

EXTERNAL AUDIT MANUAL

PART III

**SAMPLE AUDIT PROGRAMMES AND
CHECKLISTS**

2011

ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by The Accountants Act, Cap 266. The functions of the Institute, as prescribed by the Act, are to regulate and maintain the standard of accountancy in Uganda and to prescribe or regulate the conduct of accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

Vision

To be a world class professional accountancy institute.

Mission

To develop and promote the accountancy profession in Uganda and beyond.

Core Values

- 1) Professional Excellence.
- 2) Integrity.
- 3) Commitment.
- 4) Good Governance.
- 5) Social Responsiveness.

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC), the Eastern Central and Southern African Federation of Accountants (ECSAFA) and the Pan African Federation of Accountants (PAFA).

Glossary of Terms

AR	Audit Risk
CAATs	Computer Assisted Auditing Techniques
CFO	Chief Financial Officer
CIS	Computer Information System
CR	Control Risk
CRM	Customer Relationship Management
EDI	Electronic Data Interchange
EDP	Electronic Data Processing
ERP	Enterprise Resource Planning
IAS	International Accounting Standard
ICPAU	Institute of Certified Public Accountants of Uganda
ID	Identification
IFRS	International Financial Reporting Standard
IR	Inherent Risk
ISA	International Standard on Auditing
IT	Information System
KPI	Key Performance Indicator
PC	Personal Computer
SLA	Service Level Agreement
WP	Working Paper

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PRE ENGAGEMENT PHASE

A. Prospective Client Acceptance Memorandum

WP Ref.:	
Prepared by:	
Date:	
Reviewed by:	
Date:	

Client: _____
 Period _____

Objective

To obtain information necessary to make the decision whether or not to accept an invitation to act as auditor. The prospective client evaluation process seeks to determine this through an examination of the professional risk that may result from providing services to a client. The evaluation also seeks to identify higher-risk clients.

This memorandum should be filled and signed before accepting all new audit engagement.

i. Prospective client identity and source (consider following questions)

- *What has been auditor’s experience with the client?*
- *Is the work the result of a long-standing professional contract?*
- *Is the prospective client a foreign-office referral?*

ii. Background information on the business (consider following questions)

- *What is known about the prospective business client?*
- *What is known about the parties associated with the business?*
- *What is the reason of auditor selection?*
- *What is the business reputation of the prospective client, its owners, and its management?*
- *How capable is management?*
- *What is known about the integrity of the principal owners and management?*
- *What is the financial status of the prospective client (particularly liquidity and viability)?*
- *What is known about the industry in which the prospective client operates and the risks it presents?*
- *What is the prospective client’s relationship with other professional audit firms/auditors?*
- *Has the auditor contacted the predecessor auditor for information including any reason for the change?*

iii. Results of inquiries with third parties

Enter details of discussions with third parties.

iv. Auditor's association with the prospective client (consider following questions)

- *Are there any relationships that may impair auditor's objectivity or ability to meet any relevant independence requirements?*
- *Are there any potential conflicts of interest affecting auditor's ability to accept the engagement?*
- *Does the auditor have sufficient information about the client's expectations from the engagement?*
- *Are the relevant skills to carry out the work available with the auditor?*
- *Have any relevant statutory or other regulatory provision been identified, including any implications on the auditor's ability to act for the client?*
- *Consider that no conflict of interest arise in respect of services being provided as a result of accepting audit of a listed company in view of listing regulations.*

v. Initial assessment of risk associated with the prospective client

Specify the areas of concern that the client presents and explain how the risk will be managed.

vi. Result of enquiries with predecessor auditor

Document the results of enquiries with predecessor auditor and comment on the same.

vii. Other

Enter details of any other areas of concern or issues for consideration.

viii. Conclusion

On the basis of the above, we conclude that there is no reason to believe that the overall level of risk associated with _____-is sufficient to prevent the client from being accepted and there are no other circumstances of which we are aware associated with _____ that suggest that the client should not be accepted.

Signed

Engagement partner

Date

Senior partner

Date

B. Existing Client Continuation/ Retention Memorandum

This document should be completed by the engagement partner. However, the engagement partner may delegate some of the evaluation procedures to other partner or professional staff. In case of "yes" attach details.

Part "A" Client relating matters

- 1. Is there a significant change in the circumstances of the client or in the terms or conditions of the engagement? **Yes/No**
- 2. Is there a request by another partner for re-evaluation of the engagement? **Yes/No**
- 3. Are there any new legal, regulatory or professional requirements that alter the reporting responsibilities and the nature, timing or extent of the audit procedures? **Yes/No**
- 4. Is there a significant change in the nature, size or structure of the client's business? **Yes/No**
- 5. Is there a significant change in management or other personnel? **Yes/No**

Part "B" Professional risk related matters

- 1. Is there any reason to question or be concerned about the reputation, character, or integrity of management and/or the owners of the prospective client? **Yes/No**
- 2. Would the member or representative firm's association with the client be likely to affect the firm's image adversely either currently or in the future? **Yes/No**
- 3. Are there any features of the business generally or the way the particular client operates which present unacceptable professional risks or call for special attention if the engagement is continued? **Yes/No**
- 4. Is there any known problem of independence by reason of activities or relationships of partner or professional staff in relation to the client? **Yes/No**
- 5. Is there any potential for adverse publicity? **Yes/No**
- 6. Is the client involved in any significant current or possible litigation? **Yes/No**

Conclusion

I believe the firm should / should not continue our client engagement and I have considered all the factors mentioned.

Engagement Partner

_____ (Signature) _____ (Date)

PLANNING PHASE

C. Audit Strategy and Planning Memorandum

WP Ref.:	
Prepared by:	
Date:	
Reviewed by:	
Date:	

Client: _____
 Period: _____

Objective

The purpose of this working paper is to obtain an understanding of the entity's business. It documents:

- The entity's objectives, strategies and the components of its business (i.e., markets, products/services, customers, alliances)
- The entity's relevant external business drivers (i.e., general business environment, specific industry characteristics and management's response to the expectations of significant constituencies).
- How the entity formulates and implements its objectives and strategies (strategic management process)
- The business control environment management has created to support its objectives and strategies
- How computer information systems facilitate business processes and are utilised by the entity the financial reporting environment
- Critical Audit Areas / Significant Financial Statement Components
- Involvement of specialists and other parties
- Logistical plan

This understanding will assist in understanding business risks that threaten the entity's objectives. Such as understanding should be reviewed with the entity's management.

(a) Client History and Background

Provide a description of relevant client background

(b) Client Business Objectives and Related Business Strategies

Management responds to external business drivers by developing objectives and strategies to achieve those objectives. Provide a summary of the objectives, strategies and method of implementing the strategies.

Business Objectives	Related Business Strategies
1.	
2.	

(c) Client Business Components

Feasible objectives and strategies need to reflect a client’s existing circumstances and take into account its markets, products and services, relationship with customers and alliances (including relationship with suppliers). Provide a description of the following components:

- (i) Major Markets
- (ii) Major Products and Services
- (iii) Major Customers
- (iv) Major Competitors
- (v) Alliances (including suppliers) and other relationships

(d) Strategic Management Process

When analyzing the client’s strategic management process, provide a description of how management:

- sets the overall direction for the client;
- monitors the external environment and assesses the strategic implications of potential opportunities and threats;
- monitors the extent to which strategies have been implemented;
- understands the strategies and capabilities of the major competitors;
- analyses the client’s strengths and weaknesses;
- allocates resources, including capital, people and facilities to its business processes;
- aligns process objectives with strategic objectives.

(e) Business Control Environment

When analysing the business control environment understand the client's:

- business structure;
- culture and ethics;
- remuneration management;
- personnel profiles;
- communication of information;
- risk assessment process;
- control environment
- monitoring and control activities

(f) Computer Information Systems (CIS)

Business processes are often facilitated by computer information systems. Obtain an understanding of the:

- level of dependence the client has on computer information systems (include a list of the client's computer information systems);
- computer information systems' personnel structure and skills;
- security of computer information systems;
- reliability of computer information systems;
- degree and rate of change in computer information systems;
- dependence on external computer processing;
- direction and operation of computer information systems.

(g) Financial Reporting Environment

Financial reporting environment involves understanding what management does to bring together financial information to prepare the financial statements. Obtain an understanding of the:

- accounting policies applied by the entity and applied within the industry;
- potential impact of management’s reporting strategy upon specific aspects of the financial statements.

(h) Financial Reporting Issues

Consider the following for identification of financial reporting issues to be addressed while carrying out research or consulting with colleagues, experts:

- client’s accounting practices and policies;
- new accounting pronouncements;
- the going concern assumption;
- legal and regulatory changes

Financial reporting issue	Reason for identification

(i) Critical Audit Areas / Significant Financial Statement Components

Critical audit areas are generally those where judgment is involved and significant estimation is used. The approach to those areas and resulting impact on the financial statements relating to the audit is documented. It also includes consideration of previous years brought forward issues. Following are some of the critical areas for only guidance purposes. Other critical areas may be included in this section as per the auditor’s assessment.

Critical Audit Areas/ Objective	Reason for identification	Management Response	Proposed Audit Approach
Valuation of Receivables			
Valuation and Presentation of Investments			
Completeness, Existence and Accuracy of Taxation			
Valuation and Presentation of Defined benefit plans			
Valuation and Presentation of Litigation & Claims			
Valuation of Inventories			
Completeness, Valuation and Presentation of Related party transactions			
Impairment of assets			

(j) Involvement of specialists and other parties

This description should include a summary of the issue, why it is considered significant and its potential financial statement effects. As a result, the issue may be included as a significant issue on the basis that the potential financial statement effect may be a significant non-routine transaction, requires a great deal of judgment or is complex, and not necessarily that it has been confirmed as a critical audit objective. Specialists may include:

- Computer Information System (CIS) Specialist
- Tax expert
- Other specialist or other party involved in the audit e.g. Actuary, Valuers, Internal auditor, Co-auditor.

Specialist: <i>Computer Information Systems Specialist</i>
<p>Description of basis, nature, extent and conclusions related to the involvement of Specialist:</p> <p>[Description]</p> <p>Findings</p>

(k) **Audit programme overview**

Financial Statement Balance	Audit Assertion	Risk Assessment			Principal substantive procedures
		IR	CR	AR	
Fixed assets	Valuation Occurrence Presentation				<ul style="list-style-type: none"> ■ Inspect assets & trace to records ■ Vouch additions & deletions with supporting documents. ■ Examine documents of title. ■ Recompute gain/loss on disposals. ■ Check/recalculate depreciation charge. ■ Check impairment.
Capital work in progress	Existence Accuracy Valuation				<ul style="list-style-type: none"> ■ Review board minutes regarding significant additions. ■ Verify cost incurred with supporting documents. ■ Borrowing costs capitalized are directly attributable to construction, acquisition or production.

Financial Statement Caption	Audit Assertion	Risk Assessment			Principal substantive procedures
		IR	CR	AR	
Long term loans	Completeness Existence Accuracy Presentation				<ul style="list-style-type: none"> ■ Review agreements ■ Circularise direct confirmations. ■ Recompute interest and exchange loss. ■ Check subsequent repayment ■ Check disclosure.
Investments	Existence Valuation Presentation				<ul style="list-style-type: none"> ■ Inspect securities in hand and evidence for title of securities held. ■ Review investments for income reconciliation. ■ Vouch sale and recompute gain/loss. ■ Review classification and description. ■ Vouch purchases made during the year.
Cash & Bank Balances	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Perform physical cash count. ■ Circularize direct confirmations. ■ Obtain reconciliation statements. ■ Review age analysis of long outstanding cheques.
Long term deposits	Existence Presentation				<ul style="list-style-type: none"> ■ Vouch deposits made during the year. ■ Review classification and description.
Store & Spares	Completeness Existence Valuation				<ul style="list-style-type: none"> ■ Perform physical count/inspection. ■ Investigate reasons for any difference between the physical and records. ■ Check valuation as per company's policy. ■ Identify slow moving items.

Financial Statement Caption	Audit Assertion	Risk Assessment			Principal substantive procedures
		IR	CR	AR	
Trade Debtors	Completeness Accuracy Valuation				<ul style="list-style-type: none"> ■ Circularise direct confirmations. ■ Check subsequent clearance. ■ Perform age analysis.
Commitment and Contingencies	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Obtain list of commitment and contingencies ■ Circularise direct confirmations to legal advisors. ■ Review legal fees. ■ Review minutes of Board of Directors meeting.
Creditors	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Circularise direct confirmations. ■ Check subsequent clearance. ■ Perform age analysis.
Loans	Completeness Existence Accuracy Presentation				<ul style="list-style-type: none"> ■ Review agreements ■ Circularise direct confirmations. ■ Check interest and exchange effects. ■ Check subsequent repayment ■ Check disclosure.
Deferred Liabilities- Gratuity/ Pension	Completeness Existence Accuracy Presentation				<ul style="list-style-type: none"> ■ Obtain actuarial report and assess reasonableness of assumptions ■ Vouch payments during the period to ensure completeness ■ Ensure disclosure requirement of IAS 19

Financial Statement Caption	Audit Assertion	Risk Assessment			Principal substantive procedures
		IR	CR	AR	
Taxation- Current & deferred	Completeness Existence Accuracy Presentation				<ul style="list-style-type: none"> ■ Review updated tax position ■ Check working of provision for taxation ■ Vouch payments. ■ Check working of deferred taxation ■ Ensure disclosure with IAS 12
Sales	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Perform analytical review ■ Vouch sales on sample basis
Cost of sales	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Perform analytical review ■ Vouch purchases on sample basis ■ Ensure classification in appropriate heads ■ Vouch consumptions made during the period ■ Ensure calculation of overhead on reasonable basis ■ Ensure appropriate treatment of difference of actual cost with standard cost
Admin & General Expenses	Completeness Existence Accuracy				<ul style="list-style-type: none"> ■ Perform analytical review ■ Ensure classification in appropriate heads ■ Vouch expenses incurred during the period ■ Perform reasonableness test on salary expense

(I) Logistical plan

Engagement team

Engagement Partner	
Engagement Manager	
Job-in-Charge	
Team members	

Key management personnel

Chief Executive	
Finance Director/CFO	
Manager Finance	
Factory Manager	
Sales Manager	

Key dates and deadlines

Activity	Date
Kick off meeting	
Initial meeting with client	
Confirmation circularisation	
Manager review	
Partner review	
Covering letter/Management Letter	
Board meeting and Audit report	

Reporting deliverables:
 Location of client:
 Telephone:
 Fax:
 Email:
 Web site:

D. Control Overview and Risk Assessment

WP Ref.:	
Prepared by:	
Reviewed by:	
Date:	

Client: _____
 Period: _____

Objective:

- obtain an understanding of client and its environment.
- document the assessment of risk of material misstatement.

Documentation may be included in this working paper, or other working papers (with cross-reference to the Control Overview and Risk Assessment Document).

Summary of our understanding of internal control

Does the *control environment* appear to be satisfactory?

YES	NO
-----	----

Does the *entity's risk assessment process* appear to be satisfactory?

YES	NO
-----	----

Does the *information system, and business processes for financial reporting, and communication* appear to be satisfactory?

YES	NO
-----	----

Does *control activities* appear to be satisfactory

YES	NO
-----	----

Does *monitoring of controls* appear to be satisfactory

YES	NO
-----	----

(a) Control environment

The control environment includes the attitudes, awareness, and actions of management and those charged with governance concerning the entity's internal control and its importance in the entity. The control environment also includes the governance and management functions and sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for effective internal control, providing discipline and structure.

Communication and enforcement of integrity and ethical values

- What are entity's ethical and behavioural standards?
- How they are communicated?
- How they are reinforced in practice?

Commitment to competence

- Management's consideration of the competence levels for particular jobs
- How those levels translate into requisite skills and knowledge?

Participation by those charged with governance

- Independence from management
- Their experience and stature

- The extent of their involvement and scrutiny of activities
- The appropriateness of their actions
- The information they receive
- The degree to which difficult questions are raised and pursued with management
- Their interaction with internal and external auditors

Management’s philosophy and operating style

- Management’s approach to taking and monitoring business risks
- Management’s attitudes and actions toward financial reporting (conservative or aggressive selection from available alternative accounting principles, and conscientiousness and conservatism with which accounting estimates are developed)
- Management’s attitudes toward information processing and accounting functions and personnel

Organizational structure

- Key areas of authority and responsibility
- Appropriate lines of reporting

Assignment of authority and responsibility

- How authority and responsibility for operating activities are assigned
- How reporting relationships and authorization hierarchies are established.

Human resource policies and practices

- Standards for recruiting the most qualified individuals
- Training policies that communicate prospective roles and responsibilities
- Promotions driven by periodic performance appraisals

(b) Entity’s risk assessment process

An entity’s risk assessment process is its process for identifying and responding to business risks and the results thereof. For financial reporting purposes, the entity’s risk assessment process includes how management

- identifies risks relevant to the preparation of financial statements
- estimates their significance,
- assesses the likelihood of their occurrence, and
- decides upon actions to manage them.

Once risks are identified, management considers their significance, the likelihood of their occurrence, and how they should be managed. Management may initiate plans, programs, or actions to address specific risks or it may decide to accept a risk because of cost or other considerations.

When documenting the entity’s risk assessment process risks can arise or change due to circumstances such as the following

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technology
- New business models, products, or activities
- Corporate restructurings
- Expanded foreign operations
- New accounting pronouncements

(c) Information system, and business processes for financial reporting, and communication

An information system consists of infrastructure (physical and hardware components), software, people, procedures, and data. Infrastructure and software will be absent, or have less significance, in systems that are exclusively or primarily manual.

An information system encompasses methods and records that:

- Identify and record all valid transactions.
- Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.
- Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
- Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
- Present properly the transactions and related disclosures in the financial statements.

(d) Control activities

Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities, whether within IT or manual systems, have various objectives and are applied at various organizational and functional levels.

Certain control activities may depend on the existence of appropriate higher-level policies established by management or those charged with governance. For example, authorization controls may be delegated under established guidelines, such as investment criteria set by those charged with governance; alternatively, non-routine transactions such as major acquisitions or divestments may require specific high level approval, including in some cases that of shareholders

Performance reviews

- Reviews and analyses of actual performance versus budgets, forecasts, and prior period performance
- Relating different sets of data - operating or financial - to one another,
- Analyses of the relationships and investigative and corrective actions

- Comparing internal data with external sources of information
- Review of functional or activity performance

Information processing

Controls are performed to check accuracy, completeness, and authorization of transactions.

- Application controls apply to the processing of individual applications. These controls help ensure that transactions occurred, are authorized, and are completely and accurately recorded and processed. Examples of application controls include checking the arithmetical accuracy of records, maintaining and reviewing accounts and trial balances, automated controls such as edit checks of input data and numerical sequence checks, and manual follow-up of exception reports.
- General IT-controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General IT-controls commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

Physical controls

These activities encompass the physical security of assets, including adequate safeguards such as secured facilities over access to assets and records; authorization for access to computer programs and data files; and periodic counting and comparison with amounts shown on control records (for example comparing the results of cash, security and inventory counts with accounting records).

Segregation of duties

Ensure that following three activities are separately assigned:

- authorizing transactions
- recording transactions, and
- maintaining custody of assets

This would reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties.

(e) Monitoring of controls

It is management responsibility to establish and maintain internal control on an ongoing basis. Management’s monitoring of controls includes considering whether they are operating as intended and that they are modified as appropriate for changes in conditions.

Examples are:

- management’s review of whether bank reconciliations are being prepared on a timely basis
- internal auditors’ evaluation of sales personnel’s compliance with the entity’s policies
- legal department’s oversight of compliance with the entity’s ethical or business practice policies.

Consider:

- assessment and reassessment of design and operation of controls on a timely basis
- necessary corrective actions
- ongoing monitoring activities (activities are built into the normal recurring activities)
- separate evaluations

E. Fraud Risk Assessment

WP Ref.:	
Prepared by:	
Date:	
Reviewed by:	
Date:	

Client: _____
 Period: _____

The purpose of this document is to:

- obtain an understanding of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud, and the accounting and internal control systems in place to address such risk and prevent and detect error
- document the results of team discussions and enquiries with management concerning fraud and error
- document the fraud risk factors identified that indicate the possibility of either fraudulent financial reporting or misappropriation of assets, and our response
- document circumstances that we have encountered that may indicate that there is a material misstatement in the financial statements resulting from fraud or error and the audit procedures performed to determine whether the financial statements are materially misstated.

Documentation may be included in this working paper, or other working papers (with cross-reference to the Fraud Risk Document).

Preparation of this document is started when fraud risk factors are initially identified during the planning phase of the audit and updated during the substantive procedures, evaluation and reporting stage if additional fraud risk factors are identified that cause us to believe that additional audit procedures are necessary.

(a) Discussions with Management

During the planning phase of an audit, auditor makes enquiries of management concerning fraud and error. We may also seek the views of those charged with governance.

Matters that may be discussed as part of these enquiries include:

- whether there are subsidiary locations, business segments, types of transactions, account balances or financial statement categories where the possibility of error may be high, or where fraud risk factors may exist, and how they are being addressed by management
- the work of the entity's internal audit function and whether internal audit has identified fraud or any material weaknesses in the system of internal control
- how management communicates to employees its view on responsible business practices and ethical behaviour, such as through ethics policies or codes of conduct.

If the entity has established a programme that includes steps to prevent and detect fraud, we enquire of those persons overseeing such programmes as to whether the programme has identified fraud risk factors.

(b) Results of enquiries of management

Document the results of our enquiries below. State which member of management we enquired of and the date of the enquiry.

Management's fraud risk assessment

Document our understanding of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Accounting and internal control systems

Document the results of our enquiries of management concerning the accounting and internal control systems management has put in place to address the risk of material misstatement due to fraud, and to prevent and detect error.

Fraud and error

Document the results of our enquiries to determine whether management is aware of any known or suspected fraud and discovered any material errors.

(c) Discussions with those charged with governance

Following our enquiries, consider whether there are matters of governance interest to discuss with those charged with governance of the entity

(d) Audit Team Discussions

During the audit, the team should discuss the susceptibility of the entity to material misstatements in the financial statements resulting from fraud or error.

Based on these discussions, we:

- consider where errors may be most likely to occur or how fraud may be perpetrated
- gain a better understanding of the potential for material misstatements in the financial statements resulting from fraud or error in the specific areas of the audit assigned to team members
- gain a better understanding of how the results of the audit procedures that are performed may affect other aspects of the audit
- decide which members of the audit team will conduct certain enquires or audit procedures
- decide how the results of our enquiries and audit procedures will be shared.

We may also discuss matters that were taken into consideration during our Client Acceptance or Client Continuance procedures as they relate to fraud risk.

Document the fraud risk factors identified as a result of our enquiries of management or during our audit team discussions that may indicate the possibility of fraudulent financial reporting or misappropriation of assets.

Response

Document our response to the fraud risk factors identified. Consider the examples of possible responses in ISA 240, Appendix 2.

(e) Consideration at the account balance, class of transaction and assertion level

Specific responses to the auditor's assessment of the risk of fraud will depend upon the types or combinations of fraud risk factors or conditions identified, and the account balance, class of transaction and assertion may affect.

(f) Circumstances that may indicate the possibility of fraud or error

Document circumstances that we have encountered that may indicate that there is a material misstatement in the financial statements resulting from fraud or error. Consider the example circumstances in ISA 240, Appendix 3.

(g) Audit procedures

Document the additional audit procedures performed as a result of the circumstances noted above.

(h) Evaluation and Disposition of Misstatements

When we confirm that the financial statements are materially misstated as a result of fraud, or that we are unable to conclude whether or not the financial statements are materially misstated.

F. Computer Information Systems Questionnaire

WP Ref.	
Prepared by:	
Date:	
Reviewed by:	
Date	

Business processes are often facilitated by computer information systems. In planning the audit, we obtain an understanding of the:

	WP Ref
<p>I. Level of Dependence the Entity has on Computer Information Systems (include a list of the entity's CIS)</p> <ol style="list-style-type: none"> 1. Obtain an overview of the Company's IT infrastructure platform and architecture, including network, servers, firewalls, EDI/Internet, extranet, operating systems and versions, database management systems and versions, etc. (addresses architecture and inventory of applications). 2. Obtain a wide area network diagram. 3. Obtain a description of the e-Business infrastructure. 4. Where are the main data centers located? Does the Company have other significant IT centers? 5. What are the Company's mission-critical systems and applications? 6. What functions do these systems perform? 7. What platform are the systems on and where are they located? 8. Which of the systems and applications are network-centric, i.e., depend on the network for user, customer, vendor, or partner access? 9. What data is maintained on IT systems that would be considered "intellectual properties" of the company? 	
<p>II. Application Controls (ERP, Supply Chain, CRM, Logistics)</p> <ol style="list-style-type: none"> 1. Please describe the primary application(s), including interface(s). <ul style="list-style-type: none"> ■ For example, if the company uses an ERP system then note the version in use as well as modules implemented. ■ Include other significant applications, such as bolt-ons and reporting tools 	
<ol style="list-style-type: none"> 2. Please describe how the application is used by the business, i.e., is it a transaction processing engine or is it used to enable a competitive business practice such as Supply Chain Management or Customer Relationship Management, or both? 	

	WP Ref
<p>3. Please describe how the application is supported.</p> <ul style="list-style-type: none"> ■ Such as: IT staff, super-users, business analysts. ■ Is vendor support provided? (note that in some cases it is possible to have the vendor support expire if the version is not upgraded) ■ Are patches and fixes current? 	
<p>4. Please describe the interaction between IT and users, for example Business Analysts (IT staff in each functional department) and Help Desk.</p> <p>5. Please describe any changes made to the application(s) or interface(s) during the last year including controls used.</p> <ul style="list-style-type: none"> ■ For example, data conversion and migration from an existing Legacy system to the application, upgrades. Controls would include testing, balancing, etc. <p>6. Please describe future plans for the applications during the next 1-2 years.</p> <p>For example, upgrades, adding new functionality, use of a data mart/warehouse, migrating to a new application, developing an in-house application (“make vs. buy”).</p>	
<p>III. Computer information systems skills and resources</p> <p>1. Please provide an overview of the IT organization’s management (governance) structure, including roles and responsibilities. Note if a separate Information Security Officer role is used or planned.</p> <p>2. What is the number of IT staff?</p> <p>3. Where is most time spent by the IT department?</p> <p>4. What training is provided for IT staff? How is it tracked?</p> <p>5. What is the process and timing for performance reviews?</p> <p>6. Please describe how segregation of duties is accomplished (for example, developer should not migrate program to production).</p>	
<p>IV. Information Security</p> <p>1. What is the approach to network security?</p> <ul style="list-style-type: none"> ■ For example, use/restrictions of analog lines and other telecom entry points into the network, security policies and procedures for using the company network, Internet access policies, firewall configuration (external services permitted/offered/available and monitoring of violations), controls to ensure segregation of Internet/Intranet. <p>2. How is access to the Company’s systems from inside and outside the Company campus secured?</p> <ul style="list-style-type: none"> ■ For example, use of a Virtual Private Network. 	

	WP Ref
<p>3. How are database(s) secured.</p> <p>4. How are operating systems secured?</p> <p>5. What logical security mechanisms and procedures are in place at the Company?</p> <ul style="list-style-type: none"> ■ For example, password conventions (length, expiration, characteristics), unsuccessful user login lock-outs, automatic logoff if inactive user, all users must have unique ID's, generic ID's are not used. <p>6. What are the security administration procedures for establishing, changing and deleting user access to the network and to applications.</p> <p>7. What role does the Help Desk have to assist in administering and/or enforcing security?</p> <p>8. What level and type of access is permitted to external parties (customers, vendors)?</p> <p>9. What virus scanning and detection techniques and procedures have been implemented?</p> <p>10. What physical security controls have been established for the IT environment. Obtain a description of access security, environmental controls, etc.</p>	
<p>11. How is intellectual property secured (logically on the system, and physically for other media)? Do employees who work with intellectual property sign non-disclosure and non-compete agreements?</p> <p>12. Are shredders or secure recycling services provided for secure disposal of confidential documents?</p> <p>13. How is data privacy is achieved?</p> <p>14. How are developers are restricted from altering production data?</p> <p>15. How does the Company ensure its security controls (policies, access procedures, maintenance) remain relevant and effective?</p> <ul style="list-style-type: none"> ■ For example, with a migration to e-commerce, web-enabled systems. <p>16. Please describe monitoring and review procedures, i.e., is network scanning performed every quarter? Do internal IT Auditors perform an annual review?</p>	

	WP Ref
<p>V. Reliability of Computer Information Systems</p> <ol style="list-style-type: none"> 1. How does the company ensure that its IT environment (technologies, platforms and architecture) can support its business strategy? <ul style="list-style-type: none"> ■ High availability (critical for some companies, downtime is expensive) ■ Systems/data recovery 2. What redundancy and diversity have been built into the wide area network? How is the network monitored and how frequently? Do automated alarms and/or notifications signal support personnel in case part of the network fails? 3. What recoverability capability exists for identified mission critical systems and applications? 4. Please describe the current systems development procedures (if software is internally developed). If the procedures are documented, please provide a copy. 5. What change management policies, standards, and procedures are implemented? What software tools support change management? What is the scope of changes managed (applications, systems, networks, all changes)? What is the organization scope (corporate site, domestic, international, everywhere)? 6. What are the procedures for emergency changes? 7. Please describe the current approach for application software changes. Include change initiation, review and approval, development, testing (unit, system and user), and implementation. If the approach is documented, please provide a copy. <ul style="list-style-type: none"> ■ Please indicate whether there are separate persons involved in migrating approved objects to production. ■ Please describe procedures and controls that apply to application objects, database objects, and batch scripts. 	
<ul style="list-style-type: none"> ■ Please describe security and control over source objects, and procedures for version control. ■ What project control mechanisms are followed for such projects? <ul style="list-style-type: none"> ■ Such as: project management methodology, systems development methodology, capital authorization processes, project plans, status reports, etc. ■ Try to determine if there are any issues in this area, companies may have "flavour of the month" projects (issue of need to prioritize initiatives by executives) <ol style="list-style-type: none"> 9. Are changes tracked and trended in total volume, and by project or type of change? Is any analysis performed to identify ways to reduce the volume of changes? 10. Are applications subject to version control with changes accumulated for version release? How are changes communicated to affected users? What are the most significant recurring types of changes? 	

	WP Ref
<p>11. What problem management policies, standards, and procedures are implemented? What software tools support problem management? What is the scope (applications, systems, networks, all problems in IT, all problems)? What is the organizational scope (corporate site, domestic, international, everywhere)?</p> <p>12. Are problems tracked and trended in total volume, and by project or type of problem? Is any analysis performed to identify recurring problems and implement permanent corrections? What are the most significant types of problems?</p> <p>13. What are the data file backup procedures, including frequency, retention, and storage location of back-up media? What objects are included in the back-up procedures (source, scripts, database objects, etc.)?</p>	
<p>14. Does IT have documented contingency plans including such things as:</p> <ul style="list-style-type: none"> ■ Individual hardware components failures ■ Software failures ■ Network failures ■ Power interruption ■ Voice communications failure <p>15. Does the Company have an IT Disaster Recovery Plan (provide a copy if possible) including;</p> <p>16. Prioritization of mission critical systems and data</p> <p>17. System availability strategy and standards, including the use of any outsourced service providers, if applicable.</p> <p>18. Schedule for testing the plan and results of the last test</p> <p>19. Do the sites and business units have a business resumption plan, including plans for recovery from:</p> <ul style="list-style-type: none"> ■ Loss of office facilities ■ Significant interruption in IT services. 	
<p>VI. Degree and Rate of Change in Computer Information Systems</p> <p>1. Have there been significant changes to the IT environment in the past year?</p> <ul style="list-style-type: none"> ■ Note any physical changes such as data centre relocations or logical changes such as migration of data from legacy systems to new databases <p>2. Has the company made significant expansions or experienced downsizing?</p> <p>3. How often are mission critical applications upgraded? When was the last upgrade?</p>	

<p>4. What significant projects are currently in progress, <u>or</u> <u>planned</u>?</p> <ul style="list-style-type: none"> ■ For example: <ul style="list-style-type: none"> ■ new applications/packages being implemented and deployed, ■ changes or upgrades to applications or packages, ■ new development projects (e-business, data warehouse, privacy, enterprise security architecture, new platform) <p>5. What is the business case for the significant IT projects? What benefits are to be derived?</p>	
<p>VII. Dependence on External Computer Processing</p> <ol style="list-style-type: none"> 1. Does the company depend on any outsourcing (including Application Service Provider) arrangements? 2. Have Third Party Reports (SAS 70) been obtained and reviewed? What steps have been taken to assess and act on any client control considerations or significant weaknesses identified in the reports? Review the reports for the following: <ul style="list-style-type: none"> ■ any control weaknesses noted which could present a strategic business risk ■ any user control considerations that the Company has not adequately addressed. 3. What procedures and controls are use to establish third-party providers/contract services? 4. What procedures are established to monitor service levels? 5. What procedures are established to assure processing integrity? 6. How are licenses monitored? 	

<p>VIII. Direction and Operation of Computer Information Systems</p> <ol style="list-style-type: none"> 1. Are the current system(s) meeting the business' needs? 2. What are the relevant IT KPIs for management reporting (availability, response time, projects on budget/time) and how are they used? What is the history of meeting KPIs and SLAs? 3. What are the business risks, concerns and issues you have focused on during the past year? <ul style="list-style-type: none"> ■ New strategy (moving to an e-commerce platform, web-enabled self service access, developing strategic alliances, outsourcing, or bringing functions "in house") ■ Mergers, acquisitions (may have experienced issues with integrating systems) ■ Budget cuts, layoffs, downsizing (impacts ability to maintain environment) ■ Projects 4. What are the key business drivers and how does IT enable them? 	
<ol style="list-style-type: none"> 5. Who determines the direction of IT and the IT strategy? <ul style="list-style-type: none"> ■ For example: <ul style="list-style-type: none"> ■ Chief Technology Officer ■ IT Steering Committee ■ IT Project Management Office 	
<ol style="list-style-type: none"> 6. What is the current business strategy? <ul style="list-style-type: none"> ■ Note if e-business is part of the Company's strategy. ■ Note if achieving the Company's strategy involves significant changes, new risks may be introduced to the Company as a result. ■ Consider: magnitude of impact of the changes, time frame to accomplish the changes, and velocity of change. 7. What is the current IT strategy? If an IT strategy document exists, please provide a copy. 8. What is the annual IT budget? How the budget is developed (benchmark, percent of sales)? 9. What technology and security policies, standards, and procedures are published. How are they communicated (for example, on an Intranet or employee handbook)? How are they enforced? Obtain a list, and obtain and review key policies, standards, and procedures to confirm existence. Obtain copies of relevant sections or parts to support evidence of existence or findings. 	

G. General Purpose CIS Checklist

WP Ref.:	
Prepared by	
Date	
Reviewed by	
Date	

Client: _____
Period: _____

This checklist assists in a high level evaluation of the IT control environment to identify any control weaknesses for discussion with the client. It also assists in forming a preliminary assessment as to whether reliance on CIS controls may be possible.

(a) Organisation and Management Policies To ensure that organisational policies and management procedures are in place to enable the IT function to be properly controlled.	Objective Satisfied Y/N		Summary of findings
	Y	N	Comments / WP Ref.
<i>IT Strategy</i> 1.1 Is there a formal documented plan for IT covering systems to be developed or enhanced over the next 1 - 3 years?			
1.2 Is there an IT Steering Committee? <u>Consider</u> <ul style="list-style-type: none"> ■ Other, less formal, means of establishing and communicating IT strategy ■ User management representation 			
<i>Computer Security Policy</i> 1.3 Is there a formal computer security policy? <u>Consider</u> <ul style="list-style-type: none"> ■ Approval at board level ■ Objectives ■ Scope and coverage ■ Responsibility for monitoring or update ■ Distribution to staff 			

	Y	N	Comments / WP Ref.
<p>1.4 Is there an end user computing policy? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Software licencing or copyright ■ Use of standard software ■ Anti-virus procedures ■ Security ■ Distribution to staff 			
<p><i>Internal Audit</i></p> <p>1.5 Is there an internal audit department? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Terms of reference ■ Organisation chart ■ Independence ■ Expertise in IT ■ Training or experience 			
<p><i>Control Consciousness</i></p> <p>1.6 Is the attitude of management and the structure of the organisation conducive to control consciousness?</p>			
<p>(b) Segregation of Duties</p> <p>To ensure there is reasonable segregation of duties for staff, both within the IT department and between the IT and user functions, to prevent and/or detect errors or irregularities.</p>			
<p>2.1 Is there an organisation chart for the IT department? (Obtain a copy)</p>			
<p>2.2 Is segregation of duties within the IT department appropriate for the size of the organisation? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Segregation of functions e.g. <ul style="list-style-type: none"> ■ Number of IT staff ■ Systems programmers ■ Application programmers ■ Database administrator ■ IT operations ■ Data input ■ Network security ■ Reliance on key personnel ■ Reliance on contract staff 			

	Y	N	Comments / WP Ref.
2.3 Do IT staff only have responsibilities for functions within the IT department? <u>Consider</u> <ul style="list-style-type: none"> ■ Responsibility for initiating or authorising transactions ■ Custody of valuable or moveable assets ■ Amendments to master files ■ Correction of input errors 			
(c) Logical Access Controls To ensure that unauthorised access cannot be gained to sensitive data or programs.			
3.1 Have sensitive data or applications been identified?			
3.2 Have appropriate security measures been implemented to restrict users' access to data and programs? <u>Consider</u> <ul style="list-style-type: none"> ■ User-id and passwords ■ Menu facilities ■ Management approval of menu options 			
3.3 Are passwords changed regularly? (Note how often)			
3.4 Are development staff prevented from accessing data and software in the production environment? <u>Consider</u> <ul style="list-style-type: none"> ■ Segregation of production and test environments ■ Procedures for emergency changes eg <ul style="list-style-type: none"> ■ documentation ■ review 			
3.5 Is the allocation, authorisation and use of powerful user-ids or passwords controlled and monitored? (Note to whom these passwords are assigned)			

(d) Physical Access Controls	Y	N	Comments / WP Ref.
<p>To ensure that the risk of accidental or malicious damage to, or theft of, computer equipment or media is minimised.</p>			
<p>4.1 Is there adequate physical security over computer equipment, data, media and documentation?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Buildings (including the protection of terminals) ■ Computer room ■ Communications equipment ■ Fire proof storage for magnetic media ■ Fire prevention or detection ■ Off-site storage 			
<p>(e) Systems Development and Program Change Controls</p> <p>To ensure that systems development and program changes are authorised, tested, documented and operate as designed.</p>			
<p>5.1 <i>In-house developments</i></p> <p>For in-house developed systems, is there a formal methodology?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Note the methodology eg <ul style="list-style-type: none"> ■ SSADM (Structured Systems Analysis & Design Methodology) ■ Internal procedures developed by the systems development team ■ Prototyping software ■ Programming standards 			

	Y	N	Comments / WP Ref.
<p>5.2 Packages</p> <p>Is the business dependent on externally supplied and maintained application systems?</p> <p><u>Consider:</u></p> <ul style="list-style-type: none"> ■ Maintenance agreement with the supplier ■ Changes and upgrades checked and tested before installation ■ Source code provided <ul style="list-style-type: none"> ■ Measures to prevent unauthorised access to the software ■ If the software is owned by the supplier, is there an escrow agreement? 			
<p>5.3 Are users appropriately involved in the systems development process?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Specification of requirements ■ Contribution to priority setting ■ User sign offs ■ User acceptance testing ■ Training ■ Formal approval before implementation ■ Development of user manuals etc. 			
<p>5.4 Are development staff restricted from implementing new program versions into the production environment?</p>			
<p>5.5 Is comprehensive systems and program documentation produced?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Compliance with standards ■ System documentation ■ Operating instructions ■ User documentation 			
<p>5.6 Are there program change control procedures?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Program change documentation ■ Management authorisation ■ Test procedures ■ User involvement in authorising and testing 			

	Y	N	Comments / WP Ref.
<p>(f) Business Continuity and Computer Operations</p> <p><i>To ensure that the business will be able to resume effective operations (within a reasonable period of time) in the event that the existing processing facilities are no longer available.</i></p>			
<p><i>Back Up Procedures</i></p> <p>6.1 Are back up copies of data files and programs taken regularly? (Note the back up cycle)</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Data at end of day, week, month, year ■ Programs taken once modification is implemented 			
<p>6.2 Are back up copies held in a secure location remote from the computer site?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Data files ■ Programs ■ Systems software ■ Systems documentation ■ Operating procedures ■ User procedures ■ Disaster Recovery Plan 			
<p>6.3 Are back up versions taken offsite regularly?</p>			
<p>6.4 Have the back up and recovery procedures been tested?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> ■ Time taken to recover 			

<p><i>Disaster Recovery Planning</i></p> <p>6.5 Have the business's critical systems been identified? <u>Consider</u></p> <ul style="list-style-type: none"> ■ How long could the business operate effectively without their critical computer systems? eg. hours, < 7 days, etc. <p>6.6 Has a disaster recovery plan been developed, documented and tested? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Regular review and update of the plan (Note when it was last updated) ■ Periodic testing (Note when last tested) 			
	Y	N	Comments / WP Ref.
<p><i>Insurance</i></p> <p>6.7 Does the organisation have adequate insurance cover relating to its IT risks? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Loss of computer equipment and data ■ Consequential loss ■ Additional cost of working ■ Denial of access ■ Exclusion clauses 			
<p><i>Operations</i></p> <p>6.8 Are operating procedures documented? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Processing requirements ■ Recovery or restart procedures ■ Emergency changes ■ Incident reporting ■ Housekeeping 			
<p>(g) User Management e.g. Finance Director / Financial Controller / Chief Accountant</p> <p>To ensure that IT systems satisfy the business needs.</p>			
<p>7.1 Are users satisfied with the critical accounting systems? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Management information ■ Timeliness of reporting ■ On-line help facilities ■ User friendly facilities ■ Response times 			

<p>7.2 Are users satisfied with the service from the IT function? (Explain any problems experienced) <u>Consider</u></p> <ul style="list-style-type: none"> ■ Help desk ■ Program change ■ <i>Ad hoc</i> requests ■ Turnaround speed on user requests 			
<p>7.3 Are the systems stable? <u>Consider</u></p> <ul style="list-style-type: none"> ■ Few modifications since, say, six months before the start of the accounting period ■ New systems planned 			
<p>(h) CIS Control Reliance</p>			
<p>Summarise the internal control weaknesses identified during our review which have an impact on the following control objectives, for consideration when planning reliance on CIS controls.</p> <ol style="list-style-type: none"> 1. Personnel duties, both within the IT department and between the IT and user functions, are reasonably segregated to prevent and/or detect errors or irregularities. 2. Access to sensitive data or programs is restricted to authorised personnel only. 3. Systems development and program changes are authorised, tested and documented, and should operate as designed. 			

H. Internal Audit Function Evaluation

WP Ref.:	
Prepared by:	
Date:	
Reviewed by:	
Date:	

Client: _____
 Period: _____

We consider how the internal audit function affects the entity’s accounting and internal control systems and develop an effective audit approach in the following manner.

(a) Preliminary assessment of the internal audit function

When it appears that internal auditing is relevant to the external audit of the financial statements in specific audit areas, we make a preliminary assessment of internal auditing by obtaining information about matters such as:

- the nature and extent of the internal audit function's assignments
- whether management acts on internal auditor's reports and recommendations and how this is evidenced
- the technical competence of the internal audit function
- the due professional care of internal auditing, especially whether the work is adequately planned, supervised and reviewed
- the objectivity of internal auditing.

Comments/Preliminary Assessment

(b) Evaluate and test the work of internal auditing

When we intend to use specific work of internal auditing, we evaluate and test that work to confirm its adequacy for our purposes.

We consider whether:

- the work is performed by people with adequate technical training and proficiency
- the work of assistants is properly supervised, reviewed and documented
- sufficient appropriate audit evidence is obtained to afford a reasonable basis for the conclusions reached
- conclusions are appropriate in the circumstances and reports are consistent with the results of the work performed

- any exceptions or unusual matters disclosed by internal auditing are properly resolved by management.

(c) Tests

List any of the procedures below relating to testing of internal auditing that may be considered given specific client circumstances. Our tests of the internal audit function's work may include the following procedures.

- Observe the internal audit function perform audit procedures
- Enquire of the internal audit function about the nature of its work
- Re-perform some of the audit procedures previously performed by the internal audit function
For example, we may test the same controls, transactions or balances as the internal audit function tested.
- Perform different audit procedures
For example, we may test controls, transactions or balances other than those the internal audit function tested.
- Examine internal auditor's working papers.

[List any other procedures relating to internal auditing issues that may be considered given specific circumstances. Our procedures, and the documentation of those procedures, are to be sufficient to support our decision to rely on internal auditor's work.]

#	Procedure(s)	Done by and date	W/P Ref.

(d) Obtaining direct assistance

We may request direct assistance from the internal audit function. When the internal audit function provides direct assistance, we:

1. Perform a preliminary assessment of the internal audit function
2. Inform internal auditing of their responsibilities, the objectives of the procedures they are to perform and matters that may affect the nature, timing and extent of audit procedures
3. Supervise the work and review the working papers that the internal audit function prepares on our behalf

(e) Conclusion

I. Using the Work of Another Auditor

WP Ref.:	
Prepared by:	
Date:	
Reviewed by:	
Date:	

Client: _____
 Period: _____

This document should be prepared by an auditor when:

- the audit is to be carried out with co-auditor; or
- financial statement of component (any entity whose financial information is included in the financial statement of the client) are audited by some other auditor

Documentation may be included in this document, or other working papers (with cross-reference to this document).

Details of co-auditors / components and their auditor

S. No.	Description of component (subsidiary, associate, joint venture, division, branch or others)	Co-auditor/Auditor

Section I: Professional competence of the other auditor

- (1) membership with professional organization
- (2) membership or affiliation with other audit firm
- (3) result of inquires and discussion with other auditor and banker(s)

Advise the other auditor at planning stage and obtain written representation about:

- (1) compliance with independence requirements with respect to client/ component
- (2) the use that is to be made of other auditor work
- (3) areas requiring special attention
- (4) timetable for completion of audit
- (5) the accounting, auditing and reporting requirements

Discuss with other auditor:

- (1) audit procedures applied by them
- (2) review other auditor's procedures (questionnaires/ checklists)

Consider re-performing these procedures. Nature, timing and extent will depend on circumstance of the engagement and professional competence of other auditor.

Consider the significant findings of the other auditor and discuss with management and other auditor.

Section II: Main areas of judgment

(a) Critical audit objectives and significant audit areas

Please identify critical audit objectives (audit objectives involving a significant risk of material misstatement, or requiring a considerable degree of judgment, or involving difficulty in obtaining audit evidence or applying audit procedures) and significant audit areas and give details of the audit approach adopted in respect of these including the extent of testing in terms of numbers and values and the leave of materiality above which items were tested.

Critical / significant audit area	Audit approach

(b) Significant features of the year's results

Please give details of significant features of the year's results and of significant changes from previous year's profit and loss account and balance sheet and reasons for major variations.

Significant features and financial statement captions with significant changes	Comments and explanations

(c) Evaluation of internal control

Please identify all areas where you have relied on internal controls in restricting your substantive tests, and provide details of work done to ascertain that the controls are reliable.

Please provide details of areas where you have documented the company's system by means of flowcharts and / or notes indicating for each area the method used.

Please provide details of all significant weaknesses in the company's system of internal controls or deficiencies in the accounting records. If these have been reported in writing to the company's management please attach a copy of this report together with the company's response if any.

Where significant elements of the accounting records are processed by EDP systems, describe your audit approach (e.g. use of specialists or other suitably trained staff; use of enquiry programs or other computer assisted techniques) and explain how you have satisfied yourselves about the operation of any internal controls with EDP elements upon which you have relied.

(d) Errors and exceptions

Please provide details of significant errors and exceptions found and whether the financial statements have been adjusted for these.

Details of Errors and exceptions	Disposition

(e) Matters of judgment brought to the partner's attention

Please provide details of matters of judgment, which were formally brought to the partner's attention during the audit and how these were resolved.

Matters of judgment	How resolved

(f) Matters giving arise to a qualification in the audit report

Please provide full details of matters, if any, which resulted or will result in the audit report being qualified.

(g) Other items attesting the accounts / disclosures

Please provide details of any other areas, which have a significant bearing on the amounts and / or disclosures, stated in the accounts (e.g. related party transactions, going concern problems) where you have had difficulty in determining whether these amounts and/or disclosures are fairly presented.

Please provide details of any transactions (e.g. purchase and sale of assets, loans, guarantees, contracts, etc.) with the directors of the company, the parent company, other group companies or other related parties and indicate whether these are disclosed.

Conclusions:

Signed _____

Date _____

EXECUTION PHASE

J. General Instructions for Documentation of Audit Execution File

1. Planning file must be completed, reviewed and signed by at least a senior audit staff before commencement of field work.
2. The job in-charge should ensure that following has been done / completed before presenting the file for review:
 - 2.1 Total of the lead schedules for each head agrees with the accounts.
 - 2.2 Lead schedules must be supported by the audit evidence gathered during the course of the audit
 - 2.2 Lead schedules adequately cross-referenced to supporting schedules.
 - 2.3 There should be a conclusion preferably on the lead schedule on each financial statement component, signed by the person who has executed the work as well as the reviewer.
 - 2.4 Lead schedules and sub-schedules are initialled and dated by auditor who has prepared the schedule and carried out the work.
 - 2.5 List of final outstanding points and exceptions with their disposals should be stated in un-ambiguous terms and cross-referenced to working paper files.
 - 2.6 Audit symbols used must explain the work performed and ensure that percentage of work completed must be stated for each financial statement component, which is not fully verified. If sampling procedures used by the auditor, ensure that steps are properly correlated with the materiality threshold determined at the planning stage
 - 2.7 All audit program steps should be cross-referenced with the schedules containing work done.
 - 2.8 A copy of the relevant audit program is to be filed with each significant financial statement component
3. Auditor must ensure that observations relating to internal control weaknesses (revealed during test of controls / cut off procedures) are properly addressed in draft management letter or internal control memorandum.

K. Laws and Regulations

WP Ref.:	
Prepared by:	
Date:	
Reviewed by	
Date	

Client: _____
Period: _____
Subject: Laws and Regulations

Summary of Business Understanding

If applicable, summarise the business understanding and those instances of non-compliance identified at initial planning stage below to assist in focusing the procedures to be performed in this Audit Programme on the appropriate audit objectives. Obtain understanding of the laws and regulations applicable to the client by discussing the management about the procedures for ensuring compliance with applicable laws and regulations.

Audit Procedures

S. No.	Nature and extent of audit procedures	Done by and date	W/P ref
1.	Obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry and how the entity complies with that framework.		
2.	Identify instances of non-compliance with laws and regulations where non-compliance may be considered when preparing financial statements. <ul style="list-style-type: none"> ■ Enquire of management as to whether the entity is in compliance with such laws and regulations. ■ Inspect correspondence with relevant licensing or regulatory authorities. ■ Remain alert for instances of non-compliance while applying all audit procedures. 		
3.	Set out any other procedures relating to identifying instances of non-compliance. List planned procedures below:		
4	When there is an awareness of information concerning a possible instance of non-compliance, perform the following procedures: <ul style="list-style-type: none"> ■ obtain an understanding of the nature of 		

S. No.	Nature and extent of audit procedures	Done by and date	W/P ref
	<p>the act and the circumstances in which it has occurred</p> <ul style="list-style-type: none"> ■ set out any other procedures necessary to obtain sufficient other information to evaluate the possible effect on the financial statements. <p>List planned procedures below:</p>		
5.	<p>When it is believed that there may be non-compliance, perform the following procedures:</p> <ul style="list-style-type: none"> ■ document the findings ■ discuss the findings with management ■ consider the effects of non-compliance in relation to other aspects of the audit, particularly the reliability of management representations ■ as soon as practicable, either communicate with the audit committee, the board of directors and senior management or obtain evidence that they are appropriately informed. 		
6.	<p>Obtain a written representation from management that they have disclosed to us all known actual or possible non-compliance with laws and regulations whose effects may be considered when preparing financial statements.</p>		
7.	<p>Other steps as decided by the engagement team.</p>		

L. Bank Confirmation

The Manager
Bank's Name and Branch
Address

Date: _____

Dear Sir,

Name of Client

In accordance with your above named customer's instructions given hereon, please send DIRECT to us at the above address, as auditors of your customer, the following information relating to their affairs at your branch as at the close of business on **(Year end date)** and, in the case of items 2, 4 and 9, during the period since **(Year start date)**.

Please state against each item any factors which may limit the completeness of your reply; if there is nothing to report, state 'NONE'.

It is understood that any replies given are in strict confidence, for the purposes of audit.

BANK ACCOUNTS

- (1) Full titles of all accounts together with the account numbers and balances thereon, including NIL balances:
 - (a) where your customer's name is the sole name in the title;
 - (b) where your customer's name is joint with that of other parties;
 - (c) where the account is in a trade name.
- (2) Full titles and dates of closure of all accounts closed during the period.
- (3) The separate amount accrued but not charged or credited as at the above date, of
 - (a) Mark-up/interest and
 - (b) Provisional charges (including commitment fees)
- (4) The amount of mark-up/interest charged during the period, if not specified separately in the customer's statement of account.

FACILITIES

- (5) Details of leasing facilities, loans, overdrafts, cash credit facilities (including standby facilities), and associated guarantees/ indemnities, specifying agreed limits, unused facilities, mark-up/ interest terms, overdue rentals/ instalments and in case of term loans, date for repayment or review.
- (6) SECURITY
 - (a) In respect of facilities, contingent liabilities and derivatives and commodity trading. Please give
 - (i) details of any security formally charged in favour of the bank, including the date and type of charge, (e.g. pledge, hypothecation, etc.)

- (ii) particulars of any undertaking to assign to the bank any assets.
If a security is limited to any borrowing, or if there is a subordinate charge, please indicate.
 - (iii) Whether the security supports facilities granted by the bank to the customer or to another party.
 - (iv) For any arrangements for setoff of balances or compensating balances e.g. back to back loans, give particulars of any acknowledgement of set off (i.e. date, type of document and account covered)
- (b) CUSTODIES: - Investments, bills of exchange, documents of title, or other assets held but not charged. Please give details.

CONTINGENT LIABILITIES

- (7) Nature, currency, amount and extent of facilities limits and details of period of availability of agreed facility of all contingent liabilities, viz:
- (a) Total of bills discounted with recourse to the customer or any subsidiary or related party of the customer;
 - (b) Details of any guarantees, comforts, letter of undertakings, bonds, endorsement or indemnities given to you by the customer in favour of third parties (separately specifying any such items in favour of any subsidiary or related party of the customer);
 - (c) Details of any guarantees, bonds or indemnities given by you, on your customer's behalf, stating where there is recourse to your customer and/or to its holding, parent or any other company within the group;
 - (d) Total of acceptances;
 - (e) Total of outstanding liabilities under documentary credits;
 - (g) Others (please give details.)

ADDITIONAL BANKING RELATIONSHIP

- (12) A list of other banks, or branches of your bank, where you are aware that a relationship has been established during the period.
- (13) OTHER INFORMATION.

Yours faithfully,

AUTHORISED SIGNATORY
(Client's Signature)

M. Debtors / Creditor Confirmation

Name of debtor/ creditor
Address

Date:

Dear Sir(s)

Our records show a debit / credit balance of Shs. _____ at the close of business on **(year end date)**.

To ensure an independent verification of this balance, we shall appreciate if you will kindly check this balance with your records and send your confirmation **DIRECT** to our auditors, Messrs. _____, Certified Public Accountants, by completing the form below for which an addressed postage paid envelope is enclosed.

Your prompt response to this request will be appreciated.

Yours faithfully,

M/S _____

Name and address of the debtor/ creditor

Certified Public Accountants

Address

Confirmation of balance

I/We confirm that the debit/credit balance of Shs. _____ as at _____, in the name of _____ is/are not in agreement with my/our books. The details of difference are as follows:

Yours faithfully,

N. Legal Confirmation

Name and Address of the Lawyer

Date _____

Dear Sirs,

Our auditors M/s _____, Certified Public Accountants are performing their usual examination of our financial statements. Please furnish **DIRECT** to our auditors the information requested below involving matters as to which you have been engaged and to which you have devoted substantive attention on behalf of the Company in the form of legal consultation or representation. Please provide the information requested below, taking into consideration matters that existed at **(balance sheet date)** and for the period from that date to the effective date of your response if it is other than date of reply.

Pending or Threatened Litigation

1. The nature of the litigation.
2. The progress of the case to date.
3. How management is responding or intends to respond the litigation; for example to contest the case vigorously or to seek out of court settlement, and
4. Evaluation of the likelihood of an unfavourable outcome and an estimate, if one can be made, of the amount or the range of potential loss.

Your response should be sent to our auditors. An addressed envelope is enclosed for your convenience.

Also, please identify any pending or threatened litigation with respect to which you have not yet devoted substantive attention.

Yours faithfully,

(Authorized signatory of the company)

O. Inventory Count Attendance

Guidelines for observation of physical inventories

1. The attendance at the client's physical inventory is now regarded as a compulsory audit procedure. It is from the physical inventory that a client establishes that quantities in inventory which are valued to give the inventory amount in the balance sheet. It is clearly pointless for the auditor to verify the valuation of inventories if he has not satisfied himself as to the accuracy of the quantities held.
2. The purpose of observing the physical inventory is to determine that the client's procedure result in an accurate count. It should be remembered that while the auditor will himself carry out test counts and extract certain cut-off information he is primarily there to observe that the client's procedure are satisfactory.
3. Where the client has an efficient system for inventory records, the physical inventory may be carried out on a continuous basis as opposed to counting everything in one go at the year-end. In the case of a client using the continuous basis, the auditor will still be required to observe a part of this continuous inventory counting.
4. The work of the auditor will normally cover three stages - before, during and after the physical inventory.
5. The following tasks should be carried out before the physical inventory begins:
 - (a) Obtain a copy of the client's inventory instructions
 - (b) Review adequacy of instructions using the pre-printed checklist and discuss any weaknesses in instruction with the client.
 - (c) Arrange for letters to be sent to third parties holding inventories on behalf of client, requesting confirmation of these inventories to be sent direct to the auditors with a copy to the client.
6. The main task during the count is to see that the client's employees are carrying out their instructions properly.

The physical inventory pre-printed checklist should be completed and supporting schedules will be prepared to cover the following:

Notes of inventory movement during the count.

Details of last number prior to physical inventory in respect of:

- Goods received
- Goods despatched
- Internal movement of goods

Details of numbering of inventory sheets used and destroyed and of control of their issue to and return by those carrying out the physical inventory.

Schedules of items counted by the auditor showing their valuation (this valuation may have to be completed at final visit).

Details of any old, obsolete, damaged or excess inventories noted during the attendance.

Comments on adequacy of custody.

7. The working paper should be prepared in such a manner that the information can be easily followed up at the final audit visit. Test counts for example should have been traced to the stock sheets to confirm that they are a proper record of the results of the physical inventory.
8. The auditor should be aware of the approximate value of the various inventory items as he may wish to cover high value items in his test count. The valuation of the items counted by the auditors should be recorded during the count or, if not possible, at the final audit visit.
9. Where it is considered that physical inventory has been unsatisfactory in any major respect that matter should be reported immediately to the manager or partner concerned so that the necessity for a second physical inventory can be considered and discussed with the client.
10. At the final audit the information obtained at the physical inventory will be followed up. The work to be carried out will include:
 - (1) An overall review of the working papers to assess the effectiveness of the physical count and whether the final audit programme work should be altered as a result.
 - (2) A check of the cut-off using the information obtained on the last goods received and despatched note numbers.
 - (3) A check of the auditor's test count items to the final inventory sheets.
 - (4) A test that the final inventory sheets include only the inventories counted by reference to the details of numbering of inventory sheets obtained during the observation.

- (5) A follow up of all outstanding queries including obsolete etc items noted at the attendance of the physical inventory.
- (6) A test to ensure that inventory records have been adjusted to agree with the physical inventory.
- (7) A discussion with management of any weaknesses which arose, and if appropriate include points in the internal control memorandum.

P. Going Concern Assessment

Client:		Audit Date	
Prepared by:		Date:	
Reviewed By:		Date	

1. a) **Evaluating Management’s Assessment.** Does management’s assessment of the entity’s ability to continue as a going concern indicate any events or conditions that would indicate a risk exists that the going-concern assumption may be questionable during the twelve month period after the balance sheet?

Yes Describe

No _____

1. b) **Evaluating Management’s Assessment.** Based on our inquiries of management and our review of their assessment, were any events or conditions noted that may occur shortly beyond the twelve month period after the balance sheet date that were so significant that they may cast doubt on the entity’s ability to continue as a going concern?

Yes Describe

No _____

IF THE AUDIT TEAM ANSWERS “NO” TO QUESTIONS 1a and 1b ABOVE, STOP HERE AND DISCARD THE REMAINDER OF THE FORM. HOWEVER, IF THE AUDIT TEAM ANSWERS “YES” TO QUESTIONS 1a and 1 b ABOVE, THEY SHOULD COMPLETE THE ASSESSMENT IN STEPS 2 & 3 BELOW.

2. **Mitigating Conditions.** Were any recent conditions or events noted (other than considering management's future plans) that have mitigated the risk events or conditions identified in step 1.

Yes Describe

No _____

3. **Assessment.** Without considering management’s future plans, is there substantial doubt about the appropriateness of the going-concern assumption?

Yes Describe

No _____

Q. Going Concern: Consideration of Management's Plans

At this stage of the going concern assessment, there is a rebuttable presumption that the engagement team will conclude that a substantial doubt exists about the entity's ability to continue as a going concern resulting in modification of our report. This presumption can only be overcome with persuasive evidence in support of the adequacy and achievement of management's plans.

The following procedures should be performed, as applicable:

1. **Stated plans.** Obtain and discuss with management its plans to deal with the identified risks. Indicate the individuals interviewed. (See Appendix A for background information.)

Done by: _____ Date: _____

Interviewed: _____ Date: _____

2. **Supporting evidence overcoming substantial doubt.** Indicate below the elements of management's plans that are particularly significant to overcoming the substantial doubt about the entity's ability to continue as a going concern. Examine and describe evidence that supports those elements (examples of such evidence are described in Appendix A).

- Third-party guarantee (Step 3 below)
- Debt restructuring or new borrowings (Firm policy contains a rebuttable presumption that only an irrevocable, legally binding commitment letter constitutes sufficient evidential matter to overcome a going concern consideration.)
- Liquidation of assets
- Reduction or delay of expenditures
- Increase in revenues
- Increase in equity
- Other (describe)

3. **Third party guarantees and other financial restructuring agreements.** If there are significant guarantees of financial support from a third party (such as the entity's parent company, another shareholder, an affiliate or a general partner of a limited partnership):

- a. Describe the nature of the guarantee from the list provided below (and, if the guarantee is limited, describe its amount and duration). In addition, discuss the nature and extent of the audit work performed in this area. See Appendix B for a listing of suggested steps.

- Subordination agreement to allow deferral of payment of amounts owed to the parent company and affiliates.
- Agreement of third party to serve as guarantor of the entity's future borrowings from a lender.
- Line of credit or provision of funds directly to the entity.
- Other (describe):

Are **all** of the following points true?

- There is a written agreement signed by the guarantor (not just a representation by management of the entity).
- It is reasonable to assume that the guarantee can be realized, if necessary. (Consider the enforceability of the guarantee, the liquidity of the guarantor, its past record of honouring similar commitments and its risk of losing credibility with the public if it fails to honour its commitment.)
- Should the entity default, it is reasonable to expect, from a business viewpoint:
 - That the creditors would seek recovery from the guarantor?
 - The entity will disclose the existence of the guarantee agreement?

Yes _____

No Little, if any, reliance should be placed on the guarantee.

N/A A guarantee is not part of management's plans.

Done By: _____ Date: _____

4. **Prospective financial information.** Normally, we expect management to have prospective financial information for at least one year from the balance sheet date (budgets, projections, cash flow forecasts, etc.) available to demonstrate the intended outcome of its plans. Although this information is not as persuasive as evidence provided by third parties, we usually consider it as necessary to support management's plans.
- a. Consider the reliability of the system for generating the prospective information.
 - b. Read the information and the underlying assumptions to determine whether it is consistent with other plans or evidence.
 - c. Compare similarly prepared budget information prepared in prior periods with the actual results achieved in those periods. Compare the prospective information for the current period with results achieved to date.
 - d. Consider the adequacy of the support for significant underlying assumptions, based on knowledge of the entity, its business and its management. (We should be sceptical of assumptions that appear to be based on wishful thinking and do not reflect the conditions and course of action that entity management truly anticipates.) Give particular attention to assumptions that are:
 - Material to the prospective financial information.
 - Especially sensitive or susceptible to change.
 - Inconsistent with historical trends.
 - Inconsistent with management's stated plans.
 - e. If it appears that important factors are not reflected in the prospective information, discuss their effects with management. If necessary, request that the prospective information be revised (Note: The inability or refusal to make requested revisions ordinarily will prevent us from resolving our going-concern doubt.) In addition, if management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the balance sheet date, the auditor should ask management to extend its assessment period to at least twelve months from the balance sheet date.

- f. Consider whether it would be appropriate to perform other procedures such as those performed in an examination of a forecast *NOTE*: No report should be issued because the work is solely for our use in assessing management's plans. Can the Firm place any reliance on the prospective information noted above, adjusted as necessary, given the history and specific facts and circumstances of this entity?

Yes _____

No Little, if any, reliance should be placed on the prospective information.

Performed By: _____ Date: _____

5. **Overall assessment of management's plans.** Does the evidence indicate that all of the following are true?

- Management's plans are feasible.
- They are likely to be implemented.
- They are likely to allow the entity to operate for at least a year beyond the date of the financial statements.

Yes The going-concern question has been satisfactorily resolved.

No WE HAVE CONCLUDED THAT THERE REMAINS SUBSTANTIAL DOUBT ABOUT THE ABILITY OF THE ENTITY TO CONTINUE AS A GOING CONCERN.

6. **Management's representation.** Obtain written representation (in the general representation letter) regarding management's plans and conclusion about the appropriateness of the going concern assumption and the reasonableness of related disclosures in the financial statements.

Done _____ Date: _____
By: _____

7. **Consultation.** The engagement team should consult with the partner in all of the following situations related to making an assessment of an entity's ability to continue as a going concern:
- When the engagement team has identified risks and any related mitigating circumstances and is evaluating whether those circumstances mitigate the risks or whether there is a need to consider management's plans;
 - When the engagement team has completed assessing management's plans and is assessing whether a report modification is necessary.
 - A going-concern problem is expected to arise shortly after the twelve-month "cut-off" period beyond the date of the financial statements.
 - Report modifications
 - Engagement retention/resignation. The following should be considered:
 - The quality of the entity's accounting policies and procedures.
 - Prospects for continuation of business for the next two to three years.
 - Quality of management (e.g., ability to control risk)
 - The Firm's vulnerability (litigation risk, risk of damaging reputation, and fee recoverability).

Performed By: _____ Date: _____

Documented
at: _____

8. **Approved:**

Manager _____ Date: _____

Partner _____ Date: _____

R. Related Party Transactions Checklist

Client:	
Period:	

Introduction

Related party - parties are considered to be related if one party has the ability to Control the other party or exercise significant influence over the other party in making financial and operating decisions.

**W/P
Ref Initial**

System Evaluation

- | | | |
|--|-------|-------|
| 1 Determine and evaluate the client's procedures, if any, for authorising identifying and properly accounting for related party transactions. Document our assessment as to whether or not significant RPTs would be identified by the procedures. | _____ | _____ |
| 2 Determine and evaluate the client's procedures, if any for prohibiting individual directors or other members of management from exercising significant influence over transactions in which that person is a related party. | _____ | _____ |

Related Parties

- | | | |
|--|-------|-------|
| 3a Obtain from management personnel (or prepare) a list of all related parties and compare with the previous year's list and the shareholder's records. Distribute the list of relate parties to all staff assigned to the engagement for their consideration while performing various audit tests, and attach copy to this checklist. | _____ | _____ |
| 3b If a coordinating office, distribute the list of RPTs to other offices / firms of auditors participating in the engagement. | _____ | _____ |
| 4a If secondary auditors, consider obtaining representation from parent company management as to the existence of related parties. | _____ | _____ |
| 4b Consider enquiring of predecessor auditors, or other firms involved in the audit, as to their knowledge of RPTs. | _____ | _____ |
| 5 Document any affiliations directors or senior management have with other entities. | _____ | _____ |

	W/P Ref	Initial
<i>Related Party Transactions</i>		
6	Inquire of appropriate management personnel whether there were any transactions with related parties (including significant transactions that occurred but were not given accounting recognition).	
7	Perform procedures to identify additional related parties and significant (over ____), unusual, or nonrecurring transactions or balances involving related parties. Such procedures could include:	
	(a) identifying major customers, suppliers, borrowers, and lenders, and significant changes to these relationships.	
	(c) review of lawyer billings	
	(d) review of bank guarantees	
	(e) review of contract awards	
	(f) review of overdue receivables or payables	
	(g) review of investment transactions	
	(h) transactions at, or near, the year end (refer audit manual para 5.8.1)	
	(i) review of transactions with unusual terms of trade	
	(j) consider where RPTs may have occurred but not changed	
8	Where RPTs have been identified prepare (or obtain) a schedule, or a summary where appropriate of thee and obtain an understanding of the business purpose of the transaction(s).	
	(a) examine invoices, agreements etc.	
	(b) examine approval for the transaction both by management and local shareholders	

	W/P Ref	Initial
(c) obtain confirmation of any outstanding balances	_____	_____
(d) obtain information as to the financial standing of the related parties regarding out	_____	_____
(e) indicate whether disclosure is required or not	_____	_____
(f) agree with management	_____	_____
9. Where it is uncertain if the transaction is a RPT or not consider:	_____	_____
(a) obtaining confirmation of significant information directly from third parties	_____	_____
(b) obtaining further information and references on supplies or customers that appearing	_____	_____

Signed _____

Date: _____

Partner /
Manager _____

Date: _____

REPORTING PHASE

S. Summary Review Memorandum

Name of client:		Year ended	
Prepared by:		Date	
Reviewed by:		Date	

Following are the examples of items that may be reported in the Summary Review Memorandum for the review of the partner:

Major Accounting or Auditing Issues

Change in Accounting policy with financial impact

Major acquisitions/disposal of Fixed Assets/Investments

Provisions

Acquisition of Long Term Loan/Leases

Major Contingencies/litigations including Tax etc.

T. Audit Completion Checklist

WP Ref.:	
Date	

Client: _____
Period: _____

Purpose

The purpose of this checklist is to document adherence to International Standard on Auditing. This document requires, at a minimum, review and sign-off by the partner.

The working paper is divided into the following sections:

- I Engagement Partner Sign-off
- II Considerations and Procedures

The engagement partner signs and dates the Audit Completion Checklist throughout each phase of the audit workflow and prior to issuance of the report.

I Engagement Partner Sign-off

Procedures	Sign-off	Date
------------	----------	------

Engagement Management

I have:

- reviewed the suitability of accepting the audit engagement or continuing with the audit engagement and have performed formal re-evaluation procedures as appropriate
- obtained an engagement letter, as appropriate

I have determined materiality for planning purposes for use in planning our audit procedures and documented this determination.

I have reviewed the working papers and am satisfied that our understanding of the business and strategic business risks and the basis on which we have formed our decisions have been adequately and appropriately documented.

I am satisfied that:

- working papers related to critical audit objectives have been reviewed by the engagement partner
- working papers that do not relate to critical audit objectives have been reviewed by someone other than the preparer

Procedures	Sign-off	Date
<ul style="list-style-type: none"> review points have been cleared and the review notes discarded 	_____	_____
<ul style="list-style-type: none"> the audit team has performed its work in compliance with International Standards on Auditing and the working papers demonstrate this compliance 	_____	_____
<ul style="list-style-type: none"> all adjusting entries have been reviewed 	_____	_____
<ul style="list-style-type: none"> final Trial Balance has been obtained from client containing all adjusting entries, reclassifications etc. 	_____	_____
<ul style="list-style-type: none"> the audit team has obtained sufficient appropriate audit evidence, including consideration of going concern, so as to form an audit opinion 	_____	_____
<ul style="list-style-type: none"> the engagement deliverables are consistent with the deliverables specified in the engagement letter or any variation to it, and are supported by the work performed during the engagement 	_____	_____
<ul style="list-style-type: none"> the financial statement presentations and disclosures are adequate and conform with the audit team's understanding of the business as well as the Companies Act and International Financial Reporting Standards (IFRSs). 	_____	_____
<ul style="list-style-type: none"> in my opinion, based on the audit procedures performed, the financial statements are free of material misstatement when an unqualified opinion is expressed 	_____	_____
<p>I agree with the opinion reached such that the audit report may be released.</p>	_____	_____

II Considerations and Procedures

This section provides a list of policies and professional standards to be considered by the audit team throughout each phase of the audit workflow. Its primary purpose is to serve as a memory jogger for the audit team. It is to be reviewed throughout the audit prior to partner sign-off. Additional considerations may be added to the list based on specific circumstances of each engagement.

The note column provides an opportunity to indicate consideration of each step as either applicable (✓) or not applicable (N). In addition, audit teams may choose to make additional references in the notes column as considered appropriate.

Procedures	Notes
Engagement management	
We have reviewed the suitability of accepting the audit and have accepted the appointment as auditor	
We have reviewed the suitability of continuing with the audit engagement and have performed formal re-evaluation procedures as appropriate	
We have followed the appropriate procedures to determine the independence of partners, managers and professional staff with respect to the entity on whose financial statements we express an opinion	
We have set the terms of the engagement and obtained an engagement letter	
We have considered materiality in the audit and determined and used materiality for planning purposes in planning our audit procedures	
Working papers	
<p>We have appropriately managed the working papers including preparing them, utilising current and continuing use working papers, reviewing working papers, restricting access to working papers and retaining working papers including:</p> <ul style="list-style-type: none"> ■ Points raised during the review of the working papers have been cleared and where appropriate the working papers have been revised. Review notes have not been retained. ■ The engagement partner has reviewed audit working papers related to critical audit objectives and determined that all audit working papers meet requirements of International Auditing Standards. ■ Someone other than the preparer has reviewed each working paper. 	

Procedures	Notes
<ul style="list-style-type: none"> ■ Upon completion of the audit, we have determined that the working papers and other documents are in proper order and complete. Working papers and other documents are properly filed and carefully maintained so they can be readily located. Specifically working papers and other documents on electronic media, finalised working papers and other documents on disk drives maintained by the audit team, including support staff, have been moved to either the appropriate file server or to disks for storage with the working paper files. Additional electronic copies of entity-related information have not been retained, except as set forth in this paragraph. The professional staff assigned are in possession of no audit-specific information, whether on their personal computers, on their support staff's computers or otherwise. ■ We have and will only make working papers available to third parties (excluding joint auditors and principal auditors) after consultation with the engagement partner. 	
<p>Workflow activities</p>	
<p>We have obtained and / or updated our understanding of the entity's environment, including:</p> <ul style="list-style-type: none"> ■ preparing a Strategy and Planning Document ■ performing and documenting analytical procedures in planning the audit, including follow-up actions for variances where appropriate. 	
<p>We have determined and documented materiality for planning purposes.</p>	
<p>We have obtained an understanding of the strategic business risks and significant classes of transactions, identified the potential financial statement effects and documented our analysis.</p>	
<p>We have considered all issues raised during the planning phase, summarised those considered significant and appropriately identified planned audit procedures in Strategy and Planning Document.</p>	

Procedures	Notes
<i>Fraud and error</i>	
<p>In planning the audit, we have assessed the risk that fraud or error may cause the financial statements to contain material misstatements, and have enquired of management regarding their understanding of the risk of fraud in the entity, their knowledge of fraud or suspected fraud that the entity is investigating or whether they have discovered material errors. We have also enquired of management regarding the accounting and internal control systems put in place to address fraud risk and prevent and detect error. We have documented our understanding of management's fraud risk assessment, the accounting and internal control systems in place, and known fraud and material error in the Fraud Risk Assessment Document</p>	
<p>We have documented fraud risk factors that have been identified as being present in the Fraud Risk Document</p>	
<i>Communications to management and those charged with governance</i>	
<p>We have communicated with management to confirm our understanding of the entity's business and to discuss other issues as appropriate</p>	
<p>We have considered with whom in governance to communicate. We have also considered audit matters of governance interest arising from the audit of financial statements and communicated them with those charged with governance on a timely basis</p>	
<p>We have obtained an understanding of the financial statement risks and financial statement controls and made a preliminary assessment of the risk of significant misstatement as documented in the appropriate Audit Programmes</p>	
<p>We have performed appropriate audit procedures to obtain sufficient audit evidence to support, and planned appropriate audit procedures to respond to, our assessment of the risk of significant misstatement for each audit objective as documented in the Audit Programmes. We have also addressed the fraud risk factors, as documented in the Fraud Risk Assessment Document, in designing these audit procedures</p>	
<p>We have obtained an understanding of the accounting system sufficient to identify and understand the accounting and financial reporting process from the initiation of significant transactions and other events to their inclusion in the financial statements, including how journal entries are prepared, processed and approved</p>	

Procedures	Notes
We have identified, documented and considered the significant issues and updated planned procedures and findings as appropriate	
Substantive Procedures, Evaluation and Reporting	
<i>Workflow activities</i>	
We have performed substantive audit procedures as planned and documented them in the Audit Programme including substantive analytical procedures, and / or tests of details as appropriate.	
<p>We have identified and investigated audit differences and have:</p> <ul style="list-style-type: none"> ■ prepared a Summary of Unadjusted Audit Differences ■ considered materiality in evaluating the effect of audit differences ■ considered the aggregate of unadjusted audit differences in evaluating the fair presentation of the financial statements. 	
We have discussed identified audit differences with management during the audit and considered their nature and cause. In instances where management refused to adjust the financial statements and the results of extended audit procedures did not enable us to conclude that the aggregate of unadjusted audit differences was not material, we considered the appropriate modification to our report in accordance with ISA 700 the Auditor's Report on Financial Statements. We have also informed those charged with governance of unadjusted audit differences aggregated by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.	
We have evaluated our findings, including performing analytical procedures at the overall review stage of the audit	
We have reviewed the reconciliation of amounts audited in the working papers to the amounts reported in the financial statements and have documented in the working papers that we have performed this review.	
We have checked all adjusting entries that have been made	
We have obtained final Trial Balance from client and ensured that it is updated for all adjusting entries, reclassifications etc.	
We have obtained sufficient audit evidence to form our audit opinion and have reported our findings	

Procedures	Notes
<p>We have obtained written management representations. At a minimum these representation include those specified by the ISAs.</p>	
<p><i>Fraud and error</i></p>	
<p>For circumstances encountered that may indicate that there is a material misstatement in the financial statements resulting from fraud or error, we have performed procedures to determine whether the financial statements are materially misstated. We have documented the circumstances identified together with the audit procedures performed in the Fraud Risk Assessment Document.</p>	
<p>For audit differences identified, we have considered whether such audit differences may be indicative of fraud and if there is such an indication, we have considered the implications in relation to other aspects of the audit, particularly the reliability of management representation.</p>	
<p><i>Communications to management and those charged with governance</i></p>	
<p>We have included in engagement deliverables caveats, disclaimers and restrictions relevant to the circumstances, and also restricted reliance on engagement deliverables to clients or any other party specifically identified in the engagement letter.</p>	
<p>We have communicated to management, if applicable, fraud or error, non-compliance with laws and regulations and material weaknesses that have come to our attention.</p>	
<p>If we suspect that members of senior management, including members of the board of directors, are involved in non-compliance, we have reported the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or a supervisory board.</p>	
<p>If a material weakness in the design or operation of the accounting and internal control systems has come to our attention, we have made management aware of the weakness as soon as practical and at an appropriate level of responsibility.</p>	
<p>If a material weakness in internal control related to the prevention and detection of fraud and error has come to our attention, we have communicated it to management in writing. We are satisfied that those charged with governance have been informed of these weaknesses that have been brought to our attention by management, or that have been identified by us during the audit.</p>	

Procedures	Notes
<p>We have considered with whom in governance to communicate and appropriately communicated audit matters of governance interest arising from the audit of the financial statements</p>	
<p>We have also informed those charged with governance of uncorrected misstatements aggregated by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p>	
<p>Need of Specialists</p>	
<p>We have determined the need for a specialist (such as CIS Specialist and tax specialists etc.) and defined the role and responsibility of the specialist.</p>	
<p>We have obtained feedback from the specialists on issues arising from their work and appropriately considered the results of their work in the audit</p>	
<p>We have obtained feedback from the specialists on issues arising from their work and appropriately considered the results of their work in the audit.</p>	
<p>Other independent auditor</p>	
<p>When the work of another independent auditor has been used, we have:</p> <ul style="list-style-type: none"> ■ considered our participation in the audit (as principal auditor or other auditor) ■ determined how the work of the other auditor will affect the audit ■ considered the professional competence and independence of the other auditor in the context of the specific assignment ■ shared information with the other auditor 	
<p>When the work of another independent auditor has been used we have:</p> <ul style="list-style-type: none"> ■ obtained sufficient appropriate audit evidence that the work of the other independent auditor is adequate for our purpose, in the context of the specific assignment ■ considered significant findings from the other independent auditor and other matters affecting the financial information of the component and appropriately addressed the findings 	

Procedures	Notes
<p>We have considered the significant findings of the other independent auditor and other matters affecting the financial information of the component and determined whether the work of the other auditor can be used.</p>	
<p>We have obtained written representation from the other independent auditor regarding their compliance with the independence, accounting, auditing and reporting requirements.</p>	
<p>If it was concluded that the work of the other auditor cannot be used and we have not been able to perform sufficient additional audit procedures regarding the financial information of the component audited by the other auditors we have expressed a qualified opinion or disclaimer of opinion because there is a limitation in the scope of the audit.</p>	
<p>If our audit opinion on the financial statements as a whole is based solely on the audit report of another auditor regarding the audit of one or more components, we have stated in our report that fact clearly and have indicated the magnitude of the portion of financial statements audited by the other auditor.</p>	
<p>External expert</p>	
<p>We have considered the need for use of an external expert, assessed the professional competence and objectivity of the expert, documented our decision to rely on the work of the expert and obtained audit evidence regarding the scope of the expert's work.</p>	
<p>We have obtained sufficient appropriate audit evidence that the work of the external expert was adequate for our purpose, in the context of the specific assignment. If the results of the expert's work did not provide sufficient appropriate audit evidence or if the results were not consistent with other audit evidence, we have resolved the matter.</p>	
<p>We have made appropriate reference to the work of an expert based on whether the report is modified.</p>	

Procedures	Notes
<i>Internal audit</i>	
<p>We have obtained an understanding of the activities of internal audit and performed a preliminary assessment of the internal audit function sufficient to identify those activities that are relevant to planning our audit. Where relevant, we have documented our decision to rely on the work of the internal auditors, including a discussion of our assessment of the competence and objectivity of the internal audit department and the planned use of internal audit and considered use of the 'Internal Audit Function Evaluation' working paper..</p>	
<p>If the work of internal audit has been used, we have obtained sufficient appropriate audit evidence that their work is adequate for our purpose, in the context of the specific assignment and we have completed the 'Internal Audit Function Evaluation' working paper.</p>	
<p>When we used the specific work of internal audit, we evaluated and tested that work to confirm its adequacy for our purposes and completed the 'Internal Audit Function Evaluation' working paper.</p>	
<i>Specific topics</i>	
<p>Consideration has been given to other specific topics. Such topics include:</p> <ul style="list-style-type: none"> ■ long -term investments ■ segment information ■ comparative financial statements ■ corresponding figures ■ opening balances ■ attendance at physical inventory counting ■ environmental matters ■ derivative financial instruments 	

Procedures	Notes
Consideration has been given to other specific topics and procedures appropriate for the process analysis performed.	
Consideration has been given to other specific topics and procedures appropriate for substantive procedures, evaluation and reporting performed and appropriate conclusions reached.	
<i>Other Information</i>	
We have read the other information to identify material inconsistencies with the audited financial statements.	

U. Subsequent Events Review Checklist

Client: _____

Initial Date _____

Completed By: _____

Year end: _____

Reviewed By: _____

	Yes / No / N.A.		
Events Discovered up to Signing of Audit Report			
1. Adjustable Events:			
Have under given possible events (along with checking procedures) which may be adjusted been identified clearly, discussed with client's officials and adjusted in accounts?			
a. Subsequent determination of price of fixed assets purchase or sale before the year end.			
b. Property and investments: Evidence of permanent diminution in value.			
c. Stock and work-in-process: Subsequent sale proceeds for evidencing of net realizable value at balance sheet date.			
d. Long-term contracts: Estimated final result shows the accrued profit thereon was materially inaccurate.			
e. Adequacy of provision for bad debts: Evidence as to collectability and negotiation with debtors.			
f. Claims receivable: Negotiated at the balance sheet date.			
g. Discovery of frauds and errors: Indicating financial statement are in-correct.			
h. Dividend receivable/payable: Declared after balance sheet date.			
2. Non-adjustable events: (Only disclose if material)			
Have under noted possible events been discussed with client's officials and disclosed in accounts in compliance with IAS10?			
a. Mergers and acquisitions of any business.			
b. New issue of shares or acquisition of loan capital.			
c. Acquisition or disposal of material assets or investments.			

	Y	N	NA
d. Major changes in market price of investments.			
e. Losses of fixed assets or stocks as a result of catastrophe such as fire and flood.			
f. Opening/extending of trading activities.			
g. Closing of significant part of trading activities not expected to close at year-end.			
h. Major exchange rate movements.			
i. Effect of any new legislation or government regulation.			
j. Strike and other labour disputes.			
k. Significant reversal of sales and profit trend.			
l. Reason of any suspension or interruption of operations.			
m. Loss of major customers or contractors.			
n. Potential losses on forward contracts.			
o. Imposition of exchange controls.			
p. Acquisition, or withdrawal, of short-term borrowings facilities.			
q. Financial arrangements made but disbursements where not made.			
Have evidences of such above events been documented and enclosed?			
Have representations been taken from management for such events?			
Review the minutes of meetings since the year-end of directors, shareholders and appropriate key committees.			
Obtain and read any post year-end management accounts and inquire the significant variances, if any.			
Consider whether the going concern assumption in relation to whole or a part of the enterprise is appropriate.			