences
- Review and Monitoring
- Conclusion Reached/Observations
- Checklists
- Working papers/ Templates



# Small and Medium Enterprises

## OPERATIONAL ENVIRONMENT

- Owner – Manager
- Simple business process and accounting system
- Simple and informal communication

## RESULTS

- Reduces the risk of unauthorized transactions
- Risk of override of internal control by them
- Lack of documentations and automated controls

# Small and Medium Enterprises

## HUMAN RESOURCE

- Fewer and unskilled Employees
- Technical knowledge GAP

## RESULTS

- Probability of error increases
- Risk of non compliance in implementation of of technical standards
- Lack of internal checks and control activities

# Small and Medium Enterprises

## **CONTROL ENVIRONMENT**

- Lack of segregation of duties
- Absence of internal checks

## **RESULTS**

- Audit risk High
- Lack of control activities

## Who's mistake?

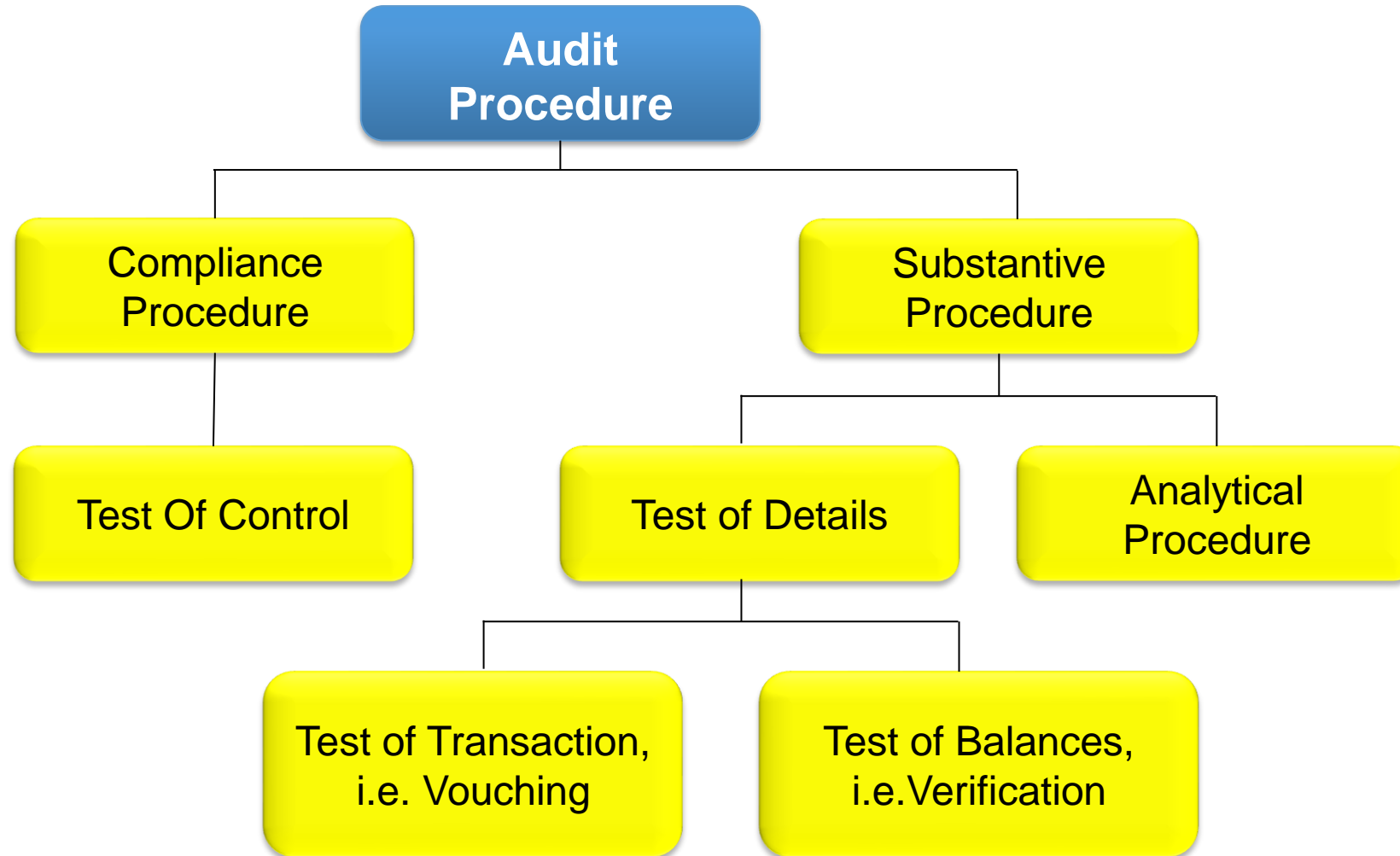
Partner in charge of the office one day asked Mr. Ajay Devgan to audit a service oriented Company of Mr Salman Khan. He handed over him the last year accounts and asked to go alone.

He was few months old in the firm. He worked as a member of audit team of a public sector company. His experience was limited to audit of fixed assets and Investment only.

Very first day, CFO of client called the partner and asked to send some experienced person to carry out the audit job. The reason was that he asked the client to present the share certificates copy as evidence for share capital appearing the balance sheet.

- Q) Is it Mr. Ajay mistake?
- Q) Why does this happened?
- Q) Can this be avoided?
- Q) If yes, how?

# Audit Procedures





# Audit Procedures

to obtain sufficient appropriate audit evidence

Sufficiency

the measure of the quantity of audit evidence, depend upon

- Risk of material misstatement*
- Quality of the audit evidence obtained*

# Audit Procedures

## to obtain sufficient appropriate audit evidence

Appropriateness is the measure of the quality of audit evidence, i.e., its relevance and reliability

The **relevance** of audit evidence refers to its **relationship** to the assertion or to the objective of the control being tested

The reliability of evidence depends on the **nature and source** of the evidence and the circumstances under which it is obtained

## Following details should there in a worksheet:

- Name of client, date, period of audit, numbering
- Planned Risk profile assertion wise
- Audit procedure
- Sample Size and Selection method
- Brief description of work done
- Source of information
- Result of work
- Conclusion arrived at and observations
- Who has done and who has reviewed with date
- Related supporting documents and working paper should be attached



# Reporting

- Draft and Final Financial Statements
- Director Reports
- Forming Opinion
- Management Representation Letter
- Management Letter
- Summary of Memorandum
- Filing-Final Papers
- Checklists
- Cross references



# COMPLETION

- Final Financial Statements
- Management Letter
- Summary of Memorandum
- Filing-Final Papers
- Checklists
- Cross references
- Points of significant matters  
to be carried forwards



# SAMPLING

- Sample Unit and population
- Sample size depends on mainly auditors professional judgments regarding risk profile, materiality, tolerable error, stratification of population, procedures planned etc
- Selection of sample items for Testing
  - Random Selection
  - Systematic selection
  - Monetary Unit selection
  - Haphazard Selection and
  - Block selection

*“Audit file should be capable of speaking for itself without the need for any other aids to interpretation”*

Extract from NFRA Report

- Working papers are reflection of firm's process
- Not to test the memory
- Guide for new team members
- Considered as backbone of audit
- Minimum retention period 7 years



## Audit Scenario

- World over auditors are hauled up before courts and faced with huge punitive damages where they could not conclusively “prove” that they had applied auditing standards and professional judgement with due professional care.
- Same situation is progressively emerging in India.
- (Peer Review > Quality Review > Disciplinary Committee > Court)
- When things go wrong, the question is: why the auditor did not warn those affected?
- The quality of an auditor's work is challenged and the methodology of each audit procedure that he carried out or failed to carry out comes under independent regulatory scrutiny or, worse, under the opposition lawyer's scrutiny

## Audit Scenario

- The onus is on the auditor to “prove” that he was not professionally
- If his work papers do not evidence his having performed a procedure, the assumption is that the audit procedure was not performed
- Scope and resource limitations faced by the auditor are no defence if
- Documentation is the only way an auditor can prove to outsiders that he planned and performed an effective audit, however good he might himself consider the audit to have been done

- Quality Assurance of the Audit:
- Financial Report Review – Technical Review
- Peer Review – Documentation of the Auditor

- Auditor's responsibility to prepare audit documentation for an audit of financial statements. The specific documentation requirements of other SAs do not limit the application of this SA. Laws or regulations may establish additional documentation requirements

Prepare documentation that provides:

- A sufficient and appropriate record of the basis for the auditor's report.
- Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

## What is the objective of SQC-1?

- Establish **standards** for Firms ; and
- To provide the firm with reasonable assurance that its personnel comply with applicable **professional standards** as well as the **regulatory and legal requirements** in addition to the firm's policies in respect of quality and ethics.

## Why SQC-1?

All firms to have system of quality control that provides reasonable assurance that :

- ❑ Firm & personnel comply with professional standards, regulatory & legal requirements, and
- ❑ Reports issued by firm or partners are appropriate in the circumstances.

## APPLICABILITY

This standard will be applicable to all the professional firms that performs :

- ✓ *Audit* of Historical Financial Information.
- ✓ *Review* of Historical Financial Information.
- ✓ *Assurance* and other Related Services Engagements.

## DEFINITION

➤ ***Engagement documentation*** : the record of work performed, results obtained, and conclusions the practitioner reached (also referred to as “working papers” or “workpapers”).

➤ ***Engagement quality control review*** : a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.



## DEFINITION

- **Engagement team** : all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.
- **Reasonable assurance** : a high, but not absolute , level of assurance.
- **Monitoring** : a process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively.

## Elements of System of quality control

The Firm's system of quality control (QC) should include policies & procedures (P&P) addressing each of the following issues:

1. Leadership responsibilities for QC
2. Ethical requirements
3. Acceptance and continuance of client relationships and specific engagements
4. Human resources
5. Engagement performance
6. Monitoring

## Elements of System of quality control

The firm should Document and Communicate the Quality Control Policies & Procedures (QC P&P) to the firms' personnel.

Firm should also

- Review QC P&P periodically
- Monitor it & get the feedback on QC P&P from it's personnel;
- update it's QC P&P, if required.
- Make sure its operations.
- Put in the place crises management system (i.e course of action ,in case of non-compliance)



# Documentation

The firm should establish the P&P requiring appropriate documentation to provide evidence of the operation of each element of its system of Quality Control, i.e.

- Leadership responsibilities for quality within the firm;
- Ethical Requirements
- Acceptance and continuance of client relationships
- Human Resources.
- Engagement Performance.
- Monitoring.

# Process of Peer Review

- Selection of Practice Unit (PU). A PU can also suo -moto apply.
- Intimation to PU
- Choice of Peer Reviewer
- Intimation and selection of peer reviewer
- Questionnaire and list of clientele
- Selection of sample
- Site visit
- Accuracy of Questionnaire

## Process of Peer Review (Contd.)

- Review of General Controls
- Final selection of sample
- Review of records
- Preliminary report to PU
- PU's response thereof to the Reviewer
- Interim/Final Report
- Issue of Certificate

## Obligations of the PU

- Selection of Independent peer reviewer(PR)
- Maintain a list of all attestation services
- Provide a list to PR for sample selection
- Fill the Questionnaire with factual details
- Provide Documents/files for selected samples and provide information and explanations
- Allow abstracts of records maintained by PU
- Reply to the Preliminary Report of PR
- Issue Compliance Letter
- Adhere Time Frame [\_\_\_\_\_days ]
- Pay the cost of Peer Review to the PR as prescribed by the Institute



## Documents before Review –

Profile of the PU

Registration papers – Partnership Deed, Firm Registration with Registrar of Firms and with ICAI and all documents regarding changes therein

Details of Employees – Qualified, Semi-skilled and unskilled, including articulated assistants

Details of branches, if any.

List of Attestation Clients

## Documents before Review –

Policies

Independence Policy and procedures for partners as well as employees

Continuing Professional Education

Programme Policy for Partners, Employees and Articles Trainees.

Employment Policy

Training Policy

## Documents before Review –

Procedures

Procedure for audit delegation

Procedure for scheduling and staffing of audits

Procedures for review of audit process

Procedures for supervision of audit process

Procedure for Engagement letters

Procedure for documentation

## Documents before Review –

- Other Documents
- Audit Plans
- Use of Audit programmes
- Procedure for review
- Maintenance and retrievability of Audit records
- Compilation of Clients' business
- Procedure for compliance and substantive tests
- Staff files and records

## Documents before Review –

- Checklists for Accounting Standards
- Checklists for Auditing Standards
- Procedure for arriving at an opinion
- Review of opinion
- Drafting of Report
- Fully filled up questionnaire
- Records of sample clients selected by PR

# Broad checklist for Quality Review

- Whether the auditor has appropriately dealt with in his report the deviations from accounting standards.
- Whether the audit report is qualified
- The qualifications are clear and unambiguous.
- The qualifications are quantified. If not, whether adequate justification is provided therefor.
- The overall effect of the qualifications on the true and fair view presented by the financial statements, have been considered
- The auditor has complied with the applicable standards of Auditing.
- Does the auditor/audit firm have a policy to ensure independence, objectivity and integrity, on the part of the partners/staff and the person responsible for this policy. Are the policies and procedures complied with?
- Does the auditor/audit firm have an established recruitment policy? Are programmes for developing expertise in specialised areas/industries conducted.
- Does the auditor/audit firm have established procedures for record retention and security aspects thereof.
- Does the auditor/audit firm evaluate the accounting and internal control system of the auditee
- Whether the procedures followed ensure that audit report is in accordance with the relevant authoritative requirements or technical standards including accounting standards

## Documentaton - Form & Content

- *The factors that determine the form and content of documentations for a particular engagement are:*
  - ✓ *The nature of the engagement*
  - ✓ *The nature of the business activity of the client*
  - ✓ *The status of the client*
  - ✓ *Reporting format*

## **Documentation - Form & Content (Contd.)**

- *The factors that determine the form and content of documentations for a particular engagement are:*
  - ✓ *Relevant legislations applicable to the client*
  - ✓ *Records maintained by the client*
  - ✓ *Internal controls in operation*
  - ✓ *Quality of audit assistants engaged in the particular assignment and the need to direct and supervise their work*



## The Principle

- The auditor should prepare audit documentation such that it
- Is sufficient and appropriate
- Provides a record of the basis for the auditor's report, and
- Demonstrates that the audit was performed in accordance with SA's and applicable legal and regulatory requirements

## Nature

- Documentation may be on electronic media and Includes
  - Audit programs
  - Analyses
  - Issues memoranda
  - Letters of confirmation and representations
  - Checklists
  - Extracts of important documents
  - Correspondence (including e-mails) concerning significant matters
  - Schedules of work the auditor performed

# Purpose

- To assist audit team to plan and perform the audit
- To enable supervision and quality control of work
- To demonstrate accountability of the audit team for its work
- To retain a record of matters of continuing significance to future audits
- To withstand the test of an independent experienced auditor review (including peer review) to comply with S Q C 1.
- To enable an experienced auditor to conduct external reviews in accordance with applicable legal, regulatory or other requirements

# Significant matters

- Matters that give rise to significant risks
- Results of audit procedures indicating
  - Possibility of material misstatement
  - Need to revise the auditor's risk assessment and responses thereto
- Circumstances that cause the auditor significant in applying necessary audit procedures that could result in a modification to the report

## Accountability

- The auditor should record
  - Who performed the audit work and the date of such work
  - Who reviewed specific audit documentation and the date of such review

## *Working Papers*

*The working papers are classified as follows :*

- ✓ Permanent Audit Files*
- ✓ Current Audit Files*

# Documentation

The firm should establish the P&P requiring appropriate documentation to provide evidence of the operation of each element of its system of Quality Control, i.e.

- Leadership responsibilities for quality within the firm;
- Ethical Requirements
- Acceptance and continuance of client relationships
- Human Resources.
- Engagement Performance.
- Monitoring.

## Relevant Definitions

**Audit documentation** – The record of audit procedures performed, relevant audit evidence obtained and conclusions the auditor reached.

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

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

- ❑ Audit processes;
- ❑ SAs and applicable legal and regulatory requirements;
- ❑ The business environment in which the entity operates; and
- ❑ Auditing and financial reporting issues relevant to the entity's industry.



## Work papers to Enable independent review

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

- ❑ Size, nature & complexity and extent of the audit procedures performed
- ❑ Outcome of audit procedures and evidence obtained
- ❑ Key audit matters raised, conclusions reached & professional judgments made to reach to that conclusion
- ❑ Policies & procedures for assembly and archival of work papers within stipulated time

## **Audit Files – Make use of Audit Tool software**

### **Permanent Audit Files**

- Section flaps (for arrangement of papers)
- Client information
- Process related to key areas (including IFC)
- Financial ratios and financial statement including audit reports of last three years
- Secretarial records and agreements

### **Current Audit Files**

- Section flaps
- Area wise checklist including compliance with Ind AS, AS, CARO, Companies Act, 2013 etc.
- Sampling size and materiality
- Management letter (key points)
- Letter of representation from management
- Review sheets of seniors including remarks for matters resolved

## Other key points

- As per SQC 1, audit documentation is the property of the auditor.
- Group auditor can ask to component auditor for their audit documentation of component entity.
- Tax audit engagement also need to follow the principles of SA 230.

## Illustrative observations of QRB and NFRA

Inadequate work paper for experience auditor to understand the audit procedures followed

Work papers not linked to any account balance

Control sheet and Checklist were missing in file

No bifurcation of records provided by client and generated / prepared by auditor

Inventory physical verification papers and outcome not filed

Certain sections of Balance Sheet were blank like investments

## Key takeaways for raising the quality bar

Training personnel on the *Audit Documentation* standard

Policy of doing audit & documentation **simultaneously**

**Follow ups** of documentation matter during internal reviews

Using a **standard format** to ensure proper documentation

Using **checklist** for each area covered in audit engagement

**Repository** of scan and digitally signed financial sets

## **Consequences of Non-compliance of Standards.**

- ❑ Failure to exercise due diligence or gross negligence in the conduct of his practice shall be considered guilty of misconduct mentioned in clause 7 part I of the Second Schedule to the Chartered Accountant Act,1949
- ❑ The requirement section of the SA plays a significant role in determining what constitutes due diligence. The auditor is entirely responsible for the SAs requirements. A strict liability approach has been implemented.
- ❑ Failure to act in accordance with the SA, and particularly the unconditionally necessary obligation part thereafter, would constitute both failure to exercise due diligence and, depending upon the circumstances of gross negligence. Compliance with the SAs, however, continues to be the benchmark.





THANK YOU





vivek agarwal



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***For further information please contact***

**VIVEK AGARWAL**

**Partner**

Email: [vivek@skagrawal.co.in](mailto:vivek@skagrawal.co.in)

Handheld : +91 96817 06868