



# DOCUMENTATION UNDER NEW AUDIT REPORT FORMAT



Presented by: CA Sandeep D

# The Significance



- Aid in Peer Review
- Aid in Legal and Professional Requirements

# Provisions of Company Bill 2012

- The Auditor under the new bill is responsible to the company, its Share Holders, Creditors, Depositors and Tax Authorities
- If proved that contraventions relating to audit standards and other provisions of the act have taken place with the intent to deceive the reader, the auditor will be punishable with imprisonment up to 1 year and minimum fine of Rs. 1 lakh which is extendable up to Rs.25/- lakhs

# Provisions of Company Bill 2012

- Further the auditor will be liable to refund the remuneration to the company besides obligation to pay for the damages to all such persons/authorities for loss arising out of incorrect or misleading statement in the report
- Further the said liability will be that of a concerned individual partner and the respective firm jointly and severally

# National Financial Reporting Authority

NFRA will have responsibility to:

- Make recommendation on formulation and laying down auditing standards
- Monitor and enforce the compliance of accounting and auditing standards
- Oversee the quality of service of the profession associated with ensuring compliances and suggest measures for require improvement in the quality of service
- Perform such other functions as may be prescribed

# NFRA Powers

NFRA has been entrusted with wide powers such as

- To investigate suo moto or on reference made by central government for the matters of professional or other misconduct committed by a chartered accountant or firm during the pendency of such investigation ICAI or any other institute cannot initiate or continue the proceedings in such matter where the investigation is initiated by NFRA
- Have the same powers vested in civil court under civil court

# NFRA Powers

- Impose strict penalties for proven misconduct amounting to not less than Rs.1,00,000/-to the extent of 5 times the fees received in case of a individual and not less than Rs.10,00,000/- and ten times in case of the firm
- Debarring firm or member from engaging from practice as a member of ICAI for minimum period of six months or such higher period not exceeding 10 years as may be decided by NFRA

# Peer Review

Peer Review is an examination and review of the systems and procedures to determine whether they have been put in place by the practice unit for ensuring the quality of attestation services as mandated by technical standards.



# Aim and Objective of Peer Review

- To assess the quality of performance with reference to adherence to technical standards
- The process of reliance placed on financial statements for economic decision making
- To ensure quality and consistency in accounting and auditing services across the firms
- To strengthen the public confidence in financial reporting and effectiveness of audit process

# Peer Review Process

The process of peer review passes through four broad criteria's given in questionnaire to be filled in by the practice unit.

**Part A** Profile of Practice unit

**Part B** General Control to include

▣ Independence

# Applicable Audit Standards

- Appointment Letter defining Terms of Engagement SA-210
- Knowledge of Business- SA 310
- Management representation letter SA-580
- Basic Principles Governing Audit –SA 200
- Risk Assessment & Internal Control- SA 400, Relying upon the work of an Internal Auditor –SA 610.
- Financial statements & Trial Balance duly signed by the owners SA-500
- Bank balance confirmation SA-505
- Proper Documentation – SA 230, Materiality – SA 320
- Audit Planning –SA 300

CA Sandeep Welling

# Applicable Audit Standards

- Major sundry debtors and creditors balance confirmation SA-505
- Analytical Ratio analysis SA-520
- Proof of assets purchased & revenue expenditure SA-500
- Extraordinary Items nature & disclosure SA-500
- Notes on the nature of business SA-310
- List of related parties & transactions SA-550
- How to deal with Material Frauds – SA 315 & SA 330

# Practical Approach Towards Documentation

## Permanent Audit File to include

- System information
- Location specific information
- product information analysis of business risk
- Organizational structure
- Various registration such as MOA/AOA
- Registration such STPI, FEMA, SALES TAX, SHOP ACT, TAN, PAN, SERVICE TAX etc.
- Approvals if necessary such as RBI, FIPB, FDI

# Broad categories of stages of Documentation

- Pre Audit Documentation
- Audit ongoing documentation and
- Post Audit Documentation

# Pre Audit Documentation

- Auditors Eligibility Certificate
- Appointment Letter
- Correspondence with previous auditors
- In case of a Joint Audit sharing of responsibility with other auditors
- Form 23 B
- Note on knowledge of Client Business
- Note on understanding client accounting system
- Materiality Matrix

# Ongoing Documentation

- Audit Plans and Audit Programs
- Internal Control Checklist on
  - Sales and Trade Receivables
  - Receipts
  - Purchase and Trade payables
  - Payments
  - Payroll Process
  - Fixed Assets
  - Investments



# Ongoing Documentation

- Documents evidencing Audit check on each item of Financial Statement
  - Share holders Fund
  - Non Current Liabilities
  - Current Liabilities
  - Non Current Assets
  - Current Assets

- Documents evidencing Audit check on each item of Profit & Loss Statement

# Ongoing Documentation

## Forward Contracts

- IT is necessary to obtain the details of forwarded contracts along with confirmation and auditors assessment thereon (Compliance with AS 30)

## Confirmations

- All types of necessary confirmations should form part of this section

# Ongoing Documentation

In case of Modified opinion

- Documents necessary to substantiate our opinion
- Communication with Management
- Communication with necessary authorities/ earlier auditor etc

# Financial Statements

- Trial Balance
- Balance Sheet
- Analytical procedures
- Accounting Policies
- Summary of Audit differences
- Notes to accounts

# Compliance Checklist

To include

- CARO
- Schedule VI
- Companies Act
- Accounting standards
- Managerial remuneration
- Section 372 A
- Section 58 A
- Standards on Auditing

# Reporting

- MANAGEMENT LETTER
- MANAGEMENT REPRESENTATION
- AUDIT OBSERVATIONS
- All the observations during the course of audit should be listed together and can be categorized as under
  - ▣ To be given effect to in the books
  - ▣ To be followed up in subsequent audit
  - ▣ To be ignored

# Post Audit Documentation



- Letter of eligibility & willingness to be re-appointed
- Invitation to AGM



Thank  
You