



ICAI – YMEC & AASB

Hosted by – WIRC of ICAI

Workshop on Auditing Standards

SA 230 – Audit Documentation
SA 300 – Planning an Audit of FS

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- **SA 230 – Documentation**

- **SA 300 – Planning an Audit of FS**



SA 230 – Audit Documentation

**Effective for Audits of Financial Statements
for periods beginning on or after
April 1, 2009**



SA 230 – Overview

- **Introduction:**

- Scope
- Effective Date

- **Objective**

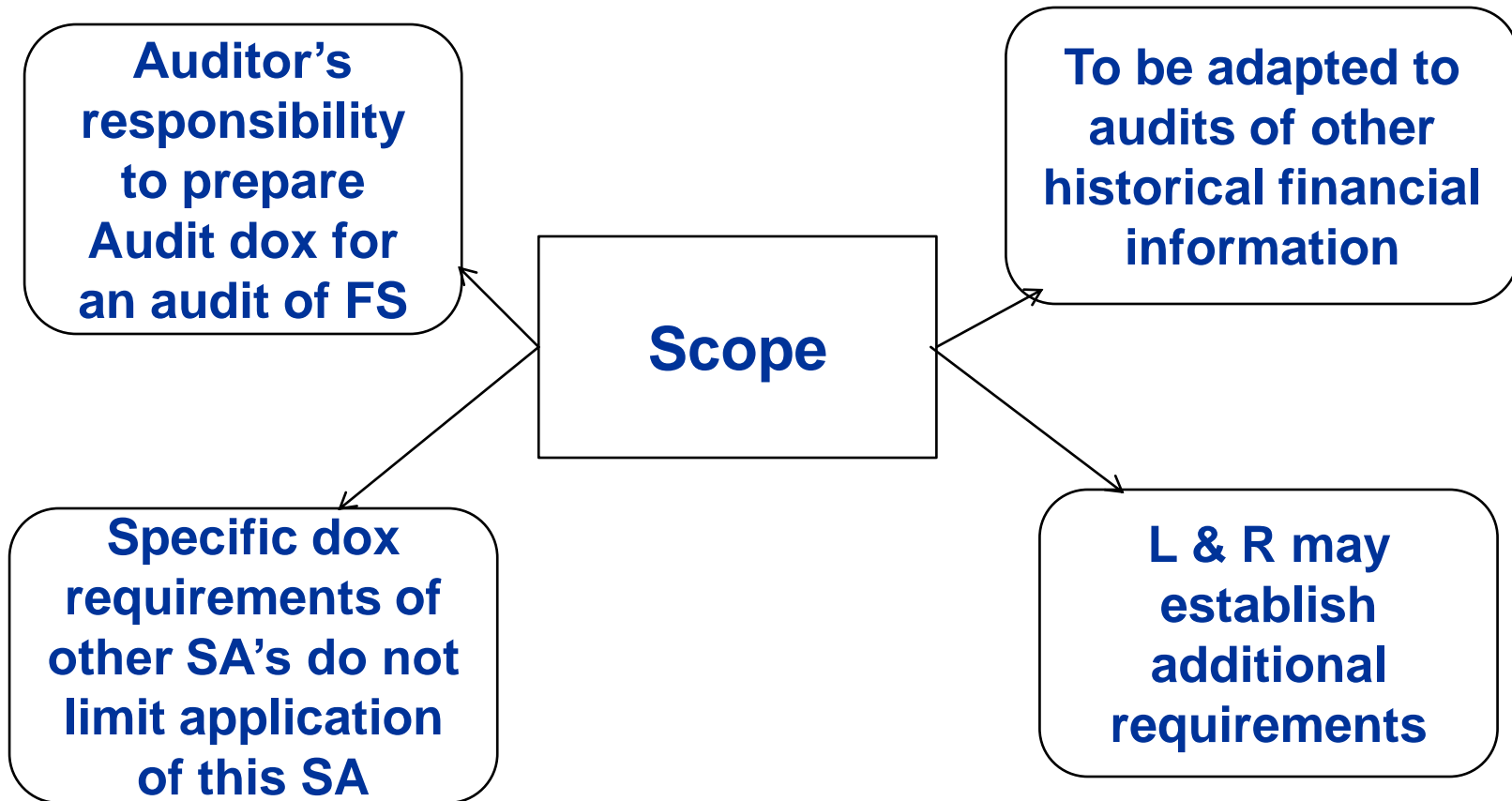
- **Definitions**

- **Requirements**

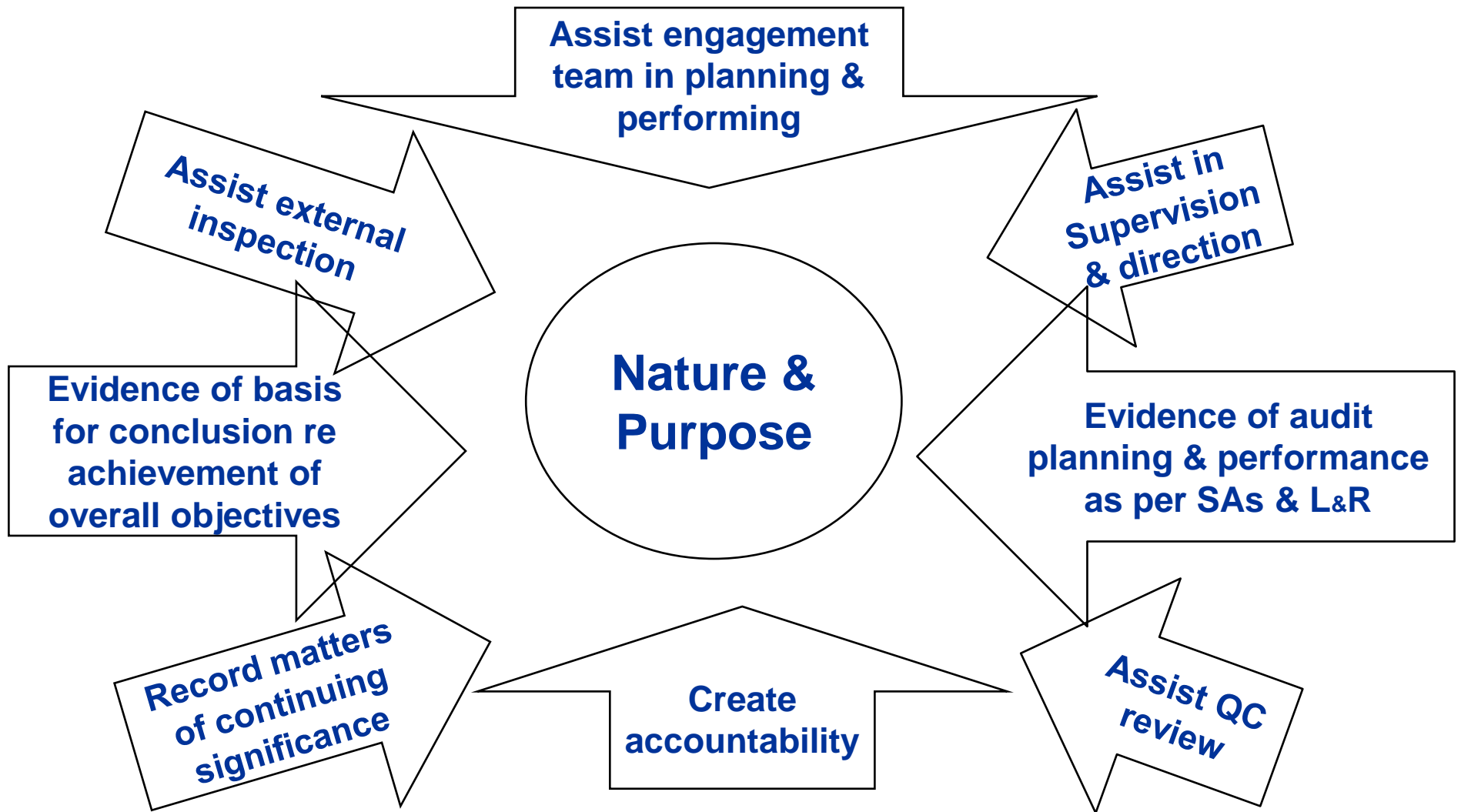
- Timely preparation of Audit Documentation
- Documentation of the Audit Procedures Performed and Audit Evidence Obtained
- Assembly of the final Audit File

- **Application and Other Explanatory Material on these Aspects**

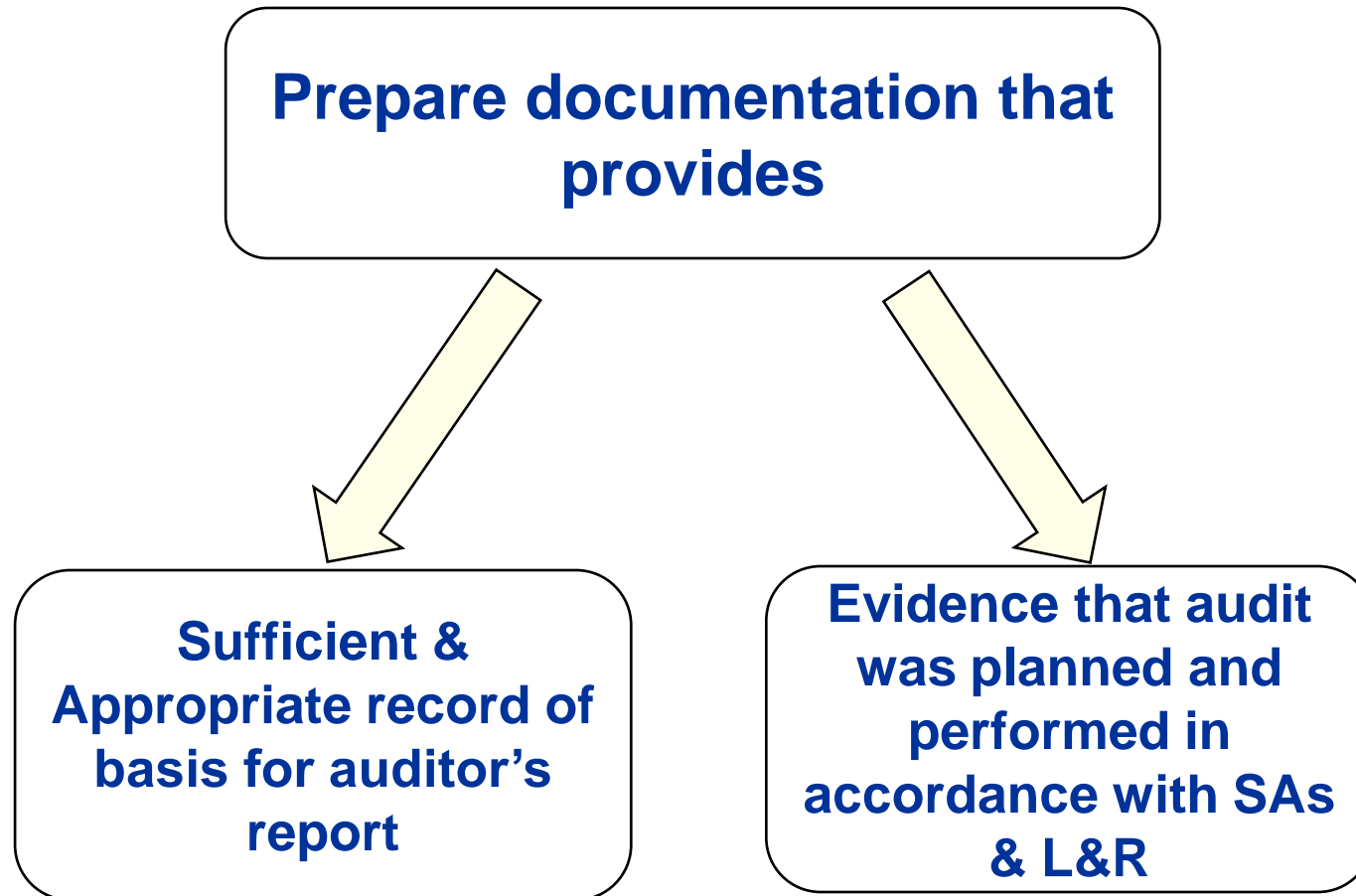
SA 230 – Scope



SA 230 – Nature & Purpose



SA 230 – Objective





SA 230 – Definition

Audit Documentation

- Record of:
- audit procedures performed,
- relevant audit evidence obtained and
- conclusions reached.

Also known as “working papers”, “work papers”.

Audit File

- One or more folders or other storage media.
- In physical or electronic form.
- Containing records that comprise audit documentation for a specific engagement.



SA 230 – Definitions

Experienced Auditor

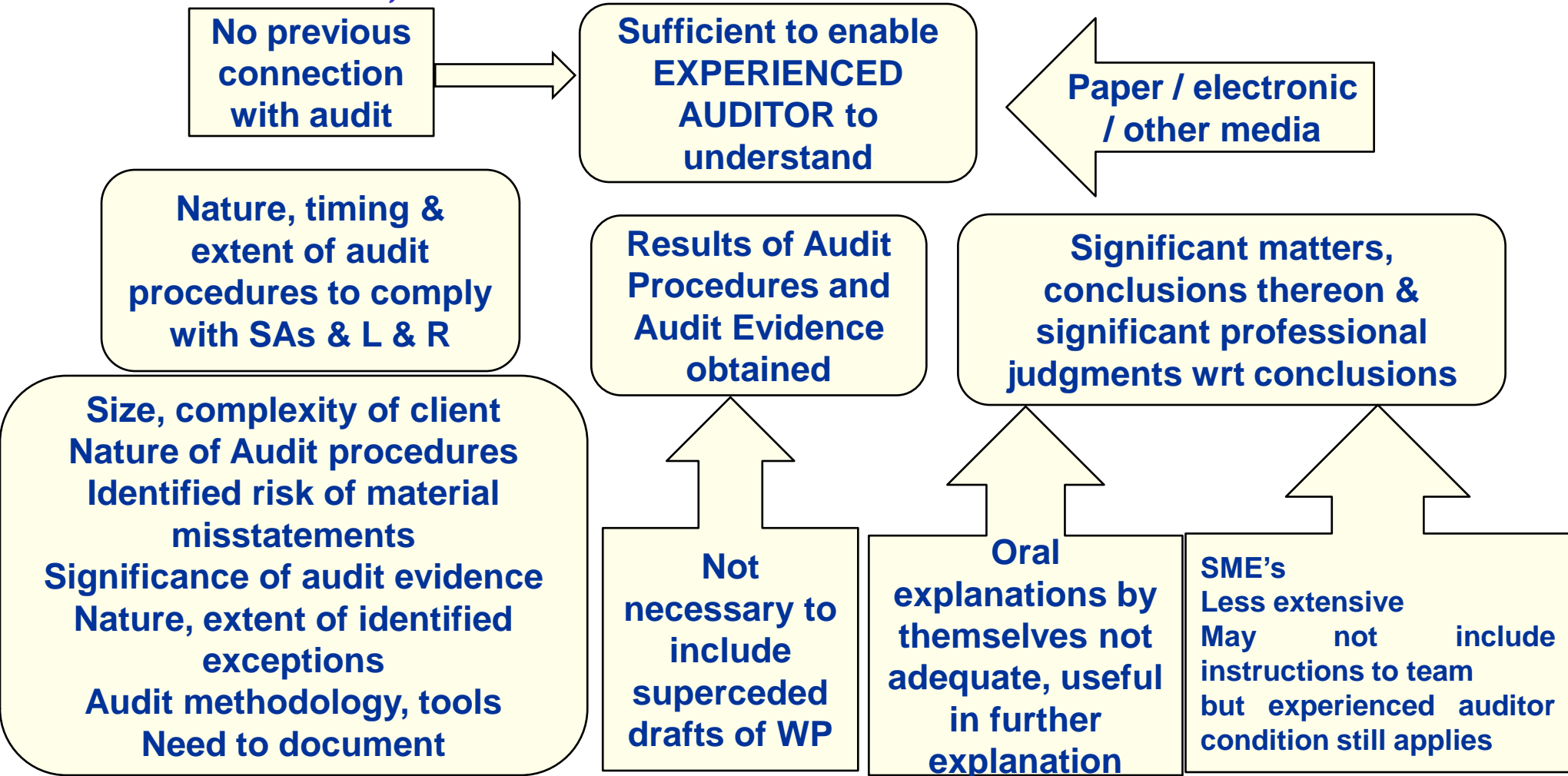
- An individual (whether internal or external to firm) having practical audit experience, and a reasonable understanding of:
 - Audit processes;
 - SAs and applicable L&R requirements;
 - Business environment ; and
 - Auditing and financial reporting issues.

Timely Preparation of Audit Documentation

- Prepare Sufficient Appropriate audit dox on a timely basis:
 - Enhances quality of audit.
 - Facilitates effective review & evaluation of :
 - Audit evidence
 - Conclusions reached before report is finalised
 - Dox prepared after audit is less accurate.

SA 230 – Documentation Audit Procedures & Audit Evidence

Form, Content and Extent of Audit Documentation





SA 230 – Examples of audit documentation

Examples of audit documentation include:

- Audit programmes.
- Analyses.
- Issues memoranda.
- Summaries of significant matters.
- Letters of confirmation and representation.
- Checklists.
- Correspondence (including e-mail) concerning significant matters.

The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.



SA 230 – Compliance with SAs & LR

- Compliance with SA 230 normally results in sufficient appropriate audit dox.
- Absence of specific dox requirements in an SA does not necessarily mean NIL dox wrt that SA.
- Not necessary/practicable to document every matter.
- Professional skepticism cannot be documented but demonstrated through dox.
- It is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:
 - The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.



SA 230 – Compliance with SAs & LR

- The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management, or where appropriate, those charged with governance.
- An auditor's report containing an appropriately qualified opinion demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the SAs.



SA 230 – Compliance with SAs & LR

- In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:

- For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with SAs. Such evidence may include specific procedures performed to corroborate management's responses to the auditor's inquiries.



SA 230 – Compliance with SAs & LR

- Similarly, that the engagement partner has taken responsibility for the direction, supervision and performance of the audit in compliance with the SAs may be evidenced in a number of ways within the audit documentation. This may include documentation of the engagement partner's timely involvement in aspects of the audit, such as participation in the team discussion required by SA 315.



SA 230 – Resolution of Significant Matters

- Judgment requires objective analysis of facts & circumstances e.g.
 - Give rise to significant risks.
 - Audit procedures:
 - Indicate material misstatement of FS.
 - Need to revise risk assessment.
 - Circumstances leading to difficulty in applying audit procedures.
 - Possible situations for modifications to audit opinion.



SA 230 – Resolution of Significant Matters

Documenting Professional Judgment – 1

- Rationale for auditor's conclusion where SA mandates consideration of aspect and that aspect is significant to audit.
- Basis of conclusion on reasonableness of areas of subjective judgment.
- Basis for conclusion re authenticity of a document when authenticity is in doubt.



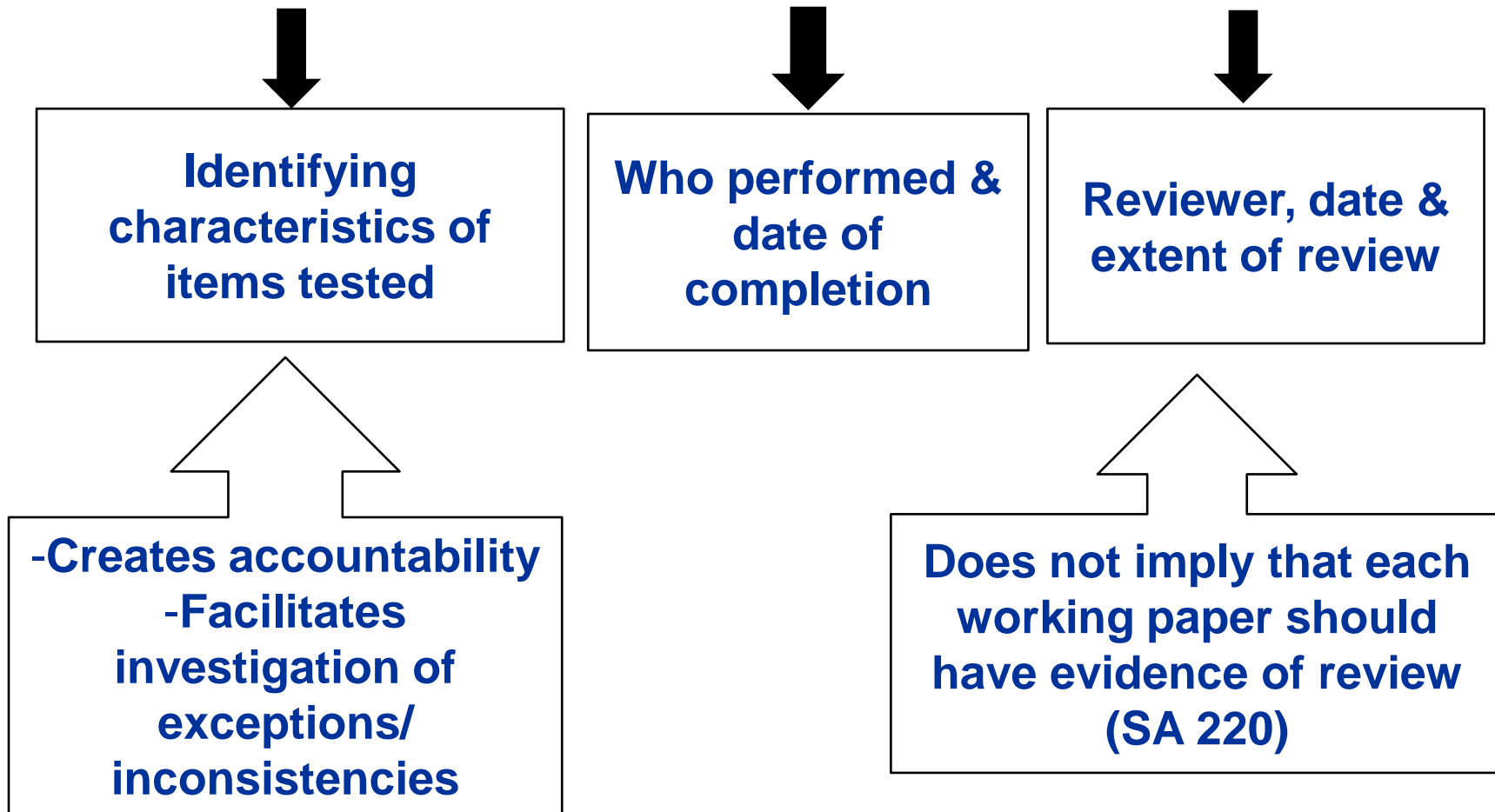
SA 230 – Resolution of Significant Matters

Documenting Professional Judgment – 2

- May also maintain completion memorandum:
 - Significant matters identified
 - How addressed
 - Cross references to other supporting audit dox
- It is especially useful in large & complex audits. Helps in:
 - Effective, efficient reviews of dox
 - Consideration of significant matters
 - Identifying whether objective of any SA has not been met, impact on overall objective

SA 230 – Documentation

Nature, Timing & Extent of Audit Procedures – Documentation





SA 230 – Continued

Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. For example:

- For a detailed test of entity-generated purchase orders, the auditor may identify the documents selected for testing by their dates and unique purchase order numbers.
- For a procedure requiring selection or review of all items over a specific amount from a given population, the auditor may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal register).

SA 230 – Continued

- For a procedure requiring systematic sampling from a population of documents, the auditor may identify the documents selected by recording their source, the starting point and the sampling interval (for example, a systematic sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report).
- For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries and the names and job designations of the entity personnel.
- For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.



SA 230 – Document discussion with Management

With Management & TCWG

Document discussion on significant matters:

- Nature of significant matter discussed
- Time
- Discussants .

Not restricted to records prepared by auditor:

- Minutes prepared by client & agreed by auditor.

Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advise to the entity.



SA 230 – Inconsistency vis-à-vis Financial Conclusion

- Document how the inconsistency was addressed.
- No need to retain incorrect/ superseded dox.



SA 230 – Departure from Relevant Requirement

Departure happens in exceptional circumstances only.

Document:

- How alternative audit procedures achieve aim of the requirement.
- Reasons for departure
- Report to draw attention to the departure.

The documentation requirement applies only to requirements that are relevant in the circumstances. A requirement is not relevant only in the cases where:

- The entire SA is not relevant; or
- The requirement is conditional and the condition does not exist (for example, the requirement to modify auditor's opinion where
- there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).



SA 230 – Matters arising after date of audit report

In exceptional circumstances, auditor performs additional procedures / draws new conclusions, document:

- Circumstances encountered.
- New/ additional audit procedures performed.
- Audit evidence obtained.
- Conclusions reached.
- Effect on auditor's report.
- Who made/review audit documentation.



SA 230 – Assembly of Final Audit File

Timely basis after date of audit report:

- Set policy in terms of SQC 1.
- Within 60 days (SQC 1).

Changes permitted:

- Deleted/ discarding superseded dox.
- Sorting, collating, cross referencing working papers.
- Signing off on completion checklists re file assembly.
- Documentation of discussion with engagement team before date of audit report.

No deletion/ discarding permitted after final assembly except for example to clarify existing dox arising from internal/ external inspections:

- Document specific reasons for making them.
- When & by whom made/ reviewed.

Retention period–7 years from date of audit report.



SA 230 – Ownership of Documentation

Unless otherwise specified by law or regulation, audit documentation is the property of the Auditor.

May at his discretion, make portions of, or extracts from, audit documentation available to clients, provided:

- Such disclosure does not undermine the validity of the work performed, or**
- in the case of assurance engagements, does not undermine the independence of the auditor or of his personnel.**

Checklist for SA 230 Checklist

■ SA 230 – Documentation

■ SA 300 – Planning an Audit of FS



SA 300 – Planning an Audit of Financial Statements

**Effective for Audits of Financial
Statements for periods beginning on or
after April 1, 2008**



SA 300 – Introduction

- **Introduction:**
 - Scope
 - Effective Date
- **Objective**
- **Requirements:**
 - Involvement of Key Engagement Team Member
 - Preliminary Engagement Activities
 - Planning Activities
 - Documentation
 - Additional Considerations in Initial Audit Engagements.
- **Application and Other Explanatory Material on these aspects.**
- **Appendix**



SA 300 – Scope

- Auditor's responsibility to plan audit of financial statements.
- Framed in the context of recurring audits.
- Additional considerations for initial audit engagements.

Planning involves:

- Establish overall audit strategy.
- Developing audit plan.

Adequate planning helps the auditor:

- To devote appropriate attention to important areas.
- Identify and resolve potential problems on timely basis.
- Properly organise and manage the audit.
- Selection of Engagement Team - requisite capabilities & competence.
- Co-ordination of work done by auditors of Components & Experts.
- Facilitating Direction & Supervision of Engagement Team.



SA 300 – Scope

The nature and extent of planning activities vary according to:

- Size and complexity of the entity.
- Key engagement team members' previous experience.
- Changes in circumstances.

Planning is a continuous and iterative process.

Timings of certain planning activities needs to be completed prior to the performance of further audit procedures.

Auditor may discuss elements of planning with management, but planning remains responsibility of the auditor.



SA 300 – continued

Involvement of Key Engagement Team Members

To be involved in planning:

- Participate in discussion with audit team.
- Benefit of their experience & insight.
- Increases effectiveness & efficiency of planning.

Involvement of Key Engagement Team Members:

- SA 315 also contains a requirement for discussion with the audit team as to the susceptibility of the financial statements of the entity to material misstatements.
- Revised SA 240 also contains a requirement for discussion among audit team as to susceptibility of the financial statements to fraud.

Preliminary Engagement Activities

- Perform procedures required under SA 220(R), “Quality Control for an Audit of Financial Statements”: Client continuation, etc.
- Evaluate compliance with ethical requirements including independence.
- Establish understanding of terms of engagement as per SA 210(R), “Agreeing the Terms of Audit Engagement”.



SA 300 – continued

Preliminary Engagement Activities assists in identifying & evaluating events/circumstances that may adversely affect the auditors ability to plan & perform the engagement.

Enables the auditor to plan an audit engagement for which, for example:

- The auditor maintains the necessary independence & ability to perform the engagement.
- There are no issues with management integrity that may affect the auditor's willingness to continue the engagement.
- There is no misunderstanding with the client as to the terms of the engagement.



SA 300 – continued

Client continuance and ethical requirements:

- Occurs throughout the Audit.
- Current audit - At the beginning.
- Continuing audit – Shortly after (In connection with) the completion of previous audit.



SA 300 – continued

Establish overall strategy to set the scope, timing & direction of audit plan.

To establish overall audit strategy:

- Identify characteristics of engagement.
- Ascertain reporting objectives.
- Identify factors significant to direct audit team's efforts.
- Consider results of preliminary engagement activities.
- Ascertain nature, timing & extent of resources required.



SA 300 – continued

Assists the auditor in determining:

- How/ When/ Amount of resources deployed for specific audit areas and their management.
- Establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential processes, but are closely inter-related since changes in one may result in consequential changes to the other.

Considerations Specific to Smaller Entities

- Co-ordination of, and communication between, team members are easier. Establishing the overall audit strategy for the audit of a small entity need not be a complex or time-consuming exercise.



SA 300 – continued

Contents of Audit Plan:

- Nature, timing & extent of RAPs.
- Nature, timing & extent of planned further audit procedures at assertion level.
- Other procedures required to comply with SAs.

Update & change the overall audit strategy & audit plan as necessary.

Plan nature, timing & extent of direction, supervision & review of engagement team members.



SA 300 – continued

Update audit plan

Need:

- Unexpected events,
- Changes in conditions,
- Audit evidence obtained from the results of audit procedures, and
- Information comes to the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures.



SA 300 – continued

Direction, supervision & review

Factors affecting direction, supervision & review:

- The size and complexity of the entity.
- The area of the audit.
- The assessed risks of material misstatement.
- The capabilities and competence of the individual team members performing the audit work.
- (See Revised SA 220, 'Quality Control for an Audit of Financial Statements' for more guidance.)



SA 300 – continued

Considerations for SMEs:

- Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performs the entire audit.
- When particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to consult with other suitably-experienced auditors or the auditor's professional body.



SA 300 – Documentation

Overall audit strategy:

- Necessary for proper planning & communicating significant matters to audit team.

Audit plan:

- Record of proper planning & review of audit procedures for approval before use.

Significant changes to overall audit strategy/ audit plan and reasons for changes:

- Reflects appropriate response to these changes.



SA 300 – Documentation

Considerations Specific to Smaller Entities.

- A suitable, brief memorandum may serve as the documented strategy.
- For the audit plan, standard audit programs or checklists drawn up on the assumption of few relevant control activities, as is likely to be the case in a smaller entity, may be used provided that they are tailored to the circumstances of the engagement, including the auditor's risk assessments.



SA 300 – continued

Additional Considerations in initial Audit Engagements

Before starting initial audit engagement:

- Perform procedures required under revised SA 220 – client acceptance, etc.
- Communicating with predecessor auditor.

Additional matters to consider in Audit Strategy and Audit Plan:

- Any major issues discussed with management.
- Audit procedures necessary regarding Opening Balance
- Other procedures required by firm's QC system.



SA 300 – continued

Special considerations for initial audit engagements in establishing overall audit strategy and audit plan:

Major issues discussed with management:

- Application of accounting principles or of auditing and reporting standards.
- The communication of these matters to TCWG.
- How these matters affect the overall audit strategy and audit plan.

SA 300 – continued

Major issues discussed with management:

- Application of accounting principles or of auditing & reporting standards.
- The communication of these matters to TCWG.
- How these matters affect the overall audit strategy and audit plan.

Audit procedures necessary to obtain SAAE regarding opening balances (see Revised SA 510, Initial Audit Engagements-Opening Balances).

Other procedures required by the firm's system of QC for initial audit engagements.

Checklist for SA 300 Checklist

Questions???





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