

CHAPTER 5

DOCUMENTATION

1. DEFINITION OF AUDIT DOCUMENTATION

What is an Audit

Audit, according to Spicer and Pegler, “may be said to be such an examination of the books, accounts and vouchers of a business as will enable the auditor to satisfy that the Balance Sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and the Profit or Loss for the financial period, according to the best of his information and the explanations given to him and as shown by the books, and if not, in what respect he is not satisfied.”

As per the Standards on Auditing, “An audit is independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.”

What is a document

A document is any material which provides evidence of work performed, action taken or the happening of an event. It may be in paper or electronic form. Examples of documents include work papers, signed agreements, videos, pictures, spreadsheets, transcripts, correspondences, etc.

What is audit documentation

Audit documentation as defined in SA 230 – “Audit Documentation” refers to the records or documentation of procedures that auditors performed, the audit evidence that they obtained and the conclusion that is made by them based on the evidence obtained. Audit documentation is sometimes called ***audit working papers or working papers***.

2. WHY IS DOCUMENTATION IMPORTANT

Documentation is essential because:

- (a) It helps in planning an audit

- (b) It assists supervision and review
- (c) It results in better conceptual clarity, clarity of thought and expression
- (d) It facilitates better understanding and helps avoid misconception
- (e) It supports and evidences work performed and compliance with Standards

3. KEY INFORMATION IN AUDIT DOCUMENTATION

Audit documentation is very important for an auditor especially in areas of quality control of the audit. It is required that the audit documentation should be prepared in such form that other experienced auditor who is not involved with the audit engagement previously could understand the work that he performs when he reviews the documents.

The following is the key information that should be a part of the audit documentation:

- (a) The nature, timing and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements.
- (b) The evidence that auditor obtains, the procedures that they use for testing and the result of testing should be properly and clearly documented in the audit working papers. This is to ensure that the reviewer could easily perform the quality review and to prove that the relevant Standards are implemented.
- (c) The auditor should clearly document significant matters related to financial statements, their ethics, as well as their process, during audit.
- (d) Testing or sampling requires auditors' use of their professional judgment and it is important to document these judgments.

The Statement/Chapter suggests the following:

- To maintain certain minimum records/documentation that represents the adequacy of quality control policies and procedures followed by the Practice Unit.
- To provide an insight into the documentation requirements applicable to the Practice Units and the procedures or areas on which the reviewer should concentrate to form his opinion on the policies and procedures followed by the Practice Unit.

- To assist the reviewer to assess at the firm level and at the engagement level, the quality control as required by:
 - (a) **SQC 1-** “Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements” which is mandatory from 1 April 2009 on all the assurance engagements.
 - (b) **SA 200-** Quality Control for audit of Financial Statements which has been applicable from 1 April 2010.

A. Quality Control Policies and Procedures

The firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partner(s) are appropriate in the circumstances.

The firm’s system of quality control should include policies and procedures addressing each of the following elements:

- (a) Leadership responsibilities for quality within the firm.
- (b) Ethical requirements.
- (c) Acceptance and continuance of client relationships and specific engagements.
- (d) Human resources Development and Training.
- (e) Engagement performance.
- (f) Monitoring.

The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

How such matters are documented is the firm’s decision. For example, large firms may use electronic databases to document matters such as independence confirmations, performance evaluations and the results of monitoring inspections. Smaller firms may use more simple and informal methods such as manual notes, checklists and forms.

Documents needed for Quality Control for Audit of Financial Statements

<i>Title</i>	<i>Information Contained</i>
<ul style="list-style-type: none"> • Compliance with the Relevant Ethical and independence requirements • Acceptance and Continuance of Client relationship and audit engagements. • Consultations. 	<ul style="list-style-type: none"> • Issues identified with respect to compliance with relevant ethical requirements and how they were resolved. • Confirmation of independence and documenting the same. • Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions. • Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements. • The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement.
<p>Engagement Quality Control Review - Timing and Procedures.</p>	<p>The engagement quality control reviewer document:</p> <ul style="list-style-type: none"> • The procedures required by the firm's policies on engagement quality control review have been performed; and activities performed with respect to this could be documented • The engagement quality control review has been completed on or before the date of the auditor's report; and • The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that significant judgments the engagement team made and the conclusions they reached, were not appropriate.

Documentation of Consultations	<ul style="list-style-type: none">• Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete, detailed and contributes to an understanding of:• the issue on which consultation was sought; and• the results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.• level and professional competence of consultant appropriate in relation to the consultation sought.
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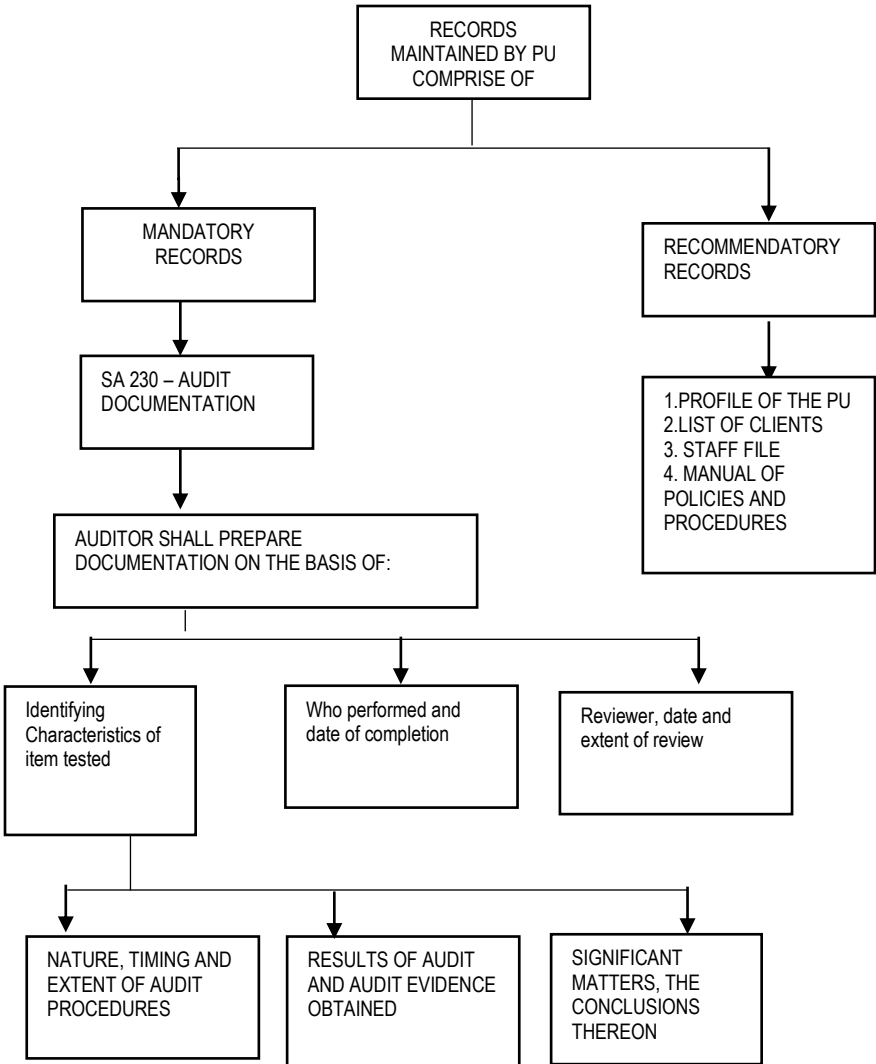
B. Documentation requirements

The maintenance of adequate documentation does not necessarily mean that the quality control policies and procedures of the Practice Unit are adequate. The other factors that should be considered are the audit procedures, summarization of observations and translation of those observations into the final report. Further, the ICAI has issued SA 230 - "Audit Documentation" which should be read in conjunction with other Standards on Auditing (SAs) having a bearing on documentation. The mandatory nature of these Standards implies that while discharging their attest function, it is the duty of the members of the ICAI to ensure that the SAs are followed in the audit of financial information covered by their audit reports. If, for any reason, a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to the material departures therefrom.

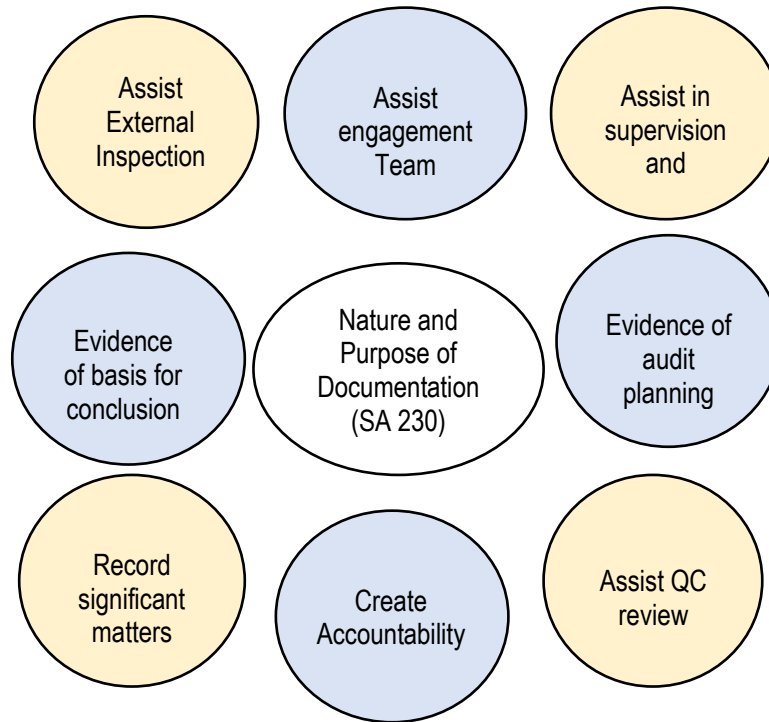
Audit documentation may be in the form of physical papers or in electronic form, more commonly referred to as hard copy and electronic copy respectively.

The records maintained by the Practice Units fall into two categories, i.e., mandatory records and recommendatory records. Working papers maintained by the Practice Units pursuant to SA 230 are mandatory records. A summary of the same is depicted below:

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Nature and purpose of audit documentation



Form and Content of Documentation

Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:

- (a) Size of the firm and the number of offices.
- (b) Degree of authority both personnel and offices have.
- (c) Nature and complexity of the firm's practice and organization
- (d) Records maintained by the client
- (e) Internal controls in operation

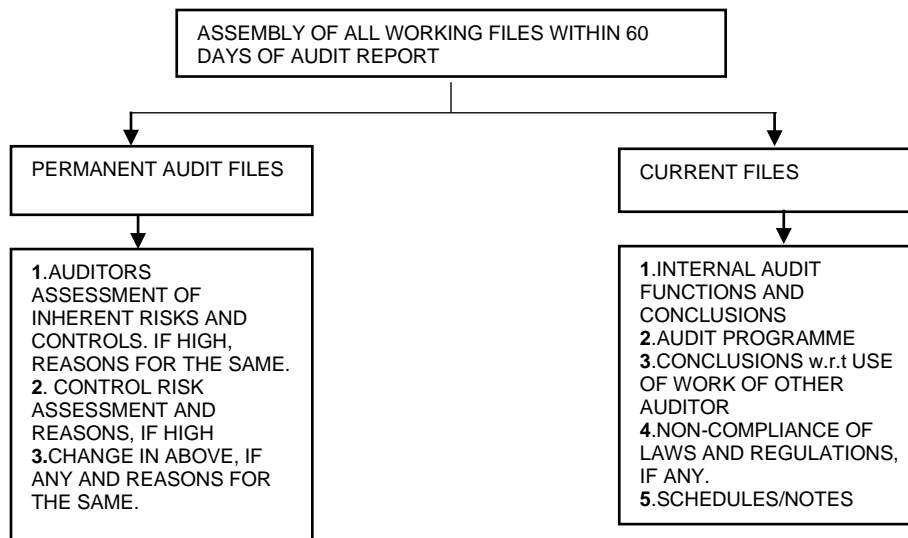
Typical documentation spans the following:



According to SA 230 - "Audit Documentation", documents are segregated into those forming part of PAF (Permanent Audit File) and CAF (Current Audit File):

- a. Permanent audit file contains those documents, the use of which is not restricted to one time period and extends to subsequent audits also. E.g. Engagement letter, Communication with previous auditor, Memorandum of Association, Articles of Association, Organization structure, List of directors/partners/trustees/bankers/lawyers, etc.
- b. On the other hand, a current audit file contains those documents relevant for that time period of audit.

Documentation



Assembly of file

The reviewer should ensure that the firm has adequate policies and procedures to ensure compliance with SA 230 in respect of assembly of file. The final audit file is required to be assembled within 60 days after the date of Auditor's Report. However, after assembly of file, *no document should be added or deleted subject to exceptional circumstances wherein the auditor shall mention the specific reasons for making them and when and by whom they were made and reviewed.* The process of assembly is only an administrative exercise to organize data. No new evidence can be received at the time of such assembly.

Permanent Audit File

In the case of recurring audits, some working paper files may be classified as permanent audit files, which are updated currently with information of continuing importance to succeeding audits, as distinct from current audit files.

The reviewer, after obtaining an understanding of the engagement letter, should examine the permanent file regarding the engagement. The reviewer should also verify that the permanent file is updated regularly to reflect the changes in the information contained in the file. For example, the reviewer may observe that since computerisation by the client, the auditor's understanding of the accounting and internal control has been reflected in the permanent file.

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In the case of review of an audit engagement, the reviewer should also verify that the permanent audit file contains the following documentation:

- (a) the auditor's (Practice Unit) assessment of inherent risk and control risk.
- (b) where the auditor (Practice Unit) has made an assessment that inherent risk is high, the reasons for such assessment;
- (c) where the auditor (Practice Unit) has made an assessment that the control risk is less than high, the basis for such assessment made by the auditor.
- (d) if in any year there is a change in the above, the change should also be reflected in the permanent audit file along with reasons for the change.

The following table illustrates the contents of a permanent file to be maintained by a Practice Unit as a part of audit documentation:

<i>Title</i>	<i>Information Contained</i>
Engagement	<ul style="list-style-type: none">• Letter of engagement• Correspondence with retiring auditor (NOC)
Constitution	<ul style="list-style-type: none">• Copies of Memorandum and Articles of Association in case of corporate entities or• Partnership agreement in case of partnership firm or• Act, Regulation, byelaws, trust deeds, as applicable under which the entity functions
Background and Organisation Structure	<ul style="list-style-type: none">• Nature and history of the business• Profile of ownership• Registered office details• Management structure including organisation chart• Industry specification with reference to client's size, economic factors affecting the industry, seasonal fluctuations and demands

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	<ul style="list-style-type: none"> • Facility locations, plant capacity, owned or leased, age, capital expenditure budget, etc. Products specifying diverse range along with classification • Purchase volumes, main suppliers, policies • Inventory norms, inventory levels during last five years and related ratios. • Sales volumes including exports, main customers, methods of distribution, pricing policies, credit policy • Personnel showing numbers, analyses by departments or function, method of remuneration, contracts, union agreements, HR policy • Copy of audited financial statement for previous five years, if it exists. • Study and evaluation of internal controls • Significant audit observations of past • Statistical information showing 5 years comparison of performance indicators (major accounting ratios) Industry statistics
Systems (for larger Audits, this section could be held on a separate file)	<ul style="list-style-type: none"> • Details of methods of accounting including cost accounting, flow charts, specimens of accounting documents, code structure and list of accounting records • EDP-systems security, source code security, authorisation and back up policy
Contracts, agreements, Minutes	<ul style="list-style-type: none"> • Leases agreements photocopies/ extracts of the same • Title deeds inspected annually by auditor • Royalty agreements • Minutes of continuing importance such as Directors' meeting, Members' meeting
Group	<ul style="list-style-type: none"> • Group structure - subsidiaries, associates • Joint venture

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	<ul style="list-style-type: none">• Names of auditors
Other professional advisor's list	<ul style="list-style-type: none">• Bankers• Solicitors• Investment Analysts• Registrars• Credit Rating Agency
Miscellaneous	<ul style="list-style-type: none">• Details of other client information of a permanent nature

Current Audit File

One or more files, in physical or electronic form, meaningfully arranged containing the records that comprise the audit documentation for a specific engagement.

The reviewer should examine the audit file with regard to the engagement documentation of the following matters which are important in providing evidence that the engagement was carried out in accordance with the basic principles mentioned in *SA 200- Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing*.

- (a) General and specific evaluation of the internal audit function and conclusions in this respect (relevant only in case of audit and other functions of similar nature).
- (b) Audit programme, significant changes in the audit programme and the reasons for such change.
- (c) In the case of an audit, when other auditor's work has been used in relation to the components of the client of the Practice Unit whose financial information were audited by other auditors, their significance to the financial information of the entity (client of the Practice Units) as a whole, the auditing procedures performed and conclusions drawn by the Practice Unit with regard to the use of the work of another auditor; where the other auditor's report was modified, the manner in which the modifications made by other auditors are dealt with.
- (d) In case the engagement under review was executed jointly with another Practice Unit(s), the division of work amongst the Practice

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Units and other joint auditor(s) as well as the areas of work covered by all of them.

- (e) Communication of division of work to the client.
- (f) Evidence that the work performed by assistants has been reviewed.
- (g) Non-compliance of laws and regulations by the entity (client of the practice unit).

The following table illustrates the contents of an audit file:

<i>Title</i>	<i>Information Contained</i>
Engagement	<ul style="list-style-type: none">• Acceptance of annual reappointment
Accounts	<ul style="list-style-type: none">• Copy of draft financial statement• Copy of final signed financial statement
Reports and Final Papers	<ul style="list-style-type: none">• Copies of all draft and final reports issued to client• Correspondence with other auditors and experts• Comments received from client and letter of representation• Observations on accounts and points carried forward to next year• Final journal entries• Company accounts checklist - directors' report• Audit completion report
Audit Plan	<ul style="list-style-type: none">• Planning programme• Time and cost summary• Briefing notes• Copy of planning letter to client• Points carried forward from previous year
Balance sheet, statement of profit and loss account and cash flow statement audit – systems testing	<ul style="list-style-type: none">• Lead schedules/ Notes• Audit programmes• Detailed working papers and conclusions• Company accounts and Accounting Standard, if any, checklists

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	<ul style="list-style-type: none">• Queries raised and explanations received• Third party confirmations and certificates• Weaknesses identified and copy of letter of weaknesses sent to client
Accounts preparation	<ul style="list-style-type: none">• Schedules/ Notes• Trial balance• Cross-reference to audit work performed
Audit Programme	<ul style="list-style-type: none">• Audit procedure (compliance and substantive)• Detailed working papers and conclusions• Queries raised and explanations received
Extracts from minutes relating to accounting	<ul style="list-style-type: none">• Directors' meetings• Members' meetings• Audit committee meetings• Investment and other Board committee meetings
Statistical information	<ul style="list-style-type: none">• Performance indicators collected which have a bearing on the• Extent, nature, timing of substantive tests• Analytical review, comments and observations

Retention of Workings Papers

The auditor should retain the working papers for a period enough to meet the needs of his practice and satisfy any pertinent legal or professional requirements of record retention.

Circumstances may require additions to audit documentation after the report release date. Audit documentation must not be deleted or discarded after the documentation completion date; however, information may be added. Any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.

Ensuring non editable backups of audit documentation stored in electronic format.

Ownership and Custody

Standard on Quality Control (SQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, issued by the Institute, provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He 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.

Departure from the Requirement of the Standard

In the event the auditor is not in a position to comply with a particular requirement of the Standard, it should document the reasons for the same and the alternative procedure adopted to achieve the given objective.

Matters arising after the date of the Audit Report

In some exceptional cases where auditor performs additional procedure after the date of the Audit Report which has bearing on the Financial Statement, the same shall be documented as to the impact on the auditor’s report, the reasons for such circumstances and by whom such review was undertaken and additional documents received.

It is an important principle in respect of Documentation – “What is NOT documented is NOT done.

Guidance to Reviewer on review of Audit Documentation

1. Given below is an illustrative checklist of the aspects a reviewer needs to examine when conducting a Practice Unit client’s audit file review. This checklist is not exhaustive, and reviewers are certainly not precluded from looking into the PU client’s audit workpapers for evidence of compliance with the technical standards outside this checklist.
 - (a) Understand the Client’s business, accounting systems and control environment
 - (b) Review of the past financial statement & reports of internal/statutory auditors

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- (c) Working papers to have adequate audit evidence for assertion made in the financial statements
 - (d) Working papers to appropriately agree with the books of accounts
 - (e) Perform financial statements review
 - (f) Ensure updation of permanent audit file
 - (g) Review individual and aggregate effect of unadjusted errors
 - (h) Check compliance with legal and regulatory requirements, ICAI Accounting Standards
2. The above checklist which clearly defines the details to be verified by the reviewers and the process followed by the reviewers to verify these documents, should also be subsequently cross-checked to ensure that proper review mechanism is followed by the reviewer for verification of documents. If need be, these documents can be disclosed to the Practice Unit to ensure appropriate cost-benefit analysis.
 3. In case of any discrepancies observed by the reviewer in terms of non-co-operation/un-availability of information by the PU, such discrepancies must be documented and submitted on a timely manner to the Board to avoid delays.
 4. A proper mechanism to be defined by the reviewer to ensure that all the branches and other offices of the Practice Unit are covered under the review, which can be decided on the basis of the number of transactions, turnover, employee head count etc. The mechanism followed for verifying the details of the branches/other offices should be clearly documented and reviewed by the Board to ensure that all the requisite details of other offices/branches are covered as a part of the peer review process.

Tips for Auditors on documentation / working papers

1. Each audit working paper file should be contain the following information:
 - a. Name of the Client
 - b. Period covered by the audit

- c. Subject-matter
 - d. File reference
 - e. Initials of the member of the audit team who prepared it and the date on which it was prepared
 - f. Initials of the member of the audit team who reviewed the working paper.
 - g. Complete lead schedules
 - h. Working papers to agree with books of accounts, financials and are cross-referenced.
 - i. Audit Summary Memorandum
2. Along with the above documents, following are the general guidelines which can be adopted by the Practice Unit for preparation of working papers:
- a) *Clarity and Understanding* - Working papers should be clear and understandable without supplementary oral explanations. With the information the working papers reveal, a reviewer should be able to readily determine their purpose, the nature and scope of the work done and the preparer's conclusions.
 - b) *Completeness and Accuracy* – Working papers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.
 - c) *Pertinence* – Limit the Information in working papers to matters that are important and necessary to support the objectives and scope established for the assignment.
 - d) *Logical Arrangement* – File the working papers in a logical order.
 - e) *Legibility and Neatness* – Working papers should be legible and as neat as practicable. Sloppy work papers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the work papers before writing.
 - f) *Safety*- Keep your work papers safe and retrievable

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- g) *Initial and Date*- Put your initials and date on every working paper
 - h) *Summary of conclusions*- Summarize the results of work performed and identify the overall significance of any weaknesses or exceptions found.
3. Proper guidance should be given to staff by the Practice Unit regarding the following:
- a) Filing/keeping of working papers
 - b) Checklist of documents to be obtained and maintained
 - c) Indexing of documents/ working papers
 - d) Proper numbering/ sequencing of working papers
 - e) Summarizing of overall findings
 - f) Writing of queries
 - g) Discussing with seniors on matters of importance
 - h) Disposing of query -at staff level/ senior level/ partner level
 - i) Importance of the working papers to be signed, dated and approved by relevant level of audit staff with enough cross reference
 - j) Importance of depicting the client's name, file number, accounting period, subject of working paper and reference of working paper with current or permanent file.

ILLUSTRATIVE CHECKLISTS

The specific audit documentation requirements in the respective SAs are as illustrated below:

SA	Title	Document needed	Yes/No/N A	Remarks
SA 200	The overall objective of the Independent Auditor and conduct of	Relevant papers collection at each stage of audit as necessary. Independence compliance		

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SA	Title	Document needed	Yes/No/N A	Remarks
	audit in accordance with the Auditing Standards			
SA 210	Agreeing with audit engagement terms	Audit engagement letter		
SA 220	Quality control for an audit of financial statements	Quality control policies and procedures by auditing firms for audit plans, personnel, etc.		
SA 230	Audit Documentation	<ul style="list-style-type: none"> - Audit programmes - Analyses - Issues memoranda - Summaries of significant matters. - Letters of confirmation and representation. - Checklists. - Correspondence (including e-mail) concerning significant matters. <p>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.</p> <p><i>Audit documentation, however, is not a substitute for the entity's</i></p>		

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SA	Title	Document needed	Yes/No/N A	Remarks
		<i>accounting records.</i>		
SA 240	Auditor's Responsibilities Relating to fraud in an audit of financial statements	<ul style="list-style-type: none"> - Industry specific risk identifying factors - Documents on understanding of Internal control process - Inquiries and communication with entity's employees /management 		
SA 250	Consideration of Laws and Regulations in an Audit of Financial Statements	List of relevant registration with various states, legislations along with responsible person's inquiry, checklist of compliances for prevention and detection from non-compliances		
SA 260	Communication with those charged with governance	Not necessarily required to be documented unless some specific considerations		
SA 265	Communicating deficiencies in internal control to those charged with governance and management	Obtaining reply for the same is required		
SA 299	Joint Audit of Financial Statements	Clear bifurcation of scope and responsibility is to be done		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
SA 300	Planning an Audit of Financial Statements	<ul style="list-style-type: none"> - Audit strategy and audit plan - Update audit plans as per the need like unexpected events, changes in conditions, - Before starting initial audit engagement: Client acceptance and previous auditor communications/correspondence 		
SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment	Factors, operations, ownership, internal control understanding, as well documenting.		
SA 320	Materiality in Planning and Performing an Audit	Selection of Samples, Quantitative and Qualitative factors for materiality		
SA 330	The Auditor's Responses to Assessed Risks	Material misstatement addressed to management, test of controls for its effectiveness		
SA 402	Audit Considerations Relating to an Entity Using a Service Organization	Differs from Service to Service		

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SA	Title	Document needed	Yes/No/N A	Remarks
SA 450	Evaluation of Misstatements Identified during the Audit	Needs to be documented with proper evaluation and conclusion.		
SA 500 & SA 501	Audit Evidence	Reliability of relevant test of evidences, non-conflict with other evidences on same matter		
SA 505	External Confirmations	Procedures for confirmation requests from related to third parties – For e.g. Bank, Receivable, Payable, Stock, Loans, Investment		
SA 510	Initial Audit Engagements – Opening Balances	Recent financial statements and previous auditor report		
SA 520	Analytical Procedures	Comparison of information for prior period, data reliability, significant fluctuations		
SA 530	Audit Sampling	Technical analysis for sample selection, substantive procedures, etc.		
SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	Management Representation Letter with appropriate assumptions made and its reasonableness		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
SA 550	Related Parties	List of parties' transactions entered, minutes books relevant details, Identifications of information provided by management transactions		
SA 560	Subsequent Events	Adequate disclosure representation from those charged with governance		
SA 570	Going Concern	Relevant factors of sustainability		
SA 580	Written Representations	Specifying each item disclosed in balance sheet		
SA 610	Using the work of Internal Auditors	Report and Summary of Internal Audit report		
SA 620	Using the Work of an Auditor's Expert	Reliance and reliability of work performed		
SA 710	Comparative Information– Corresponding Figures and Comparative Financial Statements	Needs to be given and working paper to be maintained		
SA 720	The Auditor's Responsibility in Relation to Other Information	Financial and Non-Financial Information required as per law regulation or custom (other than financial statements and auditor's report), Inconsistent information		

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SA	Title	Document needed	Yes/No/N A	Remarks
SA 800	Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	<p>Engagement Letter, Purpose and Intended users, Steps to determine applicable framework by Management,</p> <p>Factors having impact on information presented.</p> <p>Interpretation is significant when Adoption of Another reasonable Interpretation would have produced a material difference in the information presented in the financial statements. Examples of special purpose frameworks are:</p> <ul style="list-style-type: none"> • Cash Receipts and Disbursements – Cash Flow • Reporting provisions contained in Contract – like loan agreement, project grant or bond indenture 		
SA 805	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial	<p>Engagement Letter with clear scope identifying factors of the matters to be reported</p> <p>Examples: Single Financial Statement – only cash flow</p> <p>Element – Account or Group including relevant notes (Account</p>		

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SA	Title	Document needed	Yes/No/N A	Remarks
	Statement	Receivable, Schedule of externally managed assets), etc.		
SA 810	Engagements to Report on Summary Financial Statements	Agreement with management for understanding scope of audit of summary financial statements in the event of non-acceptance of such agreement. In this case the audit reporting shall not be taken. Evaluation sheet Management criteria and its acceptance Audited Financial Statement Comparative list of summaries with complete set of financial statement		

General checklist of documents to be maintained by the Practice Unit either electronically or as hard copy files

Each business will be different and the decision on how best to handle file & data storage should be based on the specific needs & requirements of the company.

Understanding that there are some limitations in going completely digital, as well as any laws and regulations that require original files to be on record, it is recommend that businesses maintain important documents in multiple formats.

Considering the above, following is an illustrative general list of documents to be checked and maintained for an audit engagement by the Practice Units:

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Sr No	Particulars	YES/NO/NA	REMARKS	Page number of Hard Copy file	Electronic Copy reference
MASTER DATA/DOCUMENTS					
1	Audit engagement letter (with reference to SA 210)				
2	Opening and closing trial balance				
3	Last year signed financial statement				
4	List of various registrations obtained under other laws				
5	List of Branches				
6	List and place of books maintained				
7	Loan payment sch. & loan confirmation letter				
8	Cash balance confirmation letter along with denomination				
9	Bank balance confirmation				
10	Outstanding entry passed – provide supporting				

Documentation

	photocopy				
11	Draft financial statement				
12	Management representation letter				
DIRECT TAX REPORTING					
13	Copy of computation of income of last year				
14	Summary of disallowances to be made and allowances as per section 43b of I T Act				
15	Deferred tax working				
16	Form 26AS/AIS				
17	Advance tax payment challans				
18	Invoice of addition to fixed assets				
19	Invoice of sale of fixed assets				
20	TDS payments challans				
21	Cash Ledger with transaction more than Rs. 10,000/-				
22	Status of pending income tax assessment				

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23	Certificate under sec. 40(A)(3) & 269SS, 269ST & 269T Of Income Tax				
24	List of parties covered under section 40 A 2(b) with relations and transactions				
25	TDS details as per Clause 34				
26	Quantitative Details				
INDIRECT TAX REPORTING					
27	Applicability of GST				
28	Applicability of Customs				
29	Respective returns copy				
30	Respective challans copy				
31	Respective order status, if any				
32	Reconciliation statement of turnover declared and booked, wherever required				
COMPANY LAW					
33	Shareholding pattern				
34	List of Directors				

Documentation

35	List of KMP				
36	Register extracts of transactions with related parties				
37	Minutes of meetings				
38	List of related parties as Per As18				
39	Ledger of related party from tally having transaction				
40	Calculation of foreign exchange profit/loss				
41	Representation from Director for Qualification				
42	Any change in MOA/AOA				
43	Copy of annual return filled with MCA				
44	Calculation of director remuneration as per Companies Act				
45	CSR – Applicability and its compliances				
46	Cash flow statement by other than small and one person company				

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47	Consolidated financial statement preparation applicability				
48	Internal financial controls policy and monitoring process				
49	Schedule II – Depreciation Useful life if not the same technical report				
50	KMP appointment and its compliances				
51	Directorship list – appointment or disqualification if any				
52	Independent director and/or women director				
53	Deposits repayment other than directors (Compliance of Section 73)				
54	Annual return extracts – MGT 9				
55	Number of meetings by BOD (OM, EOM, BM) and its minutes				
56	Vigil mechanism				

Documentation

57	List of contracts or arrangements with related parties				
58	Various Committees to be formed				
59	Interest by directors				
60	Various Forms filed with ROC				
61	Corporate Governance				
62	Secretarial Audit Requirement or Compliance Certificate from Practicing CS				
63	Charge creation / Modification / Satisfaction				
64	Compliance with Section 185/186				
COMPLIANCE UNDER ALLIED LAWS					
65	PF payment challans and returns copy, if any				
66	Profession tax payment challans and returns copy, if any				
67	ESIC payment challans and returns copy, if				

Peer Review Manual

	any				
68	LWF payment challans and returns copy, if any				
69	SEBI Compliances				
70	MSME Compliances				

Fundamental Principles

1. Practice Unit to ensure that the basic documents of an audit (being those included in “Master Data/Documents” section in the above checklist) should be maintained in a hard copy file for ease of review. An appropriate reference to the electronic copy files should be provided for ease of interlinking documents.
2. Where the documents maintained are in electronic form only, appropriate links and references of storage of documents to be provided by the Practice Units.

Bibliography

Following documents issued by the ICAI:

1. SA 230 – “Audit Documentation”
2. Standard on Quality Control (SQC) 1 – “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”
3. SA 200 – “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”
4. Implementation Guide to Standard on Auditing (SA) 230, Audit Documentation.