

# SA 230 - Audit Documentation



CA Padmashree Crasto

Dec 2021




# SCOPE

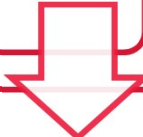
Auditor's responsibility to prepare audit documentation for an audit



To be adapted to audits of other historical financial information.



Laws & Regulations may establish additional requirements.



Specific documentation requirements of other SA's do not limit application of this SA's.

# MEANING OF AUDIT DOCUMENTATION

It is maintained at three stages of audit work :

- Audit Planning
- Audit Implementation
- Audit Reporting

It means record of :

audit procedures performed,  
relevant audit evidence obtained,  
conclusions the auditor reached

•“Document”, in the context of audit refers which is **required to be maintained** by an auditor to **record his findings** during the course of the audit. For example work papers, signed agreements, videos, pictures, spreadsheets, transcripts, correspondences, etc.

# NATURE & PURPOSE



Helps in Planning an audit



Evidence to support audit planning, audit implementation and audit reporting



Assist Supervision and review



Supports & provide evidences of work performed in compliance with standards.



Supports demonstration in any external or internal review of the audit



# FORM & CONTENT OF DOCUMENTATION

- Depends on various factors such as:

The size and complexity of the entity

The nature of the audit procedures to be performed

The identified risks of material misstatement. The significance of the audit evidence obtained

The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained

The audit methodology and tools used

- Documents are segregated into PAF (Permanent Audit File) & CAF (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.

### Includes

- MOA & AOA/ Deed/ Bye laws & Regulations in case of Company/ Firm/ Co-operative Society,
- Engagement letter, Communication with previous auditor,
- Organizational Structure of the Client,
- Analytical review, and management letters,
- Legal documents such as prospectuses, leases, sales agreement,
- minutes of the meeting, Copy of audited financial statements along with audit report for the previous 3 years



# CURRENT AUDIT FILE

Contains those documents which are relevant for that time period of audit.

## Routine Audit:



• Opening Trial Balance



• Sales / Purchase Vouching evidence



• Income / Expenses Vouching Evidence



• Cash and Bank Confirmations as well as tracing



• Debit and Credit Notes



• Any other supporting documents obtained during the course of Audit



## CURRENT AUDIT FILE (CONTINUED)

### ROC Documents:



- Appointment letter of auditors



- List of directors and shareholders in case of company, List of partners and their Profit Sharing Ratios in case of firm



- Statutory Register



- Forms filled by the Company for creation of Charge



- Forms filled by the Company for appointment / resignation / removal of any Key Managerial Personnel



- Any other correspondence with the ROC





## CURRENT AUDIT FILE (CONTINUED)

### Balance Sheet Items:



• Share capital- any fresh issue/ buy back/ bonus issue



• Loans sanction letters / approval documents- Secured/ unsecured loans



• Statutory liabilities - PF, PT, TDS, VAT/CST, GST



• Fixed assets- additions/deletions of invoices



• Investments supportings- current/ non-current



• Outstanding and prepaid expenses- invoices





## CURRENT AUDIT FILE (CONTINUED)

### Finalization Papers:



- Inter company balance details & confirmation



- CARO checklist



- Tax audit clauses & their working



- Audit adjustment entries and explanations provided



- Partner review comments and documents



- Management representation letter



- Signed Financial Statements along with Audit Report



- Signed closing TB



# NATURE TIMING & EXTENT OF AUDIT PROCEDURES - DOCUMENTATION

Identifying characteristics of specific items & matter tested

- Create accountability
- Facilitates Investigation of exceptions/ inconsistencies

Who performed and date of completion

Reviewer, date & extent of review

- Does not imply that each working paper should have evidence of review (SA-220).



## DO'S & DON'TS

Do's	Don'ts
Enable the conduct of quality control reviews and inspections	Notes that reflect incompleteness
Enable the engagement team to be accountable for its work	Duplicates of documents
Enable analysis of various account balances through comparatives and corroborative.	Previous copies of documents corrected for typographical or other errors
Retain a record of matters of continuing significance to future audits	Oral explanations by the auditor
Enable conduct of external inspections in accordance with applicable legal and regulatory requirements	

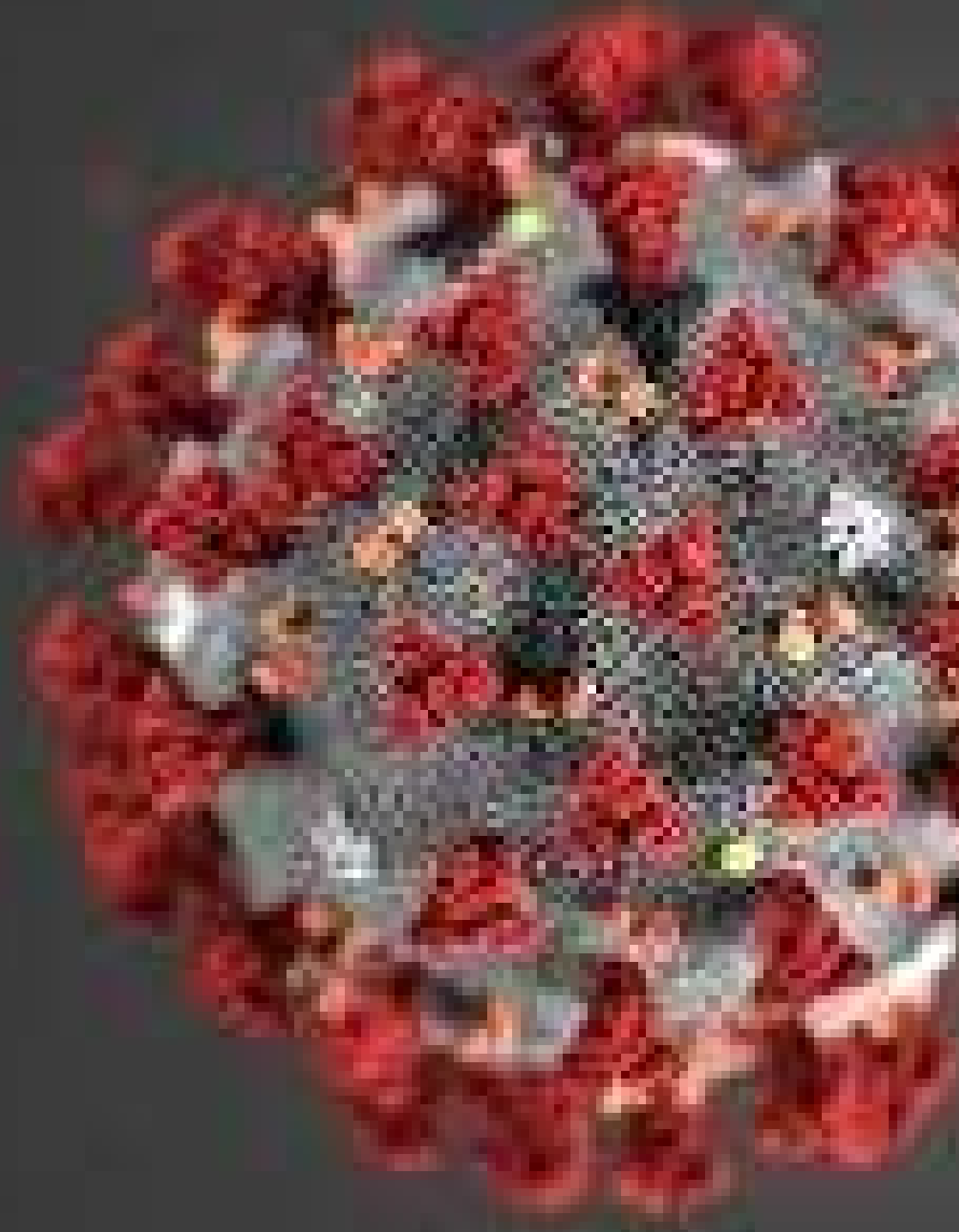
# AUDIT DOCUMENTATION OF SMALL ENTITIES

Generally less Extensive

Record various aspects of the audit together in a single document, with cross references to supporting working papers as appropriate

Examples: Understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality

# IMPACT - DUE TO COVID-19





# Audit Evidence



**Sufficient**

**Appropriate**



# Few Reminders - Planning Stage

- Execution of Engagement Letter

- Identification of relevant Risks

- In case of clients to whom IFC is applicable, ensure Process flow, understanding, walkthroughs are appropriately documented

- Access to Client systems may be a challenge - get independent access / access through their system - ensure the session details are documented

- Controls - During the period , alternative controls developed during lockdown, additional controls implemented on account of lockdown - Design & Implementation

- Virtual meetings - record minutes of meeting, people present, send a confirmatory email and document



## Few Reminders - Execution

- Access to Client systems may be a challenge - get independent access / access through their system - ensure the session details are documented
- Retrieval and access to supporting - One Drive / FTP / VPN - put a note in the file
- IPE - Information produced by the Entity - ensure relevance, reliability & authenticity
- Access to information like FAR / Inventory records / Investments - perform alternate procedures and document with timing and date
- Entries passed on account of misstatements
- Access to Secreterial Records like Minutes / Registers



# Few Reminders - Completion



• JE Testing



• Tracing, posting, casting of Financials



• Issue discussions



• Finalisation process - FS / Notes / Other documents (SA 720)



• Closing Entries



# How to document in the current scenario

Placing reliance on scanned documents

Consider the **reliability** of scanned document and whether the document is faithful in form and content to the original.

Obtain **written representation** from the management regarding authenticity of the scanned documents.

Considering the **controls** that management has implemented for **converting** hard copies in electronic format.

Validating **completeness** and authenticity of scanned documents.

Inquiry with the document owner and person who scanned the document.

**Reviewing** the source document

# HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

## PHYSICAL VERIFICATION



**Planning**

- SA 501 requires the auditor to **attend physical inventory counting** in order to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory if the inventory is material to the financial statements.



# HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

## PHYSICAL VERIFICATION



### Execution :-

- If the auditor is **unable** to attend physical inventory counting during the movement control period, the auditor should consider making or observing some physical counts on an **alternative date** and perform audit procedures on intervening transactions.



# HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

## PHYSICAL VERIFICATION

### Alternative Procedure

- In the event that the attendance at physical inventory counting is **impracticable** (for instance, inventory is held in a location that may pose threats to the safety of the auditor), the auditor should consider performing alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory such as:
  - Inspection of documentation of the **subsequent sale** of specific inventory items acquired or **purchased prior** to the physical inventory counting;
  - Reliance on **cyclical counts**; or
  - Obtaining direct **assistance by internal auditors**.
  - **Virtual attendance**: Use of technology (Video Conferencing) to attend inventory counting
  - Inventory held by third party: Obtain external confirmation from third party



# HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

## PHYSICAL VERIFICATION

Completion



If these procedures are impracticable or don't provide SAAE, then auditor shall consider the suitable modification on the auditor's report in accordance with SA 705 (Modifications to the Opinion in the Independent Auditor's Report).

# HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

## Confirmations under Covid-19 Scenario

Due to increasing business closures and movement to telecommuting models, auditors may consider sending **electronic confirmations** rather than paper ones.

Some firms may have process flow software where this could be done quite easily and might result in a **better response rate**.

Asking **clients to first contact** their vendors and customers in advance may be prudent, to understand the best way to contact these parties in the current environment.

Domain Verification when email confirmations are sent is necessary -  
Documenting the controls on that

Maintaining Control Chart



# USE OF ELECTRONIC SIGNATURE FOR SIGNING AUDIT REPORTS AND CERTIFICATES

Reference to applicable laws

- SA 700(Revised) (paragraph A57): In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report.
- IT Act 2000: contains provisions regarding the use of electronic signature for the authentication of electronic records.

Considering provisions of the IT Act 2000 and the Indian Evidence Act, 1872, it may be concluded that these Acts allow use of electronic signature for authentication of various documents. Therefore, ICAI members can use it for signing audit reports, all reports issued pursuant to any attestation engagement and certificates after ensuring compliance with all the requirements relating to signature.

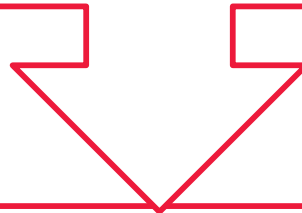
This announcement was made on 13<sup>th</sup> April, 2020 and came into effect from the date of announcement itself.

Further, requirement to mention UDIN is applicable both for manually and digitally signed reports/certificates including certificates uploaded online.



# MANAGEMENT REPRESENTATION LETTERS

During this pandemic, additional representations could be added to the management representation letter, depending upon the particular circumstances of an engagement.



Those additional representations may relate to the

going concern assumption,

subsequent events,

risks and uncertainties,

fraud, and

significant estimates, among others.

# MANAGEMENT REPRESENTATION LETTERS

If management is unable to provide the signed original management representation letter with an original signature on their company letterhead then use electronic means to obtain signed management representation letters.

If management does not provide one or more of the requested written representations, auditors should



discuss the matter with management;

re-evaluate the integrity of management and evaluate the effect this may have on the reliability of representations (verbal or written) and audit evidence in general

take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance SA-705.



# MANDATORY THINGS TO BE DOCUMENTED

- 
- Engagement Letters
  - Laws & Regulation applicable to the entity
  - Audit committee presentation
  - Tracing test
  - Client acceptance/ Reacceptance procedures performed
  - Critical issues identified and subsequent discussions with the Management
  - Management Representation Letter
- 

# MANDATORY THINGS TO BE DOCUMENTED

- Checklist complying various laws and regulations applicable to the entity
- Documents reviewed by the Seniors
- Risk Assessment documents including Fraud Assessment checklist
- Materiality calculations
- Independence declarations and documents
- Abstracts or copies of significant contracts / agreements
- Minutes of the meeting (Management/ TCWG)

“Most of the documents will come in soft copy so take care that no error occurred in scanning”

# REFERENCES TO OTHER SA'S

SA 220 Quality Control for an Audit of FS

SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements

SA 260 Communication of Audit Matters with Those Charged with Governance

SA 299 Responsibility of Joint Auditors

SA 300 Planning an Audit of Financial Statements

SA 320 Audit Materiality

SA 330 The Auditor's Responses to Assessed Risks

SA 450 Evaluation of Misstatements Identified during the Audit

SA 610 Using the Work of Internal Auditors

SA 701 Communicating Key Audit Matters in the Independent Auditor's Report

“Documentation is all pervasive”



# REFERENCES TO ICAI PUBLICATIONS RELATED TO COVID-19

ICAI Accounting and Auditing Advisory



Subsequent Events key audit considerations amid COVID-19



Physical inventory verification key audit consideration amid COVID-19



Auditor's reporting key audit consideration amid COVID-19



Going Concern - Key Considerations for Auditors amid COVID-19



Announcement for Use of Electronic Signature for Signing Audit Reports and Certificates



## OWNERSHIP & RETENTION

Documentation is the property of the auditor.

He may at his own discretion, make portions of, or extracts from audit documentation available to client.

The auditor must retain engagement documentation for a period of seven years from the date of audit report.



Thank You

