



## Ch-3 Audit Documentation

### SA 230: Audit Documentation (AD)

Audit Documentation refers to

- record of **audit procedures** performed,
- relevant **audit evidence** obtained, and
- **conclusions** the auditor reached. [Other terms: "working papers" or "work papers"]

**Includes:** Audit programmes, Analyses, Issues memoranda, Summaries of significant matters, Letters of confirmation & representation, Checklists, Correspondence (including e-mail) on significant matters Auditor may include **copies of entity's records** (for eg, significant & specific contracts & agreements). Audit documentation is not a substitute for entity's a/c records.

**Excludes:** **Superseded drafts** of work papers & FS, notes reflecting **incomplete or preliminary thinking**, **previous copies** of documents corrected for typographical or other **errors & duplicates** of documents.

#### Objective of Auditor

To prepare documentation that provides:

- a. Sufficient & appropriate record of the basis for auditor's report &
- b. Evidence that audit was planned & performed as per SAs & legal & regulatory requirements.

#### Nature of Audit Documentation

Audit documentation provides:

- a. evidence of auditor's **basis for conclusion** about achievement of overall objectives of auditor &
- b. evidence that audit was **planned & performed as per SAs** & legal & regulatory requirements.

#### Purpose of Audit Documentation [RTP-May'21]

- Retaining a record of matters of continuing significance to **future audits**.
- Assisting ET to **plan & perform** the audit.
- Assisting members of ET to **direct & supervise audit work**, & discharge **review** responsibilities.
- Enabling conduct of **quality control reviews** and inspections in accordance with SQC 1.
- Enabling conduct of **external inspections** as per applicable legal, regulatory or other requirements.
- Enabling ET to be **accountable** for its work.

Retain for future >> Plan >> D/S/R \*2 >> Accountable

Q. A new team member of auditors of EV Ltd was of the view that Audit Documentation doesn't help in planning the audit. Explain whether Audit Documentation has any relation with planning audit of a Co. **AD helps in planning audit in a proper manner & helps in conducting it in a more effective way.**



## Ch-3 Audit Documentation

### Form, Content & Extent of Documentation

Prepare audit documentation sufficient to enable an experienced auditor, having no previous connection with audit, to understand:

- a. NTE of **audit procedures** performed.
- b. Results of audit procedures performed and **audit evidence** obtained and
- c. **Significant matters** arising during audit and **conclusions reached thereon** and **significant professional judgements** made in reaching those conclusions.

Documenting NTE of audit procedures performed, auditor shall record: **RTP May'21**

- a. Identifying characteristics of specific **items or matters tested**.
  - b. **Who performed** audit work and **date** such work was completed; and
  - c. **Who reviewed** audit work performed and **date** and extent of such review.
- Auditor shall **document discussions of significant matters** with mgt, TCWG, & others, including nature of significant matters discussed & when & with whom discussions took place.
  - If auditor identified info. **inconsistent** with auditor's final conclusion regarding a significant matter, auditor shall document how auditor addressed the inconsistency

### Factors affecting Form, content & extent of audit documentation [MTP May'24 + RTP Nov-18]

- ✓ **Size and complexity of entity**.
- ✓ Identified **risks of material misstatement**.
- ✓ Nature & extent of **exceptions** identified.
- ✓ Nature of **audit procedures** to be performed.
- ✓ **Audit methodology & tools** used.
- ✓ Significance of **audit evidence** obtained.
- ✓ Need to document a **conclusion** or basis for a conclusion not readily determinable from documentation of work performed or audit evidence obtained.

### Documentation of Significant Matters and Related Significant Professional Judgements

Examples of significant matters include:

- a. Matters that give rise to **significant risks**.
- b. Results of audit procedures indicating
  - i. that **FS could be materially misstated**, or
  - ii. need to **revise auditor's previous assessment of ROMM** and auditor's responses to those risks.
- c. Circumstances causing auditor **significant difficulty** in applying necessary audit procedures.
- d. Findings that could result in a **modification to audit opinion** or inclusion of **EOM Para** in Audit Report.

**RTP Sep'24/Nov-20/22**



## Ch-3 Audit Documentation

### Notes:

- ✓ Important factor determining form, content & extent of audit documentation of significant matters is extent of professional judgement in performing the work & evaluating the results.
- ✓ Documentation of professional judgements explains auditor's conclusions & reinforce quality of judgement.
- ✓ Such matters are of interest to those reviewing audit documentation, including those carrying out subsequent audits, when reviewing matters of continuing significance (for eg, when performing a retrospective review of a/c estimates).

Some eg. of circumstances in which it is appropriate to prepare audit documentation relating to use of Professional Judgement include, where matters & judgements are significant: **MTP Oct'20**

- **Basis for auditor's conclusions about AUthenticity of a document** when further investigation (such as use of expert or confirmation procedures) undertaken in response to conditions that caused auditor to believe document may not be authentic.
- **Rationale for auditor's conclusion** when a requirement provides auditor 'shall consider' certain info. or **F**actors, and that's significant in particular engg.
- **Basis for auditor's conclusion on REasonableness of areas of subjective judgements** (for eg, reasonableness of significant a/c estimates).

### Completion Memorandum or Audit Documentation Summary [RTP May'24 + May-19]

- Auditor may prepare & retain as part of AD a summary (known as a completion memorandum) that describes-
  - ⇒ the **significant matters identified** during audit and
  - ⇒ how they were **addressed**.
- Such summary **facilitate effective & efficient review** of AD, for large & complex audits.
- Further, **assist auditor's consideration of significant matters**.
- Also help auditor to consider whether there any **SA objective that auditor can't achieve** that would prevent auditor from achieving overall objectives of auditor.

### Timely Preparation of Audit Documentation [AD]

- ✓ Preparing sufficient & appropriate AD on timely basis **helps to enhance audit quality & facilitates effective review & evaluation of audit evidence & conclusions before auditor's report is finalised**.
- ✓ Documentation **after audit work has been performed** is likely to be **less accurate than documentation prepared at time such work is performed**.

## Ch-3 Audit Documentation

### Assembly of Audit File [Nov-19 + RTP May'24]

Audit file may be defined as

- one or more folders or other storage media,
  - in physical or electronic form,
  - containing records that comprise
  - audit documentation for a specific engagement.
- 
- ✓ Auditor shall assemble audit documentation in audit file & complete administrative process of assembling final audit file on a timely basis after date of auditor's report.
  - ✓ SQC 1 requires firms to establish policies for timely completion of assembly of audit files.
  - ✓ Time limit: Complete assembly of audit file in not more than 60 days after date of auditor's report. Admin. process that doesn't involve performing new audit procedures or drawing new conclusions.
  - ✓ Changes may, however, be made to the audit documentation during the final assembly process, if they are administrative in nature.

Examples of such administrative changes include: MTP Sep'24

- i) Deleting or discarding superseded documentation.
  - ii) Sorting, collating and cross-referencing working papers.
  - iii) Signing off on completion checklists relating to the file assembly process.
  - iv) Documenting audit evidence auditor has obtained, discussed and agreed with relevant members of engg. team before date of A/R.
- 
- ✓ After assembly of final audit file has been completed, auditor shall not delete or discard audit documentation of any nature before end of its retention period.
  - ✓ As per SQC 1, Retention period for audit engg is no shorter than 7 years from date of A/R, or, if later, date of group A/R.

### Ownership of Audit Documentation (AD) [SM + MTP Mar'21]

- SQC 1 provides that, unless specified by law or regulation, AD is property of auditor.
- May at his discretion, make portions, or extracts available to clients, provided such disclosure
  - ✓ doesn't undermine validity of work performed, or,
  - ✓ in case of assurance engagements, independence of auditor or of his personnel.

Q. Director of VD Ltd was of view that AD of a Co. is property of that Co. Comment.  
Audit Documentation of a Co. is property of Auditor of that Co.

*“Success is the sum of small efforts, repeated day in & day out”*