

AUDIT DOCUMENTATION



CPA Samuel kiautha Nthangi

*Sam & associates certified public
Accountants of Kenya.*

NAIROBI



ISA 230.5

Objective

The objective of the auditor is to prepare audit documentation that provides:

A sufficient and appropriate record of the basis for the auditor's report; **and**

Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

ISA 230.8

Requirement

The auditor shall 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 the audit procedures performed to comply with ISAs and applicable legal and regulatory requirements;

The results of the audit procedures and the audit evidence obtained; **and**

Significant matters arising during the audit and the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.

Elements to incorporate into your documentation

P urpose	Objective/Purpose of procedure should be clear
S ource	All documents must indicate their source, e.g. PBC
C onclusion	Conclusions should be documented for every audit procedure Extent of documentation should be sufficient for an experienced auditor with no previous connection with the engagement to understand nature, timing, extent and results of procedures performed, evidence obtained and conclusions reached
N ature	Documentation of auditing procedures that involve the inspection of documents or confirmation includes identification of items inspected
T iming	All evidence to support the audit opinion is obtained and reviewed before signing the opinion



The engagement file

Evidence Gathering Activities

- Wizards
- Workpapers

Library Documents

(Electronic or Hard Copy)

Significant Matters

Explanations

Coaching Notes¹

Project Management Notes¹



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Revisited

The auditor shall 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 the audit procedures performed to comply with ISAs and applicable legal and regulatory requirements;

The results of the audit procedures and the audit evidence obtained; and

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Questions

- ***How long should we retain audit working papers?***
 - ***Who owns the audit papers?***
- ***After the signing of opinion how long should it take to finalize the file?***



WHAT IS AUDIT DOCUMENTATION?

- *Audit documentation is the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations, whether those representations are contained in the auditor's report or otherwise.*
- It includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the auditor.



WHAT IS AUDIT DOCUMENTATION?

- Audit documentation also may be referred to as *work papers or working papers.*



WHO REVIEWS AUDIT DOCUMENTATION?

Reviewers might include, for example:

- Auditors who are new to an engagement and review the prior year's documentation to understand the work performed as an aid in planning and performing the current engagement.
- Supervisory personnel who review documentation prepared by assistants on the engagement.
- ICPAK



WHO REVIEWS AUDIT DOCUMENTATION?

- Engagement supervisors and engagement quality reviewers who review documentation to understand how the engagement team reached significant conclusions and whether there is adequate evidential support for those Conclusions.



WHO REVIEWS AUDIT DOCUMENTATION?

- A successor auditor who reviews a predecessor auditor's audit documentation.
- Internal and external inspection teams that review documentation to assess audit quality and compliance with auditing and related professional practice standards; applicable laws, rules, and regulations; and the auditor's own quality control policies.



AUDIT DOCUMENTATION REQUIREMENT

The auditor must prepare audit documentation in connection with each engagement

Examples of audit documentation include memoranda, confirmations, correspondence, schedules, audit programs, and letters of representation.



AUDIT DOCUMENTATION REQUIREMENT

- Audit documentation may be in the form of paper, electronic files, or other media.

How it helps?

- It supports the basis for the auditor's conclusions concerning every relevant financial statement assertion, and
- Audit documentation demonstrates that the work was in fact performed



AUDIT DOCUMENTATION REQUIREMENT

One significant feature of audit documentation (work paper):

- Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement:
 - a. To understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and
 - b. To determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.



Evidence referencing

- The file should `speak`
- Cross referencing from one working paper to another



AUDIT DOCUMENTATION REQUIREMENT

What else it should include?

Audit documentation must include information the auditor has identified relating to significant findings or issues that is inconsistent with or contradicts the auditor's final conclusions.

But don't forget to retain records and how you resolve the issues through consultation and professional judgment among engagement team members.



AUDIT DOCUMENTATION REQUIREMENT

What happens if after the audit documentation completion date auditor finds, due to lack of documentation, that the procedures may not have been performed, evidence may not have been obtained, appropriate conclusions may not have been reached?



AUDIT DOCUMENTATION REQUIREMENT

The auditor must determine that

- sufficient procedures were performed
- sufficient evidence was obtained, and
- appropriate conclusions were reached with respect to the relevant financial statement assertions

To accomplish this, the auditor must have persuasive

other evidence. Oral explanation alone does not constitute persuasive other evidence, but it may be used to clarify other written evidence.



AUDIT DOCUMENTATION REQUIREMENT

(1) If the auditor determines and demonstrates that sufficient procedures were performed, sufficient evidence was obtained, and appropriate conclusions were reached, but that documentation thereof is not adequate, then the auditor should consider what additional documentation is needed.

Q. Can we add additional documentation after the audit is done?



AUDIT DOCUMENTATION REQUIREMENT

- A. 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.



Retention of and Subsequent Changes to Audit Documentation

- ED 230 proposed new guidance to emphasize the need for the auditor to complete the assembly of the final audit file without undue delay after the date of the auditor's report.
- To provide an indication of time limit, the guidance also stated that such assembly would ordinarily be completed not more than 60 days after the date of the auditor's report.
- ICPAK guide-Under other circumstances, the working papers should be retained for at least 8 years after the date of adoption of the financial statements by the owners of the entity, to cater for 6 years required by the Limitation of Actions Act for actions founded on contracts and an additional 2 years to take into account the possible period of reliance that could be placed on an auditor's report and the initial period for the commencement of legal proceedings.



Summary of Key Points

- Audit documentation also may be referred to as work papers or working papers
- The auditor must prepare audit documentation in connection with each engagement conducted pursuant to ISA 230 REVISED
- Audit documentation demonstrates that the work was in fact performed
- The auditor must retain audit documentation for eight years from the date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements (report release date), unless a longer period of time is required by law.