

AUDIT QUALITY ASSURANCE WORKSHOP

AUDIT PROCEDURES

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LEARNING OBJECTIVES



At the end of this Presentation you should have:-

- ❑ Learnt how to thoroughly and adequately prepare for Pre Engagement Procedures.
- ❑ Acquired tools and skills on Audit Planning – ISA 300
- ❑ Known and obtained technics and competencies on Documentation of Audit Evidence – ISA 230
- ❑ An understanding of what to consider in Audit Completion and Reporting

Presentation Agenda



1. Preparing for an Audit – Pre Engagement Procedures.
2. Planning for an Audit – ISA 300
3. Documentation of Audit Evidence – ISA 230
4. Critical Steps in Audit Completion and Reporting

1. PRE ENGAGEMENT PROCEDURES



Before the Audit –

- a) Undertake an **independent** Pre Engagement Assessment on the potential client.
- b) **Communicate** with the Previous Auditor – Ask for Professional Clearance.
- c) Document your **Independence** and the **intention** to comply with full ISAs and IFRSs – Make a full disclosure on independence.
- d) Disclose the **relationship** if any with the entity and related entities that may affect independence. Include both business and natural relationships.
- e) Issue an adequately prepared **Engagement Letter** – Addressing amongst others objectives, scope, limitations, responsibilities, other matters and have it signed.

1. PRE ENGAGEMENT PROCEDURES



Obtain From Client Draft Financial Statements

- ☐ Audit **Schedules** and other supporting Evidence
- ☐ Be briefed on significant **Accounting matters**.
- ☐ Logically understand significant **Financial Reporting Matters**.
- ☐ Ask client to provide a **secure and private** working space.
- ☐ Be clear on the administration of the process – who is the **process driver/owner**.

Assess the Completeness of Information and documents.

- ☐ All financial records and data given
- ☐ Minutes of Board and Shareholders and Management Meetings
- ☐ Check for information on any known non-compliance with Regulatory, Legal and IFRS requirements.
- ☐ Test for illegal Acts in the Transactions.
- ☐ Know and appraise Related Parties to the Entity.

1. PRE ENGAGEMENT PROCEDURES



Test for Awareness of Fraud and Error

- ☐ Assess Internal Controls to see if adequate for entity
- ☐ Test risk of Material misstatements
- ☐ If fraud/Suspected Fraud is foreseeable assess how it may impact or affect Financial Statements.
- ☐ Assess the effects of uncorrected FS misstatements individually or aggregated as a whole.

Recognition, Measurement and Disclosure of all Information in the FS

- ☐ Test the reasonableness of assumptions on fair value measurement and disclosure.
- ☐ Appraise entity's plans, policies, intentions and actions that may affect carrying amounts and classification of assets/liabilities.
- ☐ Check information and disclosure of transactions with related parties

1. PRE ENGAGEMENT PROCEDURES



- ☐ Check information on claims and potential claims that may lead to contingent liabilities – Check legal opinion from entity's counsel.
- ☐ Check information on other claims like guarantees, letters of credit, losses written or oral.
- ☐ Appraise sanctity of title to assets, liens, encumbrances, pledges and collaterals.
- ☐ Test to see if all major contracts are adhered to and asses potential of non adherence or compliance on the FS.
- ☐ Asses if there are any significant events (Internal/External) that may affect the FS before and after the signing date.

1. PRE ENGAGEMENT PROCEDURES



Management Representations

- ☐ Ensure written confirmations are provided on Financial & Non financial matters related to the balances and items in the FS.
- ☐ Asses non financial matters that may not affect the balances but can affect the Engagement Exercise.
- ☐ Assess Management's judgements/estimates on matters that impact FS either individually or collectively.

What can the Client Expect From the Auditors

- ☐ Professional Behaviour of audit staff
- ☐ Independence from audit staff on matters that affect the audit
- ☐ Confidentiality of data and information from client
- ☐ Communication from audit staff on significant accounting issues.
- ☐ Feedback on improvement through the Management Letter.

2. AUDIT PLANNING ISA 300



ISA 300 states that it is the Auditors Responsibility to Plan the Audit.

Why Plan?

- ☐ Pay attention to important audit areas
- ☐ Identify and resolve potential problems
- ☐ Helps to organize and manage the Engagement for Effectiveness and Efficiency
- ☐ Help identify and allocate relevant skills to the assignment
- ☐ Facilitate direction and Supervision of the audit
- ☐ Attain Efficiency and effectiveness
- ☐ ISA 300 – Requires that Key Audit Staff be involved in Planning

Undertake Preliminary Engagement Activities.

Undertake the technical Planning Activities-
Scope; Objectives; Significant Issues; Initial findings; Allocate staff etc.

3. DOCUMENTATION OF AUDIT EVIDENCE ISA 230



What is Audit Documentation?

- ☐ A Record of Audit Procedures Performed, Relevant Evidence and conclusion.
- ☐ ISA 230 – Documentation is an Auditors Responsibility.

Contents of a good Documentation

- ☐ Have evidence which forms basis of conclusion about achieving Audit Objectives.
- ☐ Have evidence that the audit was planned in accordance with ISAs, Legal and Regulatory requirements.

Why Document?

- ☐ Have evidence which forms basis of conclusion about achieving Audit Objectives.
- ☐ Have evidence that the audit was planned in accordance with ISAs, Legal and Regulatory requirements.

3. DOCUMENTATION OF AUDIT EVIDENCE ISA 230



Reasons/Objectives of Documentation

- ☐ Enables team to Plan and execute audit
- ☐ Tool for directing and Supervising work
- ☐ Create Team accountability
- ☐ Record issues of a continuous concern
- ☐ Enable conduct of quality reviews by regulator
- ☐ Facilitate external inspection by legal experts

What to document?

- ☐ Nature, timing and extent of audit procedures
- ☐ Results of Audit procedures, tests and evidence
- ☐ Significant audit matters – Potential Matters for KAMs
- ☐ Auditors Professional Judgements & conclusions reached
- ☐ How you addressed inconsistencies encountered in the audit
- ☐ Any deviations from ISAs, reasons for deviations and evidence of results

3. DOCUMENTATION OF AUDIT EVIDENCE ISA 230



Document Issues Arising after Date of Audit Report

- ☐ Detailed record of Issues encountered
- ☐ New & Additional Procedures performed in the light of the issues
- ☐ Evidence obtained arising out of the new test done
- ☐ Detailed record of conclusions reached
- ☐ Document clearly the effect of new findings on the Audit Report
- ☐ Assemble and keep the Audit file until end of the statutory retention period.

4. AUDIT COMPLETION & REPORTING

ISA 220; 230;450;520;560;570;580;701



Upon completion of field work on Tests of Control and Substantive Tests and all other Audit Procedures:-

- ❑ ISA 220 - A review is a Requirement – Quality Control for an audit of FS
- ❑ ISA 230 - Check the sufficiency of Audit Evidence – Audit Evidence – Differ audit for further work if evidence is not sufficient.
- ❑ ISA 450 – Evaluate the effect of identified misstatements and uncorrected misstatements during the audit. Accumulate and communicate to Management.
- ❑ ISA 520 – Undertake analytical review and assess if overall conclusion is consistent with auditors understanding of the entity's business.

4. AUDIT COMPLETION & REPORTING

ISA 220; 230;450;520;560;570;580;701



Upon completion of field work on Tests of Control and Substantive Tests and all other Audit Procedures:-

- ❑ ISA 560 – Subsequent Events – Check for events occurring between the BS date and the date of Auditors Report. If they have an effect on the FS then adjust the accounts or disclose the extent of the impact on FS.
- ❑ ISA 570 – Going Concern Considerations – Assess the going concern matters of entity and form a conclusion.
- ❑ ISA 580 – Written Representations – Obtain Management representations on specific critical and significant balances and matters that may affect the FS.
- ❑ Attend Final Meetings with TCWG and explain audit issues.
- ❑ ISA 701 – Audit Opinion – Evaluate all issues and evidence and issue and audit opinion.

CRITICAL REVIEW



Throughout this session we have:-

- ❑ Demonstrated how to perform pre engagement procedures.
- ❑ Elaborated and Discussed tools and skills on audit Planning.
- ❑ Disclosed competencies and skills on documentation of audit evidence, Completion and Reporting of audit assignments

FINALLY



THE END

THANK YOU

Q&A

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