

AUDIT DOCUMENTATION AND DELIVERABLES

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Audit Objective

- ❑ To opine on true and fairness of the financial statements.
- ❑ To provide reasonable assurance as to whether the Financial Statements are free from material misstatements.
- ❑ To report on the requirements of the Companies (Auditor's Report) Order, 2020.
- ❑ To ensure that the financial statements are prepared and presented in compliance with applicable Accounting Standards.
- ❑ To opine on the internal financial controls with reference to financial statements.

Audit documentation

- Very important part of audit procedures.
- Keep only **relevant** papers.
- Internal / External referencing of work papers.
- It's a parallel activity and not at the end of the audit. At each stage, documentation is mandatory.

Appointment procedures

- Client Continuance / acceptance procedures, Conflict check
- KYC procedures
- Eligibility confirmation
- Appointment letter and resolutions
- Engagement letter
- Form ADT 1 and acknowledgement
- Ensure compliance with ethical requirements
 - Independence
 - Communication with previous auditors

Planning

- Knowledge of the entity:
 - History,
 - Registration documents,
 - Earlier periods (Financials, Audit report, Tax audit report, Tax return, etc.),
 - Industry reports, media reports, if any,
 - Control environment,
 - IT systems.

- Risk assessment
 - Inherent risk
 - Internal control
 - Going concern
 - Fraud

Planning

- Meeting with management to understand:
 - Accounting system,
 - Internal control system,
 - Risk assessment procedures of the entity
 - Fraud risk

- Meeting with top management (CEO / MD)
 - Risk assessment procedures
 - Fraud considerations

- IT Planning memo

- Audit Materiality working

- Planning Strategy

Kick off meeting

- To be conducted before starting any assignment.
- Team members including partner.
- Ensure completion of appointment formalities.
- Independence declaration.
- Agenda
 - Scope of engagement
 - Knowledge of the client
 - Issues observed in previous years and potential risks
 - Significant risks and Fraud risks
 - Identifying the team – competencies
 - Client team - strengths and weaknesses of client team
 - Allocation of work among team members
 - Areawise plan
 - Time lines

Working areas



- Prepare a summary of work done for the areas
- Work program
- Internal control assessment
- Lead schedule
- Analytical review
- Work papers and audit evidences

Execution

- Audit Completion Memorandum
- Summary of Audit Adjustments
- Audit Report
 - CARO checklist and supporting
 - Main report – reporting considerations
 - Internal Financial Controls
 - Documents relating modified opinion, if any
- Analytical Review

Execution

- Companies Act Compliance
- Internal audit function
- Financial statements review – AS / Ind AS Compliance, Schedule III compliance
- Subsequent events review
- SA checklist issued by the ICAI

Completion

- SA 720 compliance
- Engagement quality control review (Second partner)
- Time details
- Letter of representation
- Board resolution for approval of financial statements
- Management Letter / Board presentation

Documentation methodology

- Linking / referencing
- Key to ticks (audit notes)
- Sign offs with dates
- **Not documented - not done.**

Deliverables



- Audit Opinion – main audit report
- CARO, 2020, if applicable
- IFC report, if applicable
- Management Letter

New reporting requirements

➤ **MCA Amended Companies (Accounts) Rules, 2014, Relating to Availability of Books of Account and & If Service Provider is Located Outside India**

MCA has amended Companies (Accounts) Rules, 2014 Rule 3(1) to require availability of books of account and other relevant books and papers maintained in electronic mode to remain accessible in India **at all times.** (words added)

Further the notification amends Rule 3(5) to further provide that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on **a daily (earlier 'periodic') basis**

The Notification inserts a reporting clause (e) under Rule 3(6) as follows – “the company shall intimate to the Registrar on an annual basis at the time of filing of financial statements (e) where the service provider is located outside India, the name and address of the person in control of the books of account and other books and papers in India.”

Applicable from financial year 2022-23.

New reporting requirements

Mandatory Audit Trail in Accounting Software

The Companies (Accounts) Rules, 2014 & Companies (Audit and Auditors) Rules 2014 had been amended in in 2021 to provide that all Companies shall mandatorily **with effect from 1st April 2023** ensure that the accounting software used for maintenance of Books of Accounts shall have the following features:

- 1) Recording **audit trail of each and every transaction.**
- 2) Creation of **edit log of each change** made in Books of Accounts **along with date** on which change was made.
- 3) Ensure that Audit Trail **cannot be disabled.**

Statutory Auditors have also been mandated to report in their Auditors' Report that the Accounting Software used by the Company has above features.

Remember

- All the documentation has to be done during the course of audit.
- Document your work done and audit evidence obtained.
- Work papers to be signed off by preparer and reviewer with **dates**.
- Ensure completion of appointment formalities before starting any engagement. Ensure engagement letter is signed.
- Communication to the Client should be formal and written.

Recommended Scale of Fees - ICAI



11.02.2020

Committee for Member in Practice (CMP), ICAI

Revised Minimum Recommended Scale of Fees for the Professional Assignments done by the Chartered Accountants

The Committee for Members in Practice (CMP) of ICAI as a part of its commitment to strengthen the Practitioners has initiated the Revised Minimum Recommended Scale of Fees for the professional assignments done by the members of ICAI. The recommendation is about the fee to be charged as per the work performed for various professional assignments. The fee has been recommended separately for Class A, Class B and Class C cities.

| PARTICULARS | Revised minimum Recommended scale of Fees | | |
|---|---|---------------------------|------------------------------|
| | Class 'A' Cities (₹) | Class 'B' Cities (₹) | Class 'C' Cities (₹) |
| 1) ADVISING ON DRAFTING OF DEEDS/AGREEMENTS | | | |
| (a) i) Partnership Deed | 15,000/- & Above | 10,000/- & Above | 8,000/- & Above |
| ii) Partnership Deed (With Consultation & Tax Advisory) | 20,000/- & Above | 15,000/- & Above | 10,000/- & Above |
| (b) Filling of Forms with Registrar of Firms | 7,000/- & Above Per Form | 5,000/- & Above Per Form | 3,000/- & Above |
| (c) Supplementary / Modification in Partnership Deed | 12,000/- & Above | 9,000/- & Above | 6,000/- & Above |
| (d) Joint Development Agreements / Joint Venture Agreements | 12000 & Above (See Note-1) | 9000 & Above (See Note-1) | 6,000/- & Above (See Note-1) |
| (e) Others Deeds such as Power of Attorney, Will , Gift Deed etc. | 5000 & Above | 4000 & Above | 3,000/- & Above |

Recommended Scale of Fees - ICAI

| 2) INCOME TAX | | | | |
|---|---|------------------|------------------|------------------|
| A. Filing of Return of Income | | | | |
| I) For Individuals/HUFs etc. | | | | |
| (a) | Filing of Return of Income with Salary/Other Sources/Share of Profit | 8,000/- & Above | 6,000/- & Above | 4,000/- & Above |
| (b) Filing of Return of Income with detailed Capital Gain working | | | | |
| | i) Less than 10 Transactions (For Shares & Securities) | 11,000/- & Above | 8,000/- & Above | 5,000/- & Above |
| | ii) More than 10 Transactions (For Shares & Securities) | 17,000/- & Above | 12,000/- & Above | 8,000/- & Above |
| (c) | Filing on Return of Income for Capital Gain on Immovable property | 32,000/- & Above | 22,000/- & Above | 15,000/- & Above |
| (d) | Filing on Return of Income with Preparation of Bank Summary, Capital A/c & Balance Sheet. | 12,000/- & Above | 9,000/- & Above | 6,000/- & Above |
| II) | | | | |
| | (a) Partnership Firms/Sole Proprietor with Advisory Services | 15,000/- & Above | 10,000/- & Above | 8,000/- & Above |
| | (b) Minor's I.T. Statement | 8,000/- & Above | 6,000/- & Above | 4,000/- & Above |
| (c) Private Ltd. Company: | | | | |
| | i) Active | 25,000/- & Above | 18,000/- & Above | 12,000/- & Above |
| | ii) Defunct | 12,000/- & Above | 9,000/- & Above | 6,000/- & Above |
| (d) Public Ltd. Company | | | | |
| | i) Active | 65,000/- & Above | 45,000/- & Above | 30,000/- & Above |
| | ii) Defunct | 25,000/- & Above | 18,000/- & Above | 12,000/- & Above |

Recommended Scale of Fees - ICAI

| 5) AUDIT AND OTHER ASSIGNMENTS | | | | |
|---|--|--------------------------|--------------------------|-------------------------|
| Rate per day would depend on the complexity of the work and the number of days spent by each person | | | | |
| | (i) Principal | 18,000/- & Above per day | 12,000/- & Above per day | 8,000/- & Above per day |
| | (ii) Qualified Assistants | 10,000/- & Above per day | 7,000/- & Above per day | 5,000/- & Above per day |
| | (iii) Semi Qualified Assistants | 5,000/- & Above per day | 4,000/- & Above per day | 3,000/- & Above per day |
| | (iv) Other Assistants | 3,000/- & Above per day | 2,000/- & Above per day | 1,000/- & Above per day |
| Subject to minimum indicative Fees as under: | | | | |
| | (i) Tax Audit | 40,000/- & Above | 30,000/- & Above | 22,000/- & Above |
| | (ii) Company Audit | | | |
| | (a) Small Pvt. Ltd. Co. (Turnover up to ₹ 2 crore) | 50,000/- & Above | 35,000/- & Above | 25,000/- & Above |
| | (b) Medium Size Pvt. Ltd. Co./ Public Ltd. Co. | 80,000/- & Above | 55,000/- & Above | 35,000/- & Above |
| | (c) Large Size Pvt. Ltd. Co./ Public | See Note 1 | See Note 1 | See Note 1 |
| | (iv) Review of TDS Compliance | 25,000/- & Above | 18,000/- & Above | 12,000/& Above |
| | (v) Transfer Pricing Audit | See Note 1 | See Note 1 | See Note 1 |

Recommended Scale of Fees - ICAI

Notes:

- 1) Fees to be charged depending on the complexity and the time spent on the particular assignment.
- 2) The above recommended minimum scale of fees is as recommended by the Committee for Members in Practice (CMP) of ICAI
- 3) The aforesaid table states recommendatory minimum scale of fees works out by taking into account average time required to complete such assignments. However, members are free to charge varying rates depending upon the nature and complexity of assignment and time involved in completing the same.
- 4) Office time spent in travelling & out-of-pocket expenses would be chargeable. The Committee issues for general information the above recommended scale of fees which it considers reasonable under present conditions. It will be appreciated that the actual fees charged in individual cases will be matter of agreement between the member and the client.
- 5) GST should be collected separately wherever applicable.
- 6) The Committee also recommends that the bill for each service should be raised separately and immediately after the services are rendered.
- 7) Classification of Class A, Class B & Class C Cities are given in Annexure 'A'
- 8) The amount charged will be based on the location of the service provider.