



AUDITORSDESK

FINANCIAL AUDIT

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. In hac habitasse platea dictumst. Fringilla phasellus faucibus scelerisque eleifend donec pretium. Neque sodales ut euismod elementum nisi. Quisque non tellus orci ac auctor augue mauris augue, auctor neque vitae tempus quam pellentesque dignissim enim. Semper egestas congue quisque egestas. Sollicitudin aliquam ultrices sagittis orci a. Ultricies mi quis hendrerit dolor magna. Ac tortor vitae purus faucibus. Ipsum nunc aliquet bibendum enim facilisis gravida neque. Tincidunt id aliquet risus feugiat in.

Amet porttitor eget dolor morbi non arcu risus quis varius. Turpis egestas maecenas pharetra convallis. Curabitur vitae nunc sed velit dignissim sodales ut. Posuere lorem ipsum dolor sit amet consectetur adipiscing elit duis. Augue interdum velit euismod in. Voluptat maecenas volutpat blandit aliquam etiam erat velit scelerisque in. Odio facilisis mauris sit amet massa. Egestas sed tempus urna et pharetra pharetra massa massa. Blandit volutpat maecenas volutpat blandit aliquam etiam erat velit scelerisque. Nunc id cursus metus aliquam eleifend mi in.

Gravida dictum fuses ut placerat orci nulla pellentesque. Posuere lorem ipsum dolor sit amet consectetur adipiscing. In nulla posuere sollicitudin aliquam ultrices sagittis orci a. Proin libero nunc consequat interdum varius sit amet. Imperdiet massa tincidunt nunc pulvinar. Est placerat in egestas erat. Congue nisi vitae suscipit tellus mauris a diam. Diam maecenas ultricies mi eget. Eget magna lacus luctus accumsan tortor posuere. Gravida rutrum quisque non tellus orci, imperdiet massa tincidunt nunc. Duis convallis convallis tellus id interdum. Id tortor pretium viverra suspendisse potenti nullam ac tortor. Scelerisque eu ultrices erat. Auctor eu augue. Blandit massa enim nec dui nunc.

Morbi leo urna molestie at elementum eu facilisis sed odio. Nunc sed id enim ut sem viverra aliquet eget. Eu feugiat pretium nibh ipsum consequat. Suspendisse sed nisi lacus sed viverra. Sed id consectetur id nisi nisi scelerisque eu ultrices. In nibh mauris sed mattis ullamcorper. Gravida rutrum quisque non tellus. Ille eget magna. Sed id consectetur id nisi et magnis. Sagittis purus sit amet volutpat. Congue nisi vitae suscipit tellus mauris a diam. Diam maecenas ultricies mi eget. Eget magna lacus luctus accumsan tortor posuere. Gravida rutrum quisque non tellus orci, imperdiet massa tincidunt nunc. Duis convallis convallis tellus id interdum. Id tortor pretium viverra suspendisse potenti nullam ac tortor. Scelerisque eu ultrices erat. Auctor eu augue. Blandit massa enim nec dui nunc.

Cras adipiscing enim eu turpis egestas pretium aenean. Augue eget arcu dictum varius duis at consectetur lorem donec. Semper viverra nam libero justo laoreet. Et netus et malesuada fames ac turpis egestas. Sed id consectetur id nisi nisi scelerisque eu ultrices. In nibh mauris sed mattis ullamcorper. Gravida rutrum quisque non tellus. Ille eget magna. Sed id consectetur id nisi et magnis. Sagittis purus sit amet volutpat. Congue nisi vitae suscipit tellus mauris a diam. Diam maecenas ultricies mi eget. Eget magna lacus luctus accumsan tortor posuere. Gravida rutrum quisque non tellus orci, imperdiet massa tincidunt nunc. Duis convallis convallis tellus id interdum. Id tortor pretium viverra suspendisse potenti nullam ac tortor. Scelerisque eu ultrices erat. Auctor eu augue. Blandit massa enim nec dui nunc.

AUDIT DOCUMENTATION



WHAT IS AUDIT DOCUMENTATION?

The auditor should prepare, on a timely basis, audit documentation that provides:

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

The auditor should prepare the audit documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand:

- The nature, timing, and extent of audit procedures performed to comply with ISAs and applicable legal and regulatory requirements;

- The results of the audit procedures and the audit evidence obtained;
- Significant matters arising during the audit and the conclusions reached thereon.

Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to clarify or explain information contained in the audit documentation. This is not true, Oral explanations are only referenced on paragraph 11 of AU section 339 therefore does not refer to ISA. The audit file must effectively stand on its own. Whilst the auditor may clarify what has been documented the facility to explain detailed aspects of the audit has gone, so this must mean more extensive working papers in some areas. In documenting the nature, timing and extent of audit procedures performed, the auditor should record the identifying characteristics of the specific items or matters being tested.

In documenting the nature, timing and extent of audit procedures performed, the auditor should record:

1. Who performed the audit work and the date such work was completed; and
2. Who reviewed the audit work performed and the date and extent of such review.

The standard also establishes clear responsibilities for the auditor to assemble the final audit file on a timely basis and sets out specific requirements regarding deletions, modifications or additions to audit documentation after the date of the auditor's report. There are also documentation requirements in the exceptional circumstance when an auditor judges it necessary to depart from a basic principle or essential procedure that is relevant in the circumstances of the audit. The auditor should document how the alternative procedures performed achieve the objective of the audit and, unless otherwise clear, the reasons for the departure.

In simple words, Audit documentation records procedures performed, evidence obtained, and conclusions reached as an audit. The proper preparation of audit documentation is critical for several reasons, including the following:

- It can be used as a defense if the auditor is ever accused of negligence.
- It is easier for a reviewer to examine.
- It represents a better level of quality control over an audit.
- It shows auditors in later years how the audit was conducted.
- It can be used as a training tool for junior auditors.

The types of audit documentation that should be assembled include the following:

- Analyses conducted
- Audit plans
- Checklists
- Confirmation letters
- Memoranda and correspondence regarding issues found
- Representation letters
- Summaries of significant findings

In the interests of keeping the audit documentation down to a manageable length, it is not necessary to include corrected copies, duplicates, notes regarding preliminary conclusions, and superseded drafts.

Audit documentation is the written record of the basis for the auditor's conclusions that support the auditor's representations, whether those representations are contained in the auditor's report or otherwise. Audit documentation also facilitates the engagement's planning, performance, and supervision. It is the basis for the review of the quality of the work because it provides the reviewer with written documentation of the evidence supporting the auditor's significant conclusions. Audit documentation includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the auditor. Audit documentation also may be referred to as work papers or working papers.



Importance of Audit Documentation

The fundamental reason behind the audit is to ensure that the organization's financial statements are free from all material misstatements. At the end of this analysis, auditors are supposed to give their opinion regarding the accuracy and completeness of the audit statements. This statement tends to be a significant source of decision-making for the shareholders because it provides an idea about the financial statement accuracy. Therefore, it provides investor confidence before investing in the company. Given the importance of the audit opinion that the auditor puts forth, auditors must ensure that facts and figures back their idea.

Hence, it is essential to ensure that facts and figures within the company support the audit opinion.

In the case where the company defaults after a clean audit opinion, the auditor's credibility comes at stake. In such unprecedented cases, it is crucial to ensure that auditors prove that the auditor carried out all the steps correctly. In this regard, audit documentation tends to play a pivotal role as proof that sufficient work has been carried out on the part of the auditors.

Audit documentation streamlines the audit process by ensuring that all the procedures are duly carried out. Given the high degree of information presented during the audit process, it is essential to ensure that auditors have their working papers ready to clarify confusion and issues relating to the audit process itself. Hence, in this aspect, audit documentation can be considered an essential component that streamlines the audit process and ensures better and more accurate results.

Audit Documentation can also be considered an increasingly crucial component for subsequent auditors because it clarifies the approach taken by auditors on some issues. When a new auditor takes over, they might not have sufficient knowledge about all accounting aspects within the company. Therefore, this helps them determine how specific components were audited in the previous years. This saves them a considerable amount of time.

ISA 230 on Audit Documentation issued by International Auditing and Assurance Standards Board (IAASB) The main requirements in ISA 230 are as follows:

It emphasizes the timely preparation of audit documentation necessary to provide a sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was carried out following ISAs and applicable legal and regulatory requirements. Establishes a new requirement that the auditor prepares the audit documentation to enable an

experienced auditor, having no previous connection with the audit, to understand the audit work performed, the results and audit evidence obtained, the significant matters identified, and conclusions reached thereon. It also defines the meaning of an "experienced auditor."

Establishes a new requirement that, if in exceptional circumstances the auditor judges it necessary to depart from relevant ISA requirements, the auditor documents how the alternative audit procedures performed meets the objective of the audit and, if not otherwise apparent, the reasons for the departure.

Establishes a new requirement that the auditor completes the assembly of the final audit file on a timely basis after the date of the auditor's report and provides guidance indicating that an appropriate time limit for this would ordinarily be 60 days after the date of the auditor's report.

Establishes a new requirement that the

auditor does not delete or discard audit documentation after the final audit file has been assembled unless the retention period for the audit documentation has elapsed. The revised ISA also resulted in expanded guidance in ISQC 1 on the retention of engagement documentation. This guidance indicates that the retention period for audits ordinarily is no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report.

Audit documentation helps the auditors to show and prove to the people, usually the authorities, that a proper audit was conducted in a company. The other reasons why audit documentation is essential are listed below:

- There is an assurance that the audit performed was following the auditing standards. This can assure the auditors themselves, the audited company, and the authorities or other people who request the financial statements.

- This can help assist the auditors that will be hired in the future. In some cases, the previous won't be available, or the company will hire someone else. The audit documentation can aid the new auditors to understand the work that was performed in the last year.
- The data that has been recorded can help in ensuring and encouraging that the quality audit report is maintained.

Conclusion

Therefore, audit documentation can be regarded as a highly influential component of the audit process because it contributes to achieving better quality. This is because, with documentation, the overall error chance is less since it reduces the risks of omission and errors during the audit process itself. In this regard, audit documentation is supposed to be treated very seriously because it forms a basis to back the auditors' claims. In addition to validating these claims,

it reinforces their effort and works for the coming years. The company can use it to work on specific aspects to improve its functionality so that the auditors' identified features can be worked upon in the subsequent years. It also helps to establish a client portfolio with the auditor so that the audit plan can be decided upon quickly in the coming fiscal year.



AUDITORSDESK