



*Mastering audit documentation -  
revisited*  
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# *Presenters*



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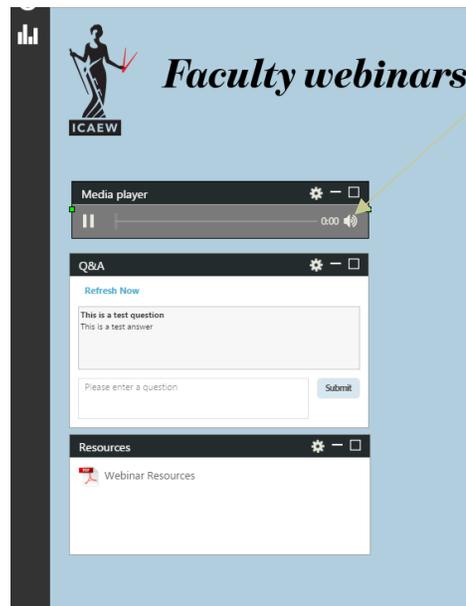
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# *Introduction*



Audio problems?

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# Outline

1. Introduction
2. Use of standardised manuals / checklists?
3. Paperless v paper based?
4. Planning (including free-form memorandum)
5. Fieldwork (including proforma working papers)
6. Completion (including review)
7. Other
8. The biggest challenge



# 1. Introduction

- Auditing standards
  - ISA 230
  - Other specific requirements
- Regulators
- Other guidance

# 1. Auditing standards



## ISA 230 – Audit documentation

### **Objective**

5. The objective of the auditor is to prepare documentation that provides:
  - (a) A sufficient and appropriate record of the basis for the auditor's report; and
  - (b) Evidence that the audit was planned and performed in accordance with ISAs (UK and Ireland) and applicable legal and regulatory requirements.

## Other specific requirements (eg. ISA 550 – Related parties)

### **Documentation**

28. The auditor shall include in the audit documentation the names of the identified related parties and the nature of the related party relationships.<sup>14</sup>

# 1. Regulators



- ISA 500 – Evidence
- ISA 230 – Documentation
- ISA 315 – Identifying risks



## ***Audit Monitoring 2018***



# 1. Other guidance



- Practice Note 26
- Withdrawn in June 2018

“The current version  
... no longer  
supports the  
documentation  
requirements of a  
high-quality audit”

2009  
December

*Practice  
Note*

**26** *(Revised)*

GUIDANCE ON SMALLER ENTITY  
AUDIT DOCUMENTATION

# 1. Other guidance



## JOHN SELWOOD'S AUDIT CLINIC

accounts. This logic doesn't work.

Auditors express an opinion on the financial statements. So, if it is not in there, do not express an opinion on it.

I always use the ICAEW helpsheets to check audit reports (see box), including:

- *Preparing an audit report for a group - combined audit report for the group and parent company; and*
- *Preparing an audit report for a group - separate audit reports for the group and parent company.*

### QUESTION

**The Financial Reporting Council (FRC) has withdrawn Practice Note (PN) 26 - Guidance on Smaller Entity**

**Documentation. Its website states: "The current version of the Practice Note was issued in December 2009, and no longer supports the documentation requirements of a high quality audit." This is really alarming as my audit methodology is based on PN 26. Does this mean that I am not doing 'high quality audits'?**

### ANSWER

I can't comment on the quality of your audits. That is between you and your cold file reviewer. What I can say is don't panic!

AD1

# Question: Other guidance



What (if anything) would you like to see instead of  
Practice Note 26?

**Slide 11**

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**AD1**

Is this an open ended question or should there be options?

Alison Dundjerovic, 15/11/2018

# Question: Use of audit system



Which of the following best describes what audit system your firm uses?

1. Proprietary (tailored as appropriate) system
2. Significantly tailored proprietary system
3. Own-developed system

## 2. Use of standardised manuals / checklists?



- Advantages of standardised manual systems
  - Covers all the requirements (ISAs and Ethical Standards)
  - Helps to emphasise the more important documentary requirements
- Disadvantages
  - Time-consuming
  - Wood for the trees
  - Stifles thought

# Question: Type of audit system



Which of the following best describes the type of audit system your firm uses?

1. Paperless
2. Paper-based



### 3. Paperless v Paper-based?

- Disadvantages of paperless
  - “Harder to review”
  - “Not what we’re used to”
  - Huge IT storage requirements
- Advantages of paperless
  - Portable
  - Saves space
  - Forces compliance?
  - Encourages electronic capture
  - More in keeping with ISAs and risk-based auditing
  - Encourages efficiency in documentation
  - “Easier to review”
  - “What we’re used to”

# 4. Planning



- Key points
  - Recording of meetings / conversations
  - Avoiding repetition
  - Recording conclusions
  - Free-form memorandum

# 4. Free form memorandum



- Advantages
  - Promotes thinking
  - Avoids checklists
  - Avoids repetition
  - Can be used as client facing document
  - Easier to roll forward
- Disadvantages
  - Can expose lack of knowledge of ISAs
  - Too easy to roll forward

# 4. Audit planning memo



- Headings
  - Summary
  - Key risks
  - Accounting issues
  - Ethical issues
  - Fees



# 5. Fieldwork

- Key points
  - Objective, Method, Results, Conclusion
  - Evidence on file, not in heads!
  - Narrative as well as numbers
  - Link to planning
  - Working papers, not just programmes
  - Proforma working papers

# 5. Proforma working papers



Microsoft Excel - Sales and debtors.xls														
File Edit View Insert Format Tools Data Window Help														
B19 fx														
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Client Name:	Radius Marketing Limited										H11-1		
2	Accounting Period:	31/12/2008					Prepared by:	SE		Date:	23/03/2009			
3	<b>Systems confirmation</b>						Reviewed by:			Date:				
4														
5														
6	Objective:	To confirm our record and understanding of the sales, debtors and receipts system and related controls.												
7														
8														
9	Work done:	The detailed notes on systems and controls are filed at:										PF2-3		
10														
11		The design and implementation of the key elements of the system have been confirmed by conducting:												
12		a walkthrough test.												
13														
14														
15	Results:	See steps undertaken for job number 109887 on H100												
16														
17														
18	Conclusion:	The system appears to have been implemented as per the notes.												
19														
20														
21														

# 5. Proforma working papers



- Advantages
  - Consistency
  - Clarity
  - Efficiency
- Disadvantages
  - Stifles thought
  - Nullifies planning
  - Open to abuse



# 6. Completion

- Key points
  - Link to planning / fieldwork
  - Recording of meetings / conversations / correspondence
  - Audit summary memorandum
  - Effective review
  - Going concern and subsequent events
  - Recording conclusions

# 6. Audit summary memo



- Headings
  - Key points in accounts
  - Key points in audit
  - Profit reconciliation
  - Matters requiring decision
  - Matters for partner attention
  - Management letter points
  - Outstanding points
  - Recommended audit opinion
  - Non-audit considerations
  - Budget comparison

# Question: Review of fieldwork



Where does the manager review of the fieldwork take place?

1. Usually on-site
2. It varies
3. Usually in the office



## 6. Effective review

- Avoid review points!
  - Better planning
  - More supervision
  - Review at the right time
  - Review on-site
- Review points
  - Separate significant from housekeeping
  - Focus on objectives



# 7. Other

- Full use of Excel
- Use of pictures / audio
- Data analytics
- Other IT
- IAASB project

# 8. The biggest challenge



- Recording the thought process
- Recording the conclusion
- Recording challenge (professional scepticism)



# Recap

- Introduction
- Use of standardised manuals / checklists?
- Paperless v paper based?
- Planning (including free-form memorandum)
- Fieldwork (including proforma working papers)
- Completion (including review)
- Other
- The biggest challenge



*Any questions?*

## *Future webinars and events*

- Events

**Audit & Assurance Faculty Autumn roadshow 2018 - Various dates and locations**

**Audit & Assurance Faculty Spring roadshow 2019 – Various dates and locations**

- Webinars

**5 December 2018 – Hot topics in auditing and feedback from the roadshows**

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# *Thank you for attending*

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