

AUDIT COMPLETION AND DOCUMENTATION OF AUDIT EVIDENCE

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Venue: White Rhino- Nyeri

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OUTLINE

Review of audit

Nature and purpose of audit evidence

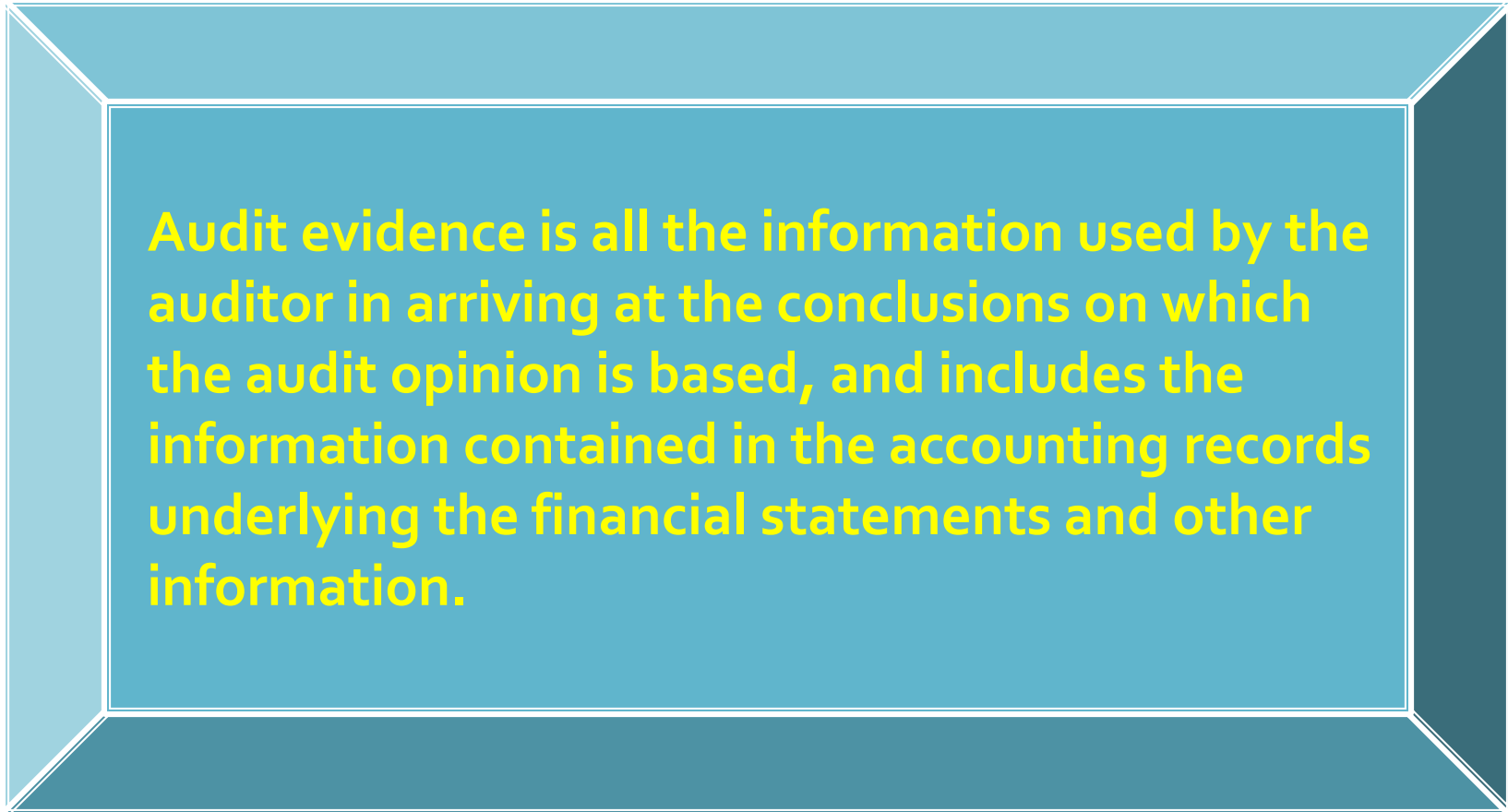
Communicating audit findings to the management

Review of Audit File

- ❑ Why should a partner review an audit file?
- ❑ Can the final review of the audit file be delegated?
- ❑ What guides what to review in an audit file?
- ❑ What is the end result after reviewing the audit file?

Nature and purpose of audit evidence-ISA 500

Audit evidence

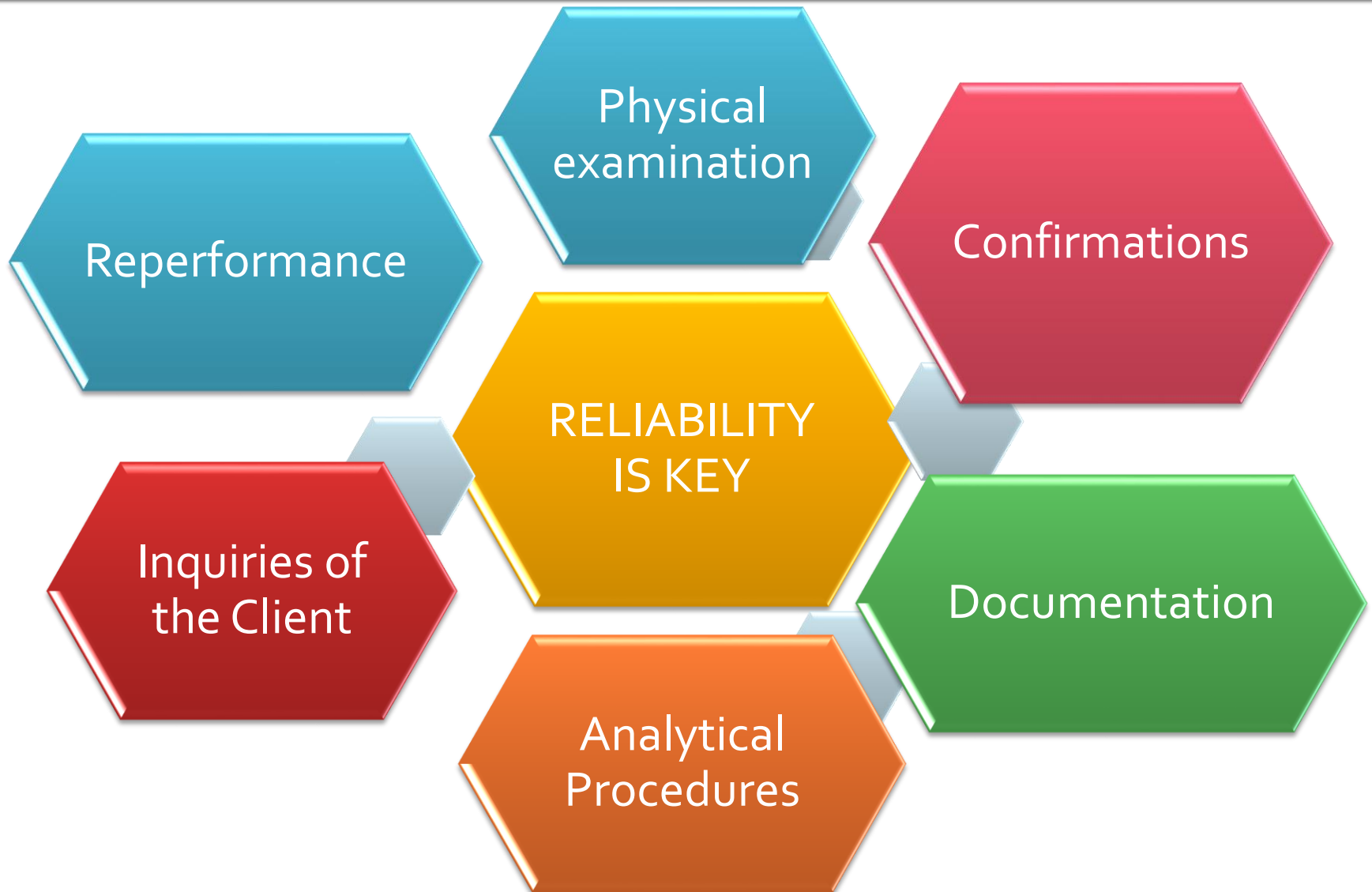


Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based, and includes the information contained in the accounting records underlying the financial statements and other information.

Characteristics of Good Audit Evidence

- **Competence** – The degree to which evidence can be considered trustworthy.
- **Sufficiency** – Amount of evidence is enough to form a reasonable opinion.
- **Relevance** – Must pertain to the audit objective being tested.
- **Independence** – Evidence from outside the client is a stronger form of evidence

Types Audit Evidence



Documenting Audit evidence-ISA

230

Working papers provide the principal record that the audit has conformed to ISAs

Permanent File

Information that is relevant for multiple years on recurring engagements

Current File

Information relevant for a given audit client for a particular audit year.

Typical Working Paper Format

Headings: Audit client name, year under audit, etc.

Indexing: Arrange papers in some common order.

Tick marks: Symbols to key a footnote to an item.

Sign-off : Indicates auditors that prepare and review.



- A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.
- **Engagement quality review is mandatory for all listed entities**

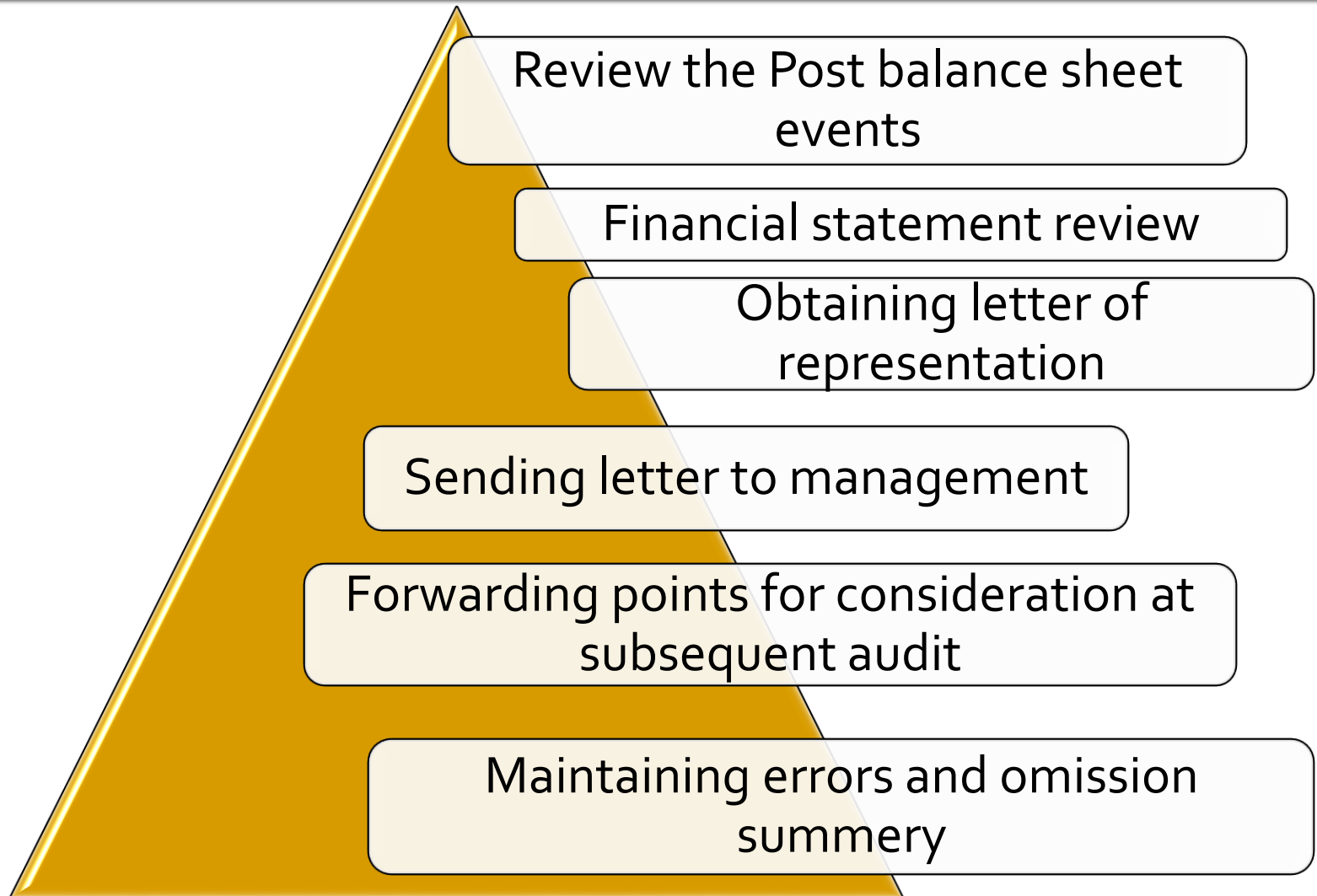
Review of audit-ISA 220

- The engagement partner conducts timely reviews throughout the engagement to identify and resolve significant matters.
- All audit work is reviewed by senior team members
- Engagement partner ensures there is sufficient appropriate audit evidence to support audit report

Audit Completion

- Refers to those steps which are taken by the auditor after the routine checking and verification of accounting records has been completed, in order to enable him to wind-up his examination and report.
- Completion stage normally involves the following activities:

COMPLETION PROCEDURE



POST BALANCE SHEET EVENTS

1. POST BALANCE SHEET EVENTS-ISA 560

Those events, favorable or unfavorable, that occurs between the Balance Sheet date and the date on which the financial statement are authorized to issue are called Post Balance Sheet Events.

Period Covered by Subsequent Events Review

**Client's ending
balance sheet
date**

**Audit
opinion
date**

**Date client
issues financial
statements**



**Period to which review for
subsequent events applies**

**Period for
processing
the financial
statements**

Types of Subsequent Events

1

Those that have a direct effect on the financial statements and require adjustment-Adjusting Event

2

Those that have *no* direct effect on the financial statements but for which disclosure is advisable- non Adjusting events

CONT.....

- The auditor should perform the procedures designed to obtain sufficient audit evidence that all events up to the date of the auditor's report that must require adjustments, or disclosure in, the financial statement have been identified.

Review of Financial Statement

2. Review of Financial Statement

- The auditor should review the financial statement in such a manner that he may be able to:
 - draw conclusions from the order evidence obtained by him
 - to give him a reasonable basis of his opinion on the financial statements.
- The auditor should satisfy himself as to whether:
 - i. Financial Statement have been drawn up in accordance with the reporting framework which are consistent and appropriate to the enterprise.

COMPLETION PROCEDURE

- ii. The results of operation, states of affairs of the financial position, other information reflected in the financial statement and the directors report are comparable.
- iii. All matters have been properly disclosed and classified.
- iv. Financial Statement comply to the statutory requirements to the regulation and constitution of the enterprise.

Obtaining Letter of Representation ISA-580.10

3. Obtaining Letter of Representation ISA-580.10

- It confirming the various representation made by management in respect of matters which are material and for which the auditor has not been able to obtain sufficient independent evidence.
- It should be consistent with other available advance given by management.
- It should either be recorded in the minutes of the board meeting or formally approved by the board of directors.
- Directors should acknowledge in the letter their responsibilities for the preparation of financial statement.

Communicating audit findings to the management-ISA 265

- Communicate to the management/or those in charge of governance through a Management Letter
- Include the significant findings , impact of the weaknesses and recommendation of how the entity can cover the weakness

Communicate with the Audit Committee and Management

Communicate fraud and illegal acts

Communicate internal control deficiencies

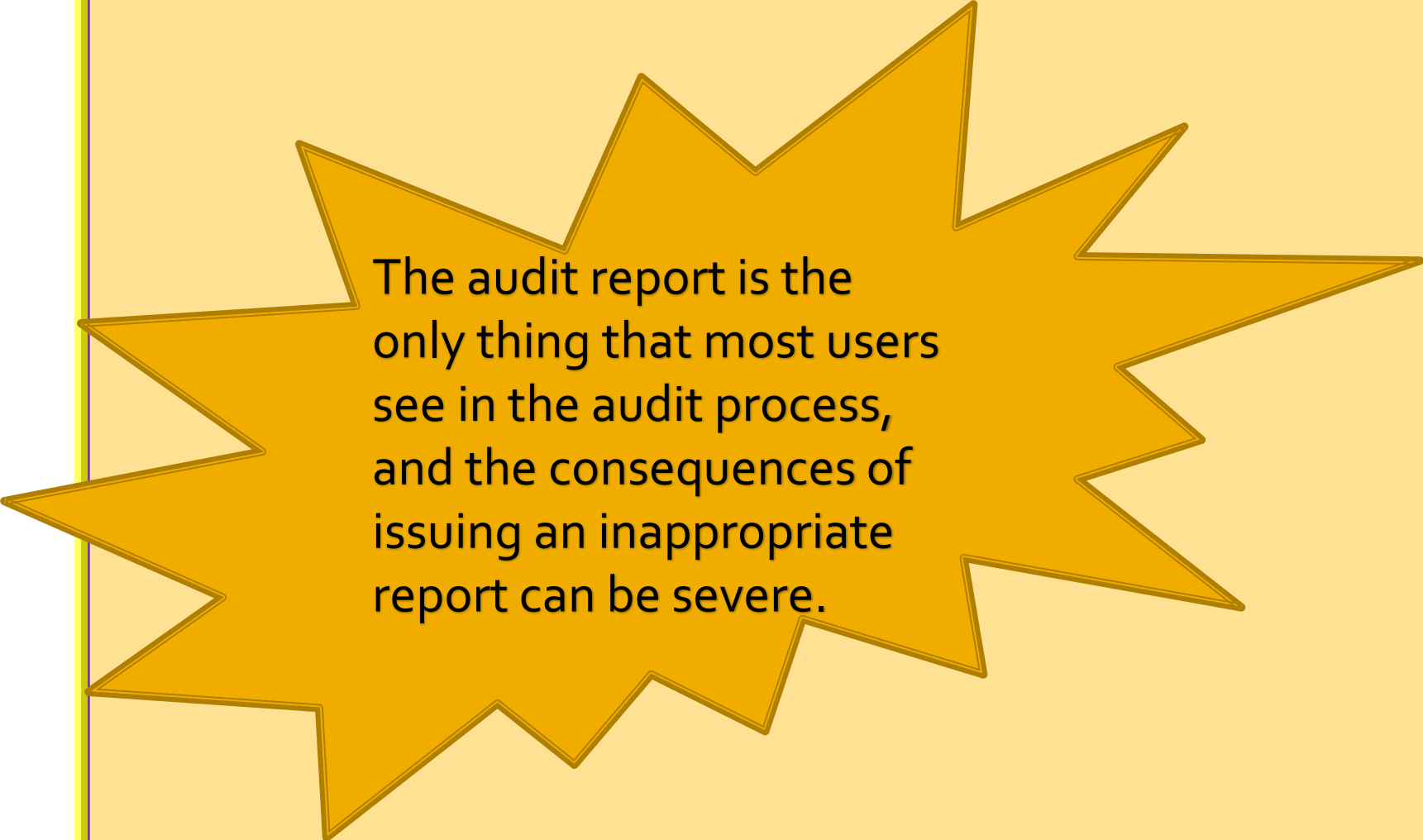
Other communication with audit committee

Points Carried to Subsequent Audit

5. Points Carried to Subsequent Audit

- All the unsettled points have to be taken up at the next period and settled with the client at the start of next audit.
- Auditor have to maintain adequate record of all such items.

Issue the Audit Report



The audit report is the only thing that most users see in the audit process, and the consequences of issuing an inappropriate report can be severe.

Remember

If it is not documented it was not done



END

Thank You!